



Why Meghan Markle Can Push This Canadian Growth Stock to New Highs!

Description

Aritzia's ([TSX:ATZ](#)) target market of females between the ages of 15 and 45 are internet-savvy and should provide ample opportunity for the company to strengthen this side of its business.

The retailer, known for its fashion-forward clothes and smart branding techniques, has an aggressive strategy in place to stay ahead of the competition.

E-commerce and social media influence is key

The Aritzia brand, for over 30 years, has grown organically almost entirely through word of mouth, and the expansion of its physical presence in the market. Aritzia was fashionably late to internet retailing, but it has played catch up very well.

The “Meghan Markle” effect has helped Aritzia profit to climb to its 19th straight quarter of growth. Aritzia coats worn by the duchess of Sussex tend to sell out immediately. But it is more than just the duchess; it is about “influencer” marketing.

Influencer marketing has been on the rise for years, becoming a key part of many retailers' marketing budgets. Aritzia CEO Brian Hill has even cited “celebrity influencers” — including Hailey Bieber, Gigi Hadid, Bella Hadid, Kaia Gerber, and Kendall Jenner — on quarterly conference calls with analysts.

When Kendall Jenner shared a photo to her 100 million Instagram followers of her wearing a red \$250 Super Puff coat, it stirred an online frenzy. It was the Instagram post that spurred countless memes — and made an Aritzia coat the must-have item of the season.

Hill has been quoted as saying, “You’re going to get a certain amount of influencers wearing your products organically (Markle), but if you want to push something and get specific about a product, you’ll have to end up going with some paid influencers at some time (Jenner).”

Aritzia's strategic fiscal first-quarter achievements were impressive and aligned very closely with the influencer marketing strategy:

- It's expanded the boutique network with one new boutique opening (Hudson Yards in Manhattan) and one boutique re-positioning (Mapleview in Greater Toronto);
- It's achieved significant e-commerce growth, driven by the growing strength of the brand;
- It's built momentum in social media and influencer marketing programs, further expanding brand awareness, particularly in the U.S., where revenue increased by 38.1%; and
- It's entered a strategic partnership with SAP to implement an integrated and expansive digital client experience platform.

The partnership with SAP shows a strong investment commitment utilizing the best technological advancements in the digital realm, which is crucial for Aritzia's success.

The double-edged sword

Aritzia's retail stores in New York must grow reasonably in number and continue to be successful.

The death of the retail industry may have been greatly exaggerated, but that doesn't mean the industry isn't continuing to go through major disruptive and fundamental changes.

Aritzia embraces the challenges of both the retail spaces and digital omnichannel concepts with equal tenacity.

Hudson Yards is the largest private real estate development in the history of the United States. Located on the west side of Manhattan, it includes more than 18 million sq. ft. of residential space, offices, restaurants, hotels, shops, and public open space.

Quoting from Aritzia's webspace, here is the announcement for their recent New York store opening:

"Our latest women's boutique in NYC is now open at Hudson Yards — a brand new commercial and residential space in the heart of the city's West Side. This women's clothing boutique in the Manhattan neighborhood spans more than 6,100 sq. ft., showcasing all your favorite brands, including Wilfred, Babaton, Tna, Denim Forum and more."

[Aritzia's announcement suggests something I have not mentioned yet in clear definition: branding.](#)

Aritzia has impressive branding strengths and the smarts to be sure all the underpinnings are in place to keep the brands strong, evolving, and in continuous stock online and in the brick-and-mortar stores.

[Aritzia is a top retail stock.](#) Aritzia's financials and momentum suggest it is an undervalued stock. The reason it may be undervalued is that the stock market keeps thinking the retail sector is always close to doom.

The market has not figured out Aritzia yet. The market also has not figured out the new retail/digital world. Aritzia looks as if it has figured it all out.

The company's adjusted EBITDA increased by 25% to \$35.4 million in Q1 2020 from \$28.4 million in

Q1 2019. Additionally, the company had an adjusted EBITDA margin of 18%.

These positive financial results can be attributed to the company gaining significant e-commerce growth that was driven by the growing strength of Aritzia's brand, in addition to the six new stores and three expanded stores opened in the quarter.

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