SPECIAL REPORT

Three DANGER Stocks You Must SELL Right NOW!

Do You Own These Wealth Destroyers?

zenect

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Three Danger Stocks You Must Sell Right Now!

By ZenMoney News

Three Danger Stocks You Must Sell Right Now!

You may not realize it, but one industry is going through massive changes and it's destroying both new start-ups and the old grizzled veterans.

What's most frightening is we (you and I) are contributing to the industry downfall… and you probably don't even realize it.

Big players in the industry are in shock as billions and billions of dollars in market cap just simply evaporate. And investors are wringing their hands over plummeting stock prices.

Let me ask you a simple question….

Do you want to invest in an industry that's literally falling apart at the seams?

Of course not… and that's why we're telling you to stay away from these three stocks.

Now before I tell you exactly which stocks to avoid, I'm going to give you a bit of backdrop for the industry… and I'm going to share with you the three big reasons the industry's changing.

And from there I'll show you how those three big events are impacting three particular companies… and why you should avoid these three stocks at all costs.

So let's get started…

An Industry In Turmoil

Let's start with the simple side of things.

Right now one industry is struggling… and I mean really struggling. And it's not because of the economy… it's not because of economic policy… or even the status of the US Dollar.

This industry is in turmoil because their customer is going through a titanic shift in buying trends. So what industry am I talking about?

The retail industry of course.

Now before you go rolling your eyes, let me tell you why the Retail Industry is under attack. There are three big shifts that are pushing the industry apart at the seams. In the next 10 years or so, we believe the industry landscape is going to be completely changed.

So what three trends are going to have such a huge impact?

First, there's a change in customer buying patterns… Second, there's a major shift in product information flow… and Third, the competitive landscape is expanding at the product level.

So let's tackle each one of these in turn.

First we have the change in customer buying patterns.

When my grandparents were much, much younger and they wanted to buy something, they saved up for it… they planed their purchase and went downtown to the big box shopping centre for their purchases.

The stories about shopping for Christmas presents at Marshall Fields in Chicago will stay with me forever.

But that's an old school way of purchasing products, and it won't be around much longer. Now we have the Internet… and credit cards.

Once you saved for a purchase… now you just whip out the credit card.

There's no delayed gratification. It's the "instant on" generation.

Along with that comes the ability to purchase all of your products online. No more having to make a special trip… you can simply hit a website… select the items you want. With the click of a few buttons your order can show up the very next day!

People are spending less and less time INSIDE of stores. So the store's influence over purchasing patterns is dwindling. Worst of all, it will only become more muted in the future.

And along with this instant gratification to buy online trend comes trend number two.

The second big trend is a big shift in product information flow.

What do I mean by that?

Simply walk into a store… any store. Look at a product… a waffle iron, a set of pots and pans, or even a new car… Now pull out your smart phone and head over to Google.

Within 30 seconds you'll have a world of knowledge at your fingertips.

You'll know everything about that product in seconds… You'll discover that another store is running a special… or that another brand offers a bigger set of pots and pans for the same price… or heaven forbid, AMAZON offers the exact same product without charging you shipping. And they'll deliver it to your doorstep.

Just click and buy.

This simple flow of information is leading to the death of many big box retailers. How many times have you seen someone walk into a store, test out the product… then order it online. It costs stores millions in lost revenue.

Right now that's the thorn in the industry's side… and it's getting septic.

This wealth of information, while great for the consumer, is a big disease for the Retail industry… and it's costing them billions. And there's no cure!

But that's not all…

We have big trend number three… and this is the least understood, but most threatening to the future of retail. I'm talking about…

The ever expanding level of completion on the product level.

This is a problem many people dismiss, but it's a serious threat to every retailer.

Let me show you how.

When was the last time you went to buy a jar of strawberry jam? It's pretty straight forward right?

You walk into Safeway or Fry's Food, or any big local grocery store, you'll find an entire section of jams and jellies.

Simple right?

Not so fast. What's happening online is just as disruptive to the strawberry jam industry as almost any other. No longer are you confined to the dozen or so selections your local grocery store carries.

Now you can order your jam online.

Do a Google search… Google tracks over 2.2 million websites about strawberry jam.

And I'm willing to bet a lot of those sites have their own products for sale. I took a quick count and on just the first 10 pages of Google results there were far more options than on my local store shelf.

No longer does that jam supplier have to worry about getting into the big box retail store… they can compete online. You can buy Jam from a housewife in Illinois, or from a farm owner in France. Smuckers Beware!

So with thousands of products online, how big is the competition at the product level?

