

Sears

- Sears, Roebuck & Company was one of the most powerful company and most powerful retail firm over 20th century, founded in 1893. Throughout these times Sears introduced wide range of innovations such as delivering products, catalogues and shopping malls. However, since 2000 the company started degrading and by 2018 applied for bankruptcy. The point of no return was purchasing retail company Kmart in the beginning of 2005(was renamed to Sears Holdings), after which Sears' profit showed stable decline in next 13 years and ultimately liabilities of the company exceeded its capitalization by \$3 billion. So, let's start our analysis from acquiring Kmart.
- **Where are we now?** To understand potential of the company and the current position of Sears in retail market it is efficient to apply SWOT and Pestle analysis. SWOT analysis allows to understand strengths, weaknesses, opportunities and threats of a company.

Strengths of Sears Holdings:

- **Well – known brand.** Throughout 112 of operating retail business Sears provided products and services to several generations of people, satisfying all needs.
- **High Quality.** The quality of goods and services is one of the crucial reasons, why people return to Sears, despite its weaknesses.
- **Wide variety.** From fridges to cookers clothing, sports goods, shoes as well as home improvements, washers, dryers, washers and other things - This factor allows Sears to cover big share of retail market and attract people with absolutely different preferences, interests and demands.
- **Strong dealer community.** It has built a culture among distributor & dealers where the dealers not only promote company's products but also invest in training the sales team to explain to the customer how he/she can extract the maximum benefits out of the products.
- **Successful track record of integrating complimentary firms.** Through mergers & acquisition it has successfully integrated number of technology companies in the past few years to streamline its operations and to build a reliable supply chain.
- **Robust distribution network.** This guarantees delivery in time of customer's orders without loss or damage during the delivery.

Weaknesses of Sears Holdings:

- **Combining with Kmart.** This decision confused the value proposition. At that time, Sears occupied a unique position in the retail market. Their brand represented a unique balance between quality and price. By teaming up with Kmart, Sears made its brand cheaper, which put Sears in more direct competition with budget chains such as Walmart and Target. These big-box discount stores were able to beat Sears in price. On the other hand, the growth of small, high-end specialty stores also posed a serious threat to Sears' value proposition. For example, GAP was a big problem for Sears in the mid-1990s because GAP positioned itself as a fashion boutique. They traded their exclusivity and "coolness". No one bragged about buying their clothes from Sears because they thought they were "unremarkable."
- **Non-investing in modernization.** They allowed their brand to stagnate, and their stores fell into disrepair. This created negative feedback that further

exacerbated Sears' financial problems. The physical condition of many of their stores reflected the growing attitude of consumers towards the brand: it was an aging company that could not keep up with the times. This impression had little effect on morale or sales.

- **Delayed eCommerce Adoption.** Although Sears pioneered shopping at home and was the dominant company for decade, the company developed e-commerce poorly, while the main competitors Amazon, Wal-Mart, J.C. Penney and Best Buy actively invested in this sphere, and adopted e-commerce too lately.
- **Excessive Cost-Cutting:** The old saying “you have to spend money to earn’ is gone from Sears completely. Sears cut its costs drastically until the earnings began to fall. The year 2017 was the most expensive for Sears. Sears had a budget of around Upgrades cost 91 cents per square foot competitor, such as Best Buy spent \$15.36 on the same amount of enhancements to stores by square feet.

