

Zeller's parent gobbles up Towers - Hudson Bay Company buys Towers Department Stores Inc. from Oshawa Group Ltd., Zeller's Inc

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Zeller's Parent Gobbles Up Towers

TORONTO - The Hudson's Bay Co. has signed a definitive agreement with The Oshawa Group Limited of Isington, Ontario, to purchase Towers Department Stores, pending regulatory approval. The acquisition is expected to be completed this month.

Toronto-based Hudson's Bay is parent of Canada's largest discount store chain, 218-unit Zeller's. The Oshawa Group - primarily involved in grocery business - was reportedly approached about the sale of its general merchandise Towers division last month.

The acquisition catapults Zeller's - \$2.15 billion (Canadian) sales volume in 1989 - further ahead of discount store competitors like K mart Canada, which reported 1989 sales of \$1,293 million.

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The Towers chain also puts Zeller's ahead of Woolworth's Canadian store division in terms of sales volume; until now the two firms had been virtually neck-and-neck. Woolworth's 1090 sales were \$2.2 billion in 1989. The combined Towers/Zellers sales last year were \$2.7 billion, Tower's portion being \$555 million.

While Woolworth's Canadian division had voiced interest in the Towers chain shortly after word leaked about talks between Hudson's Bay and Oshawa, Woolworth was "re-buffed" by the Oshawa Group, according to management, and not invited to place a competitive bid.

Terms of the agreement were not disclosed, but Hudson's Bay Co.'s executive vice president, cfo Gary Lukassen described the price as "somewhat above" the \$100 million price tag suggested by Canadian financial analysts.

"The acquisition is an excellent strategic fit for our Zeller's division and represents a significant acceleration of Zeller's expansion plans," Lukassen said.

The purchase includes the 51 Towers department stores operated in Ontario, Atlantic Canada and Quebec (under the Bonimart name). Also included are the chain's 17 in-store pharmacies, 46 restaurants and corporate offices in both Toronto and Montreal. Not included in the acquisition is the distribution center at Tower's Mississauga head-quarters.

The conversion of Towers stores into the Zeller's format is expected to begin immediately after the deal is complete and finished by March 1991. Lukassen said that while each store will need to be evaluated individually, he expects the conversion to the Zeller's format will cost "several hundred thousand per store."

The jewels of the acquisition are Towers' 11 Toronto stores, a market all but untouched by Zeller's.

Zeller's will need to eliminate as many as a dozen of the Towers locations due to overlap with Zellers stores, especially in the province of Ontario. "We're going to have to divest ourselves of some of the stores ... A couple we'll have to close; we'll have to find new owners for others," Lukassen explained.

Zeller's stores average 65,000 square feet, while Tower are generally either 70,000 square feet or 50,000 square feet.