Canada Goose Stock Faces Accusations in China

Description

For investors who are looking for growth plays on the TSX, **Canada Goose** (TSX:GOOS)(NYSE:GOOS) remains one of my top picks. Shares of the Canadian clothing company have surged over 25% since the beginning of this year.

Over the past few months, Canada Goose has managed to cement its place in the global market as a luxury brand. In 2021, this Toronto-based company will grow its operations in China, which is an extremely crucial market. That said, the stock might be under some near-term pressure. Let's find out why.

Canada Goose faces accusations in China

Canada Goose had to pay a penalty in China, as the company had reportedly misled consumers in its advertising. As per the regulator, Canada Goose claimed to use a different material in the manufacturing process compared to what it advertised.

The market regulator imposed a fine of US$71,000 on the luxury parka manufacturer. While that may seem like pennies for Canada Goose (and it is), it's the fact that Chinese regulators are taking aim at this company that's the issue for investors.

Canada Goose is another foreign retailer that has been targeted by China in the middle of the ongoing tension with Western countries. Indeed, a facility of **Heinz** and Mauritz had to likewise pay a fine of 260,000 yuan for "misleading consumers" via its advertisements.

Although this might be a small setback for Canada Goose, it is still a top pick for long-term investors.

Strong strategic focus bullish for Canada Goose stock

In recent months, Canada Goose has taken various measures to bolster operating margins and scale its operations. Besides streamlining its manufacturing process, the company has made its distribution process much more efficient. Canada Goose's business model is in sync with its in-house production facilities.

Without a doubt, this company has done a tremendous job in transitioning to a retail model that has ample scope to grow in the future. It has closed down seven out of 28 stores, thus increasing its emphasis on the company's fast-growing e-commerce platform. I believe that this strategy is likely to work out well for the company long term. Indeed, it appears that investors with a long-term investment horizon like what's underpinning this company's strong growth.

Bottom line

Canada Goose stock might be under some pressure in the near term. Making enemies with Chinese regulators has proven to be a death wish for many companies. Those following what's going on in Chinese equities right now knows what I mean.

However, the company's efficient operations and strategic shift represent a tonne of growth potential in the long term. Accordingly, investors ought to consider Canada Goose stock right now.

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