



## Investors: Which Stocks Might Benefit From the Downfall of Sears?

### Description

It's hard to watch longstanding businesses like Sears Canada Inc. fail, especially when so many employees will lose their jobs. The closure will also have a ripple effect on other businesses and their investors. Let's take a look and see which types of businesses might benefit from the closure and which might be hurt by it.

#### Who benefits?

All of Sears's direct rivals will probably benefit from the new hole in the marketplace, as they will face less competition for their wares. It's likely that other full department stores, such as **Hudson's Bay Co.** (TSX:HBC), will see at least a small uptick in customers.

As well, other large stores that sell at least some of the same products as Sears, such as **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)) and **Leon's Furniture Ltd.** ([TSX:LNF](#)), might also benefit from increases in customers. Think of all of the products you can currently buy at Sears stores: appliances, tools, electronics, housewares, clothing, and exercise equipment, to name a few. Sears is closing because it has been losing sales and customers for years, but the stores still had many shoppers who all need to go elsewhere now. It may be a good time to invest in some of these competitors.

#### Who gets hurt?

The first group that will feel the pinch are the owners of shopping malls, such as some REITs. Canadian malls are still reeling from the abrupt closure of Target Canada stores a couple of years ago. Some of those holes still haven't been filled. Sears has been an anchor tenant in many malls for decades. Finding replacements won't be easy, especially since many stores have moved to the standalone, big-box option instead of placing themselves in malls. Some malls may have to break up the space left by Sears into many smaller stores if they cannot find one big tenant. They will suffer from a loss of lease revenue while they make these changes.

The other businesses that will hurt are the smaller stores currently sitting next to or close to Sears outlets. Any business that currently counts on foot traffic from people going into Sears will suffer,

especially if they are stuck by an empty space for months or even years.

### Investor takeaway

We can't know for sure just how much any Sears competitor will benefit from the demise of the retailer, especially since large department stores that sell everything have been struggling in general. But Sears customers will move somewhere. Some may choose to buy more products online from retailers like **Amazon.com, Inc.**, but those who still like to touch and see their products in person will be forced to shop at a Sears competitor. For companies that seem to be managing the changing shopping landscape well, such as Canadian Tire, there is money to be made from the Sears collapse.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:LNF (Leon's Furniture Limited)

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sportelance

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