Your guess is as good as mine. All I know is it's getting bigger with almost every product.

Three Big Shifts Lead to Massive Changes.

Those three major shifts in Retail buying trends are destroying the entire industry. Will there be winners? Of course.

There will be traditional stores, online-only stores, and a blend of the two who succeed and make money. My point is, the entire industry is changing and I see three companies who are getting pummeled by these changes and they probably won't survive the next few years.

I might be right… and I might be wrong. Only time will tell. But keep reading to see what my thoughts are about these three players.

So what three companies in the retail industry are over the cliff… and I don't think will survive?

That's easy, JC Penny (JCP), Sears (SHLD), and Groupon (GRPN).

I know it's an eclectic bunch, but lets take a closer look at each and you can come to your own conclusions.

The Death of Groupon

I know a lot of people were surprised when I tossed this cutting edge technology company into the mess of Retail companies that are failing.

Groupon is nothing like a traditional retail store… and that's what makes it such a hard company to identify as a failure… but here we go.

First, how does Groupon work?

They, in simple terms, grab your email as a customer, and send you daily deals by email. If you buy, they get a cut of the proceeds… and if you don't buy, no big deal… there's always another offer the next day!

Here's the problem…

They're going to have huge problems with their email list.

First, I don't know about you, but I get enough email these days… and while the Groupon offer is exciting, after the first few weeks and months, it gets old.

So their churn is bad.

In other words people get onto their list… then come off the list very quickly. They're constantly looking for new customers. And if that isn't bad enough… an article at the Wall Street Journal highlights the cost of customer acquisition… "In 2009, it cost Groupon $2.52 to add a net new email subscriber. By 2011, it was $5.23."

Who knows how high it is now. I checked the latest 10-Q filings in Q1 2015 but didn't see any data on customer costs.

But that's not the only problem.

Groupon's marketing technology is easy to shut off. E-mails are too easy to ignore, turn off, and avoid. In this case overexposure is a problem… and I know for a fact that many customers are unsubscribing from emails in general.

I do it periodically… just unsubscribe from emails I once wanted. And so do many others I know.

Problem is, once a customer is off the email list, Groupon must jump through a bunch of hurdles if they want to get back on the list… you can thank federal can-spam laws for that problem.

So Groupon battled back and added an app. Not a bad idea, but my phone's overloaded with apps… how's yours?

But wait, there's more…

The other problem is the Groupon business model.

Here's how it works. Groupon partners with another business to make offers to the consumer.

Problem is, these are often bad deals for the business "partner". The last time I checked, you could make an offer on Groupon for say a $50 certificate to a restaurant.

The certificate is normally sold for 50% off… so the $50 certificate is sold for $25.

But Groupon keeps half that… so the store gets $12.50… and is now on the hook to provide $50 in food and services to customers.

I don't know about you, but the restaurant business is already tough enough… and I guarantee few places have margins high enough to cover those costs!

So the business loses money on every Groupon deal.

Let me ask you… how many times do you run an offer that looses you money… it's a one and done deal right!

Clearly Groupon's long-term business viability is in serious jeopardy. Something needs to change… and change quick.

There are other problems. But I'm not going to get into the financials of Groupon… or even comment on the valuation. Why beat a dead horse…

All I have to say is that this business is not set up for success… and before long, I think the stock price and the company will be DEAD. Own it at your own risk!

Quick update as of Summer 2015 – We first wrote about Groupon 2 years ago… and believe it or not, Groupon continues trading lower and is now hovering at 52 week lows. Why pick a stock that's performing horribly… stay away!

The Death of Sears

We first wrote about Sears over 2 years ago… and believe it or not, nothing has changed. The company still sucks, and the stock is trending lower over 5 years… Here's our updated analysis…

Our next business headed for the mortuary is none other than world-famous Sears.

This is a sad story to report, but the conclusion is simple…

Sears was founded about 115 years ago, in 1899 to be exact. And I remember a time when it was "The Place" to go when shopping.

Unfortunately the business is loosing its touch on the retail market…

Remember those three big trends impacting the Retail Industry? Those are hitting Sears over the head on a daily basis. But that's not all… let's dig a bit.

Just look at the ownership.

If you do 20 seconds of research on this company you'll see there's a big shareholder by the name of Eddie Lampert running the show.

Good old Eddie owns a huge chunk of the company and is acting as the CEO.

Here's the thing, this company is now his playground, and despite being in the CEO role for years, nothing is happening. He's been working on a turnaround. Problem is… there's nothing to turn.

