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### Description

Who doesn't love pizza?

After a busy day at work and a killer commute, it's no surprise that take-out is an obvious choice for dinner. Pizza is arguably one of the most popular take-out choices with Chinese food and burgers being top contenders as well.

Similar to Chinese food and burgers, there are [so many pizza restaurants](#) that it is dizzying to choose one. Companies such as **Domino's**, **Pizza Pizza (TSX:PZA)**, Pizza Nova, Little Caesars, Pizzaville, and local chains are all vying for a slice of the pie.

With so many companies, it is hard to differentiate between pizza joints, which makes the average consumer indifferent to where they order pizza.

As an investor, this should concern you, as Pizza Pizza competes in an extremely saturated industry where most customers don't care where the pizza comes from. This apathy is bad for Pizza Pizza, as it harms sales and puts pressure on the company to differentiate itself.

### Stagnant sales

Pizza Pizza's sales have [remained stagnant for the past three years](#). This is concerning given that Canada has accepted almost one million permanent residents in the past three years. Stagnant sales indicate that Pizza Pizza restaurants are facing a challenge in attracting new customers.

Canada's increasing immigration numbers are an important metric in determining how successful Pizza Pizza will be, as immigration is inevitable for Canada's future growth, and pizza is arguably the cheapest food money can buy.

Given that Canada accepts around 300,000 permanent residents every year, Pizza Pizza has a responsibility to cater its tastes to appeal to the growing demographic of immigrants. To accomplish this, Pizza Pizza should look at what Pizza Hut is doing in China and India, whereby the pizzas reflect

regional flavours.

With regard to its price point, Pizza Pizza is on the lower end of the scale. Since many immigrants come to Canada with very little money, the company's inability to grow sales indicates that it is not able to capture one of the easiest target markets.

If Pizza Pizza wants to succeed, it needs to do a better job in appealing to new permanent residents. Until then, the future of Pizza Pizza is in jeopardy.

## Pressure to differentiate

First of all, Pizza Pizza deserves a kudos for its Super Plant Pizza, which features plant-based protein to appeal to meat-averse customers.

Unfortunately, making something plant-based to capitalize on the plant-based protein craze initiated by **Beyond Meat** is not enough to grow sales.

Pizza Pizza is acting without thought with the plant-based protein pizza. Beyond Meat's plant-based burgers are a necessity to meat-averse customers who want a burger as a burger without the patty would just be cheese, bread, and toppings. For Pizza Pizza, however, a pizza without meat is a cheese pizza, which has been the go-to for vegetarians for decades.

Pizza Pizza is not addressing any issues with its plant-based pizza, which makes this move a poor strategic decision.

Aside from the plant-based pizza, the company has failed to differentiate itself from the hundreds of other pizza restaurants in Canada.

## Bottom line

Pizza Pizza Royalty's sales are stagnating, which is due to Pizza Pizza's inability to attract new customers to drive revenue growth.

Further, the company has failed to differentiate itself in a fiercely competitive industry, and its plant-based pizza is nothing more than a move by the company to jump on the plant-based bandwagon.

Unless Pizza Pizza has a serious plan to target new customers, it is just another company that sells cheese and sauce on top of dough.

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