



## Cheap Value Investments: This High-Growth Essential Business Could Outperform

### Description

**Dollarama** ([TSX:DOL](#)) was founded in 1992 by Larry Rossy, a third-generation retailer. Over the years, the management team introduced a number of key initiatives that have defined the [Dollarama business model](#). These initiatives include adopting a fixed price point retail concept and pursuing the store network expansion strategy across Canada. This has led to stronger brand awareness, increased sales, reduced merchandise costs, and diversified product offerings.

Though the core principles of the model which has enabled Dollarama to become a [major Canadian value retailer](#) such as offering a broad assortment of general merchandise at compelling values, the company explores new initiatives to better serve customers. Dollarama operates over 1,350 stores in Canada, including 65 net new stores opened during the most recently completed fiscal year. It continues to expand the company's network across the country.

### Consistent shopping experience

All stores are corporately operated, providing a consistent shopping experience, and many are located in high-traffic areas, metropolitan areas, mid-sized cities, and small towns. In Canada, the company's strategy is to grow sales and cash flows by offering a compelling value proposition on a wide variety of merchandise to a broad base of customers.

Also, the company continually strives to maintain and improve the efficiency of Dollarama's operations. Dollarama's strong position in the Canadian value retail industry is attributable to a number of operational advantages that should further contribute to future growth. The number, location, and penetration of stores in new and existing markets increase brand recognition, generate word-of-mouth advertising, and drive customer traffic.

### A broad assortment of products

Further, the core offering of consistently available products at a compelling value includes a broad

assortment of everyday necessities. This underpinned Dollarama's status as an essential business throughout the COVID-19 pandemic. Dollarama's multi-price point strategy allows the company to provide customers with a broad assortment of products at compelling value and to selectively adjust the selling price on certain items to address cost increases.

The company's consistent store format allows for an effective display of the broad assortment of merchandise and an efficient shopping experience for customers. Dollarama's strong and long-standing vendor network has enabled it to update and diversify the company's product selection and rapidly respond to customers' changing needs and weather major disruptions like the one experienced in early 2020 in the initial stages of the COVID-19 pandemic.

## Extensive online offering

Key technology-driven initiatives have enabled the company to be in a better in-stock position, to optimize in-store labour productivity, warehousing capacity, and logistics efficiencies, and to generally maintain a streamlined cost structure as the business continues to grow.

Dollarama's extensive online offering of select products provides customers with the opportunity to purchase certain items in large quantities and have them delivered across Canada, an option that attracted a broader customer base in the last 12 months.

Following a careful evaluation of the market potential for Dollarama stores across Canada and the continued relevance of Dollarama's business model, management believes that the company can profitably grow the company's Canadian store network to approximately 2,000 stores over the next 10 years. This could lead to a higher stock price.

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