



What Caused the Collapse of Hudson's Bay and How Could It Have Been Avoided?

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For more than 350 years, The Hudson's Bay Company (HBC) stood as one of Canada's most iconic retail institutions. But over the last two decades, the company has struggled to maintain relevance in a rapidly changing retail landscape - and that was even before this current tsunami of changes happening with AI.

Store closures, shrinking market share, under-performing digital investments, and a brand identity crisis pushed the company into long-term decline, not because the problems were sudden or unfixable, but because they didn't do a deep dive audit like is offered by Business Optimization Labs. - <https://bizopplab.com> .

What Really Caused Hudson's Bay's Decline

1. Slow and Incomplete Digital Transformation. While competitors invested heavily in e-commerce, mobile shopping, logistics, and integrated inventory systems, HBC moved too slowly. Customers migrated to Amazon, Walmart, and specialized online retailers long before The Bay offered a comparable experience. This resulted in foot traffic falling, and online revenue growth lagged far behind market standards.

2. A Confusing, Unfocused Brand. HBC failed to answer the most important retail question: **“Why shop here instead of anywhere else?”** The brand had no clear specialization, no hero category, inconsistent pricing, and stores that varied dramatically in quality across the country. Customer loyalty eroded, and the brand drifted into irrelevance.

3. Under-investment in Store Experience. Outdated fixtures, poor lighting, aging layouts, inconsistent merchandising, and thin staffing created a dated shopping experience while competitors refreshed their stores every 5–7 years. Shoppers simply preferred more modern, engaging environments.

4. Leadership Spread Too Thin Through Over-expansion. Acquisitions like Saks Fifth Avenue, Saks Off Fifth, and Lord & Taylor increased debt while diverting attention away from the core Canadian brand. Operating complexity rose, management focus fractured, and core performance suffered.

5. Real Estate Value Overshadowed Retail Performance. HBC increasingly relied on selling assets and monetizing properties to stay afloat. Instead of reinvesting those funds into modernization, many proceeds were used to offset operating losses. The retail engine never regained strength.

6. Inventory & Supply Chain Challenges. Manual systems, overstocking, under-stocking, and slow replenishment cycles led to lost sales and excess discounting. Margins shrank and customer frustration grew.

7. Labor Costs Outpaced Revenue. Outdated staffing models, limited automation, and inconsistent productivity drove labor costs to unsustainable levels. .

8. Frequent Executive Turnover. New CEOs and executive teams cycled through with competing visions and short-term fixes, no unified long-term strategy. HBC became reactive, not strategic.

BUT – all of that was fixable, if HBC had been doing an annual audit like a Business Optimization Labs (BOL) does.

BOL's audit framework is designed to diagnose and correct exactly the issues that brought HBC to where it is today.

1. Sales, Market Position & Category Performance Audit

What BOL would have flagged:

- Declining same-store sales
- Weak differentiation
- Lack of category focus
- Over-reliance on discounting

Strategic fixes:

- Redefine HBC as a Canadian lifestyle + home brand and now in light of the "Buy Canadian" sentiment, HBC would be the leading retail store of choice in Canada.
- Reduce low-performing categories by 20–30%
- Dominate 3–4 core categories (e.g., home, basics, beauty) and focus on Canadian made products.
- Create exclusive Canadian-first product lines
- Launch a national mobile-first loyalty system

Result: A strong, differentiated identity, not another version of Amazon, Walmart, or Winners.

2. Operational Cost & Productivity Audit

Red flags: High labor costs, low productivity, too many unprofitable stores, slow replenishment cycles.

BOL actions:

- Workforce automation and optimized scheduling
- SKU reductions
- Smaller, modern store footprints
- Consolidated distribution centers

Result: 20–40% improvement in operational margins.

3. Digital & Technology Modernization Audit

Issues detected:

- Outdated POS
- No omnichannel experience
- Weak logistics infrastructure

BOL solution:

- Unified inventory across online + stores
- Same-day/next-day fulfillment hubs
- AI-driven merchandising
- Automated returns and customer support

Result: A competitive digital engine capable of reducing customer leakage to Amazon.

4. Financial Health & Real Estate Optimization Audit

Challenges identified:

- Rising debt
- Heavy reliance on property sales
- Weak retail cash flow

BOL strategies:

- Use real estate profits to modernize retail
- Divest non-core locations
- Convert oversized stores into multi-tenant spaces
- Build “store of the future” models
- Stage debt reduction

Result: Financial stability without sacrificing core brand strength.

5. Customer Experience Audit

Red flags: Low NPS, outdated stores, slow checkout, inconsistent merchandising.

BOL recommendations:

- Store refresh every 5–7 years
- Mystery shopper program
- Customer excellence training
- Strong merchandising standards

Result: Increased foot traffic and stronger loyalty.

6. Tax Efficiency & International Structure Audit

Detected issues: Inefficient tax structures, complex cross-border operations, property-related tax burdens.

BOL corrections:

- Tax-efficient intercompany structure
- Reduced real estate related tax obligations
- Leveraging Canadian innovation incentives

Result: Higher net profitability and better capital deployment.

What Hudson’s Bay Could Have Become

If HBC had engaged in a BOL Annual Audit program, it could be:

- **A modern Canadian lifestyle retailer** with a clear identity
- **A digital leader** offering rapid delivery and seamless omni-channel shopping
- **A financially healthy organization** using real estate strategically
- **A customer experience powerhouse** rivaling global best-in-class retailers
- **A brand with leadership stability and long-term vision**

Instead of a legacy chain fighting for relevance, HBC could be a retail leader shaping the future of Canadian commerce. But sadly now its too late!

Conclusion. The decline of Hudson’s Bay was not inevitable. It was avoidable, diagnosable, and correctable.

A Business Optimization Labs Annual Audit would have identified:

- Falling margins
- Inefficient operations
- Missed modernization opportunities
- Weak category performance
- Underleveraged digital channels
- Reliance on real estate over retail
- Strategy inconsistency

And it would have provided a clear roadmap to reverse the trajectory. With all the resources and high-level consultants, none of them figured out the real issues or fixed them. This is the fallacy of today's Consultants who think they know the issues – without a detailed 3rd party diagnostic.

Any consultant who is worth their salt would use the Business Optimization Labs audits to clearly identify the real problems before attempting to help their clients solve them.

Legacy brands don't fail overnight - they fail when no one is measuring the right things consistently.

With structured, annual operational auditing, HBC could have rewritten its future.

For more information check out <https://bizopplabs.com>