Sears has an image problem. Not many people shop there… and those that do are getting older and older…

Now the company has some amazing brands… ever hear of Craftsman tools, or Kenmore kitchen appliances, or Diehard, or Land's End. All great powerful brands.

They have a lot of great retail products, but they're buried in a struggling corporate entity. It's like owning the nicest house… on a block full of burned-out crack houses…

No matter how much your house shines, it's always going to be dwarfed by the bigger issue around you.

Want proof…

Just look at the 2012 results.

In 2012, Comparable store sales fell 1.4% And for the K-Mart brand, which SEARS also owns, same store sales fell 3.7%.

For 2013, same store sales fell another 3.6% at Kmart and 4.1% at Sears, according to their year-end press release… That means year over year over YEAR the stores are making fewer sales.

Isn't the economy improving? Shouldn't these numbers be heading higher… not lower?

Here's the nail in the coffin.

For 2012 the company "ONLY" reported a net loss of $930 million for the year… that's better than the loss in 2011… when the company lost $3.1 billion.

But wait, in 2013 they lost… $1.4 billion.

It's like calling the prettiest pig on the farm a beauty queen.

Let's look at 2015… by now things should have improved right?

WRONG.

According to the Q1 2015 earnings, shareholder losses totaled $303 million for the quarter. Those of you quick at math know that's a loss of $2.85 PER SHARE.

But wait, it gets worse… Comparable store sales are down 7% for K-Mart and 14.5% for Sears.

And the only highlight of note was the spinoff of a newly formed REIT.

What a mess.

Look, the retail business is getting tougher and tougher. Sears is experiencing a difficult time… and the economy is improving. Heaven forbid if we see the economy get worse… that would send the company into a death spiral even more quickly.

Oh… and if you need more evidence… the stock once traded at $180 a share in 2007... Today the stock can be had for just over $22 a share… I only see it getting worse.

Anyway… This isn't a stock for me… and I recommend you stay away too.

Now that brings us to our third and final company to avoid.

The Death of JC Penny

NOTE: We originally did this analysis 2 years ago, and the results hold true… the stock has slid to new lows and there doesn't seem to be any recovery in sight.

JCP is another elder statesman… on his deathbed.

Just like Sears, they will suffer from the big three issues facing all retailers…

JCP has seen its own issues with the revolving door at the C-suite level. Now they're back to running promotions and projecting solid EBITDA… but they're still losing money.

The big problem is JC penny is selling widely available products.

In economics this is called the theory of substitute goods.

It's when one brand is interchangeable with another… and that puts pricing at the forefront of sales issues.

It's like Tea and Coffee.

If Coffee is suddenly $300 a pound, a lot of coffee drinkers will become tea drinkers… Prices can only go up so much before people seek out alternatives.

If you're selling an Apple product, there's no substitute goods… A Mac was a Mac, and there is no natural replacement. Just ask anyone who's ever used Apple products. Nothing works like an Apple.

What's the advantage?

Selling products that don't have a substitute good means you can position and price it differently. You don't have to run a sale… people will buy anyway.

How do you think Apple makes so much money? They sell products that people have to have… and are willing to pay premium dollar for.

Unfortunately if you're shopping for clothes at JC Penny, you don't have the same mindset.

One pair of jeans, a blouse, or a pair of shoes at JC Penny isn't much different from others being sold in other department stores.

Its' a cold hard fact of life.

So how bad is it?

Let's just say the only turn happening at JC Penny is the faces of investors who are turning green… their stomachs queasy.

Overall in 2013 the company posted a loss of $1.3 Billion (about $5.57 a share)

And in Q1 2015, the company posted an EPS loss of $0.55 per share.

So how's the stock taking all these fat losses and the merry-go-round activity at the top management slots?

Well it's just ugly… In January of 2007 you could buy the stock for $80 a share…. Today it trades for under $10.

That's a loss of … um… more than 87%

Wow. This is a slow motion funeral.

What's the Conclusion?

There you have it.

There are three big trends in the Retail Industry… and it's crushing some of the key players.

First, there's a change in customer buying patterns… Second, there's a major shift in product information flow… and Third, the competitive landscape is expanding at the product level.

These three big shifts are leading to massive changes industry wide.

Remember, there will be winners.

There will be traditional stores, online-only stores, and a blend of the two who succeed and make money.

But there will be losers too. I see three companies who are getting pummeled by these changes and I don't think they survive the next few years.

The three I'm watching are JC Penny (JCP), Sears (SHLD), and Groupon (GRPN).

Own them at your own risk – YOU'VE BEEN WARNED!

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