



## Will a New CEO Make Hudson's Bay Co. Great Again?

### Description

It's been a while since **Hudson's Bay Co.** (TSX:HBC) fell from grace. The stock has been treading water for over two years now, nosediving nearly 70% peak to trough. There's no question that department stores are on their way out with the profound disruption caused by digital retailers.

Many old-fashioned brick-and-mortar players that have thrived in the past are now going belly up. Sears Canada and U.S.-based Toys "R" Us locations have closed shop at the hands of e-commerce players, and over the next few years, one can only expect that disruptive pressures will mount until the retail graveyard is filled with physical stores that we grew up with.

Hudson's Bay isn't bankrupt yet, but at this trajectory, I find it hard to believe that its retail business will be around a decade from now. The company recently disappointed, yet again, with its Q4 fiscal 2017 results, which completely missed on earnings.

Although there was evidence of improvement from the company's "transformation plan," which aims to generate ~\$350 million in annual savings upon full implementation, it's clear that e-commerce competitors continue to wreak havoc on the company.

### New CEO, new trajectory?

Hudson's Bay recently appointed Helena Foulkes, a former **CVS Health Corp.** executive, as its new CEO just months following the departure of former CEO Jerry Storch.

Foulkes clearly has a wealth of experience when it comes to brick-and-mortar retail; however, a pharmacy chain and a department store are two completely different beasts. A pharmacy chain is relatively insulated from the disruption caused by e-commerce players, whereas a department store is right in the middle of its cross-hairs. It's going to be a nearly impossible task for Foulkes to steer the ship back in the right direction, so investors should take overly optimistic commentary with a grain of salt at this point in time.

"I'm excited about the opportunity to reinvent the customer experience using both store and digital assets, and I think this is a great example of a company that can get to the next level through more of

that,” said Foulkes.

Although Foulkes has an impressive track record, I don’t think the retail business of Hudson’s Bay will ever be anything more than a shell of its former self. The disruption caused by digital retailers has caused a profound amount of damage, and this is just the beginning.

### A barrage of real estate asset sales on the horizon?

E-commerce efforts will partially offset some pressures; however, in the grander scheme of things, I think the retail business is a sinking ship. And as the issues continue to mount, Foulkes and company may decide to liquidate real estate assets to finance aggressive initiatives to make its retail business great again — something I’d be very worried about if I were a Hudson’s Bay investor who’s only in the stock for the promising [real estate assets](#).

The company’s massive Vancouver location is listed for sale as a part of a move that’s expected to “enhance shareholder value.” Ironically, such a move may be a destroyer of value, as the proceeds may be going towards initiatives to stop the cash bleed from a wound that’ll probably never heal.

### Bottom line

As it stands, Hudson’s Bay has an online platform that’s miles behind the competition. Customer service is also nothing to write home about, and in this age, that’s a huge turn-off for customers, especially those looking to purchase big-ticket items like mattresses or large appliances. Moreover, Hudson’s Bay has been guilty of [deceptive sales practices](#) in the past, which has undoubtedly caused customer loyalty to fade away over the years.

Hudson’s Bay has been slow to embrace technology, and with Foulkes at the helm, it’s going to be a game of catch up before the cash reserves run dry. The company needs to build on its exclusive brands, e-commerce initiatives, and regain the trust of its customers without selling too many of its prime real estate locations such that investors are left with the short end of the stick when all is said and done.

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