



Amazon.com, Inc. Versus Hudson's Bay Co: The War Begins

Description

The fashion world is set for a new, big competitor: **Amazon.com, Inc.** ([NASDAQ:AMZN](#)).

This year the company has been investing millions into building its fashion offerings, complementing third-party options with seven in-house brands. It's looking to hit a home run.

According to *Engadget*, "While Amazon isn't new to selling clothes, the company sees high-fashion retail as its next holy grail. It wants to be the place where you can have a \$12 Hanes hoodie and a \$1,500 Louis Vuitton frock in the same cart."

Seeking domination, Amazon is expected to leverage its 300 million strong user base, 65 million of which are Prime members. In October it ploughed \$15 million into advertising campaigns to help its latest push.

Big fashion retailers are getting scared. Amazon should be able to leverage its deep distribution network and low-cost network to deliver fashion items at a speed and price few others can match.

Hudson's Bay Co (TSX:HBC) is fighting back.

The company recently spent \$60 million on an automated logistics system to rival Amazon's best-in-class facilities. Management believes it's the most advanced technology of its kind in Canada. "Nobody will beat us on the internet," CEO Jerry Storch said. "Nobody."

According to retail consultant Doug Stephens, Hudson Bay is responding to Amazon in a necessary way.

"For a long time, Canadian retailers just sort of shrugged their shoulders about e-commerce. They didn't think it was that big of a deal. Now all of the sudden, along comes Amazon and the tables have turned," Stephens said. "I think they've recognized that e-commerce is the future and that someone else is capitalizing on that future, and it's not them."

According to Stephens, Hudson Bay's physical presence could actually help it defeat Amazon in

Canada.

“They have a distribution network that’s already built, and these stores could be repurposed to become distribution hubs,” he said. “It’s a huge advantage.” Hudson Bay is already Canada’s leading department-store retailer with locations in Canada, the U.S., several European countries, as well as other parts of the world.

This year shares are already down about 25% with much of that drop stemming from rising competitive fears. Still, Hudson Bay looks well positioned to survive in the new retailing era.

Hudson Bay will look to leverage its new automated robotic logistics facility. But, it’s also acquired a few more advantages over the past 12 months.

The company purchased online retailer Gilt earlier this year. Hudson’s Bay plans to integrate Gilt with Saks Off Fifth, deepening its exposure to off-price, digital sales. Last quarter it experienced a 61.6% increase in digital sales year over year.

Hudson Bay is entering a tumultuous time in its history, but it looks ready for the fight.

CATEGORY

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