



WARNING: I Just Sold This Canadian Stock and I'm Not Looking Back

Description

Canadian Tire ([TSX:CTC.A](#)) is an iconic Canadian retailer that's facing a harsh reality as its shares continue to flop, propping up its dividend yield to levels that are well above mean levels.

The company is a victim of up-and-coming e-commerce competitors. Although management has done a somewhat decent job of offsetting the competitive pressures over the years, it seems as though the company is all over the place with moves made to better adapt to the rapidly-changing retail landscape.

Fellow Fool contributor Will Ashworth put it best: "Canadian Tire [has its hands in too many pies](#)." And by doing so, it looks like management has lost sight of what matters most as a brick-and-mortar player with a deep penetration across the nation.

Despite progress on the digital front, Canadian Tire will always be a brick-and-mortar retailer first and to really thrive in an era that's gravitating toward the digital and away from the physical, management needs to give its customers a reason for coming to its stores, not a reason to buy on its e-commerce channel.

By acquiring branded products that can easily be shipped to the door of the consumer, Canadian Tire is surrendering its greatest edge, its physical reach to Canadians.

It's said that the average Canadian is reasonably close to a Canadian Tire location, so if the convenience of such close proximity no longer matters with the rise of Canadian Tire's digital counterparts, then the company has some real problems that can't be solved through further acquisitions of exclusive brands, or expanding new stores like Party City across Canada.

Sure, acquiring Party City's Canadian unit may bolster growth, but it won't solve the issues plaguing Canadian Tire's main businesses. Sport Chek could lose share to new brick-and-mortar entrants in the sports goods scene, while Canadian Tire is slowly bringing in new items that can easily be bought online.

While there's no easy solution for boosting comps at Sport Chek, there's a way for the main Canadian Tire brand to regain its competitive edge in the realm of the physical.

Canadian Tire needs to focus on large, heavy-duty items that are hard to ship, as well as focusing on providing knowledgeable sales staff to serve customers looking to pursue their own DIY home improvement projects.

In a [prior piece](#), I suggested that if Canadian Tire wanted to adapt in the era of digital retail, it should focus on becoming more like a Home Hardware or **Home Depot** and less like its digital counterparts.

Unfortunately, Canadian Tire looks like it's scrambling to adapt with its hand in far too many pies — winter coats, exclusive pet food, and now party supplies. I just don't understand the strategy anymore, and that's why I threw in the towel on the stock.

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