



Canada's Top Retail Stock Is Set to Rise

Description

Dollarama ([TSX:DOL](#)) has had an incredible run [over the last decade](#). Sales and profits have risen significantly and the company's high-growth rate looks set to continue. As a result of Dollarama's broad offering of general merchandise, consumable products, and seasonal items, the company has been able to navigate economic headwinds and recessions.

Superior product offering and attractive pricing

Despite facing competition from [various speciality retailers](#), including stationery, hardware, household wares, health and beauty, and arts and crafts, Dollarama's superior product offering and attractive pricing continue to draw shoppers.

Attracting energetic employees looking for retail and business experience

Additionally, Dollarama competes with a number of companies for prime retail site locations in Canada and for the recruitment of employees. This has, however, not been a significant issue for the company as it has been able to attract energetic employees looking for retail and business experience at one of Canada's best-run retailers.

Impact of imposing strict measures

The first real test for Dollarama came when, on March 11, 2020, the World Health Organization declared the rapidly spreading coronavirus disease outbreak a pandemic. Subsequently, all of the jurisdictions in which Dollarama operates imposed strict measures in an attempt to slow down the transmission of the virus in the first wave in the spring of 2020.

Physical distancing requirements

This again was an issue in December 2020 as Canada experienced a resurgence in COVID-19 infections brought on by a second wave and once more starting in April 2021 as variants were spreading quickly and as Canada faced and continues to face a serious third wave. Strict measures were enacted that included travel restrictions, self-isolation measures, and stay-at-home orders, temporary closures of nonessential services and businesses, temporary bans on the sale of non-essential items, curfews, in-store capacity limits, and other physical distancing requirements.

Adverse impact

Similar measures have been taken in the countries of operation of Dollarcity. Traffic in Dollarama and Dollarcity stores continues to be adversely impacted by these measures. Dollarama has been recognized as an essential business in Canada, and Dollarcity received the same recognition in El Salvador, Guatemala, and Colombia.

Implementing mitigation strategies

The company appears committed to maintaining stores open and well-stocked with affordable everyday products and offering the same compelling value proposition to customers, all while ensuring appropriate measures are in place to protect the health and safety of the company's employees and customers. From the outset of the COVID-19 outbreak, Dollarama has implemented mitigation strategies, contingency plans, and several preventive measures to protect the health and safety of the company's employees and customers.

Risks to the business model

Also, Dollarama appears to be continuously monitoring the impact of the pandemic on the company's local and global supply chains and operations in Canada and Latin America. The deterioration of economic conditions may lead to a deterioration in consumer balance sheets, which may impact consumers' spending behaviour and could adversely affect Dollarama's financial performance.

Although this is a legitimate risk, Dollarama should be effectively managing it. This could lead to significant outperformance.

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