Is Hudson's Bay Co Prepping to Become a Cyber-Monday Giant?

Description

Now that the U.S. Thanksgiving weekend is over with and the holiday shopping season in full swing, retailers today are looking forward to the biggest sales-producing day of the year: Cyber Monday.

Over the past few years, Canadian retailers have steadily adopted both the Black Friday and Cyber Monday shopping events to dissuade potential customers from cross-border shopping. There's good reason for that too: experts are calling for over US$3 billion in retail sales to come in over this weekend and Cyber Monday with over US$1 billion of that amount stemming for the first time from mobile sales

Hudson's Bay Co (TSX:HBC) is one such retailer competing for sales. The company owns a myriad of brands, including online marketplace gilt.com as well as Saks OFF 5th and Lord & Taylor.

Hudson's Bay bets on the future

Earlier this month, Hudson's Bay announced the opening of the newly upgraded distribution centre in Toronto. The facility uses a series of robots to identify and prep products from the sprawling 725,000 square foot warehouse.

The process of identifying the product and preparing it for shipment used to take upwards of two hours, and workers in the warehouse were accustomed to walking over 15 km per day to find products. Under the newly upgraded system, products are identified, selected, and packed to be shipped in under 15 minutes.

Company CEO Jerry Storch noted that the transition was akin to going from "an abacus to a MacBook Pro."

The $60 million upgrade is the latest effort by Canada's oldest retailer to catch up to and, in some cases, surpass what market leaders are currently doing.

Storch also noted that Hudson's Bay will be looking to upgrade other distribution centres and roll out same-day delivery options to some markets, where available.

What is the significance of this?

This latest move by Hudson’s Bay is both aggressive and impressive. Several years ago, Hudson’s Bay was in a money-losing tailspin with brands that didn’t work, huge locations that spawned little to any traffic, and virtually no online presence.

Through a series of masterstroke real estate and business deals, the company offloaded dead weight and rebranded itself to attract a larger audience. An emphasis on advancing technology within the retail process as well as integration across the company’s brands has also helped in increasing efficiency and keeping costs down.

The efforts appear to be working well for Hudson’s Bay. As of July 30, digital sales across all brands had increased by 84.4% year over year.

Year-to-date, the stock is down over 20%, which doesn’t really reflect the reality of the situation for the retailer. Yes, the company did announce a lower sales outlook on some weaker than expected results earlier this month, but Hudson’s Bay is the de facto premier retailer in Canada and owns some of the most premier brands in both the U.S. and Europe. This latest investment in technology will only strengthen that hold and set the retailer up for future growth.

If anything, the current drop in the price of Hudson’s Bay could be an opportune moment to buy up on the stock, which, by many accounts, is undervalued considering the extensive real estate holdings of the company.

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