Opportunities for Sears Holdings:

- **Develop to Emerging Markets.** It is obvious that Sears is in trouble within the extremely fiercely competitive US market. Sears is able to expand into markets that are less competitive and build to gain an edge in competitiveness to compete within the US. Emerging markets that aren’t saturated are ideal for Sears.
- **Target Younger Generations.** Millennials as well as Gen-Z are dominating the market for consumers, but Sears is more concentrated on the older generation. Sears has a huge potential to grow if it targets younger generations more efficiently.
- **Decreasing cost of transportation.** Because of lower shipping prices can also bring down the cost of Sears Holdings’ products thus providing an opportunity to the company - either to boost its profitability or pass on the benefits to the customers to gain market share.
- **Aim at Appliances** Sears may be able to overcome some of the problems it faces by focusing on appliances. It could start smaller stores focusing solely on appliances, reducing dependence on clothing. The possibility of growth through appliances has grown significantly as of J.C. Penney announced it was leaving the appliance business and focusing on apparel.
- **Concentrate on Exploiting eCommerce.** The number of shoppers who shop online is rising quickly. Sears remains a great opportunity to exploit ecommerce to help catalyze its revival and increase.

Threats for Sears Holdings:

- **Intense Competition.** From appliances to clothing and items for home improvement, Sears is facing stiff competition from every angle. With formidable competitors such as Best Buy, Home Depot, Lowe’s, and many others Sears always in danger.
- **American Isolationism.** American increasing trend toward isolationism in the American economy can lead to similar reaction from other government thus negatively impacting the international sales.

- **An increase in counterfeits.** In the past few years the industry has witnessed an rise in counterfeits as well as counterfeiting of electronic products, clothing and more. Sears' products are among the top sought-after by counterfeiters, making the retailer extremely vulnerable to counterfeiting.
- **Currency fluctuations.** As the company is operating in numerous countries it is exposed to currency fluctuations especially given the volatile political climate in number of markets across the world.
- **Rising Costs.** From the rising cost of raw materials, to the cost of labour and an increase in operational costs, every dollar will make it more difficult for Sears to increase its sales. Back to its previous glory.
- Pestle analysis describes wide range of life spheres from environment to legal sphere, it is more complex in terms of describing external factors influencing company's development.

Political factor:

- **Government stability.** This allows businesses like Sears Holdings to expand regionally as well as internationally. Trade relations with other countries because of political stability and strength allows businesses like Sears Holdings to maintain offshore business affiliations easily and smoothly. Government stability also attracts investors for businesses and companies such as Sears Holdings – which leads to growth and development in the infrastructure as well as enhances international image. High government stability can also attract resources for industry development as a whole, which in turn will boost player performance and improve overall competitive positioning
- **Trade blocks.** Companies like Sears Holdings can take advantage of trade blocks and trade treaties that have been formed and signed by the respective country of origin. Trade blocks can facilitate businesses like Sears Holdings by lowering resource costs, lowering cost of doing business, as well as increasing the supply of talented people. With trade blocks, companies like Sears Holdings can also make their products and services easily accessible through various channels and distribution agencies for consumer to purchase and benefit from
- **Tax policy.** Favorable tax policies allow businesses like Sears Holdings to expand easily. Government subsidies and favorable tax rates will also allow Sears Holdings to maintain competitiveness by controlling its costs of doing business. Costs of doing business, in turn, will also not be passed on to the consumers – thereby allowing consumers to enjoy favorable and competitive pricing. Desirable tax policies that support business growth and development will allow businesses like Sears Holdings to expand, and thereby add to creating economic value for the country as well.

Economic factor:

- **Inflation rate.** A moderate inflation rate is needed in the economy for companies like Sears Holdings to flourish. The moderate inflation rate will also help the business grow and work positively towards increasing the consumer confidence, and consumer spending trends. As a result, the economy will get a boost and the overall disposable income will also increase.

- **Consumer trends.** Consumer spending trends are important and critical for companies like Patagonia Gold Plc, and their performance. Higher consumer spending trends are preferred as they lead to higher purchases and consumption of products sold by Sears Holdings. The higher consumer spending is also reflective of higher purchasing power, which is important for increasing overall consumption patterns, and health of the economy. These higher consumer trends can be positively influenced through product quality and marketing strategies.
- **Interest rate.** A moderate interest rate will help businesses and companies like Sears Holdings in taking loans from the banks. This business loan would be used for purposes of growth and development. Business loans would also help in the development and building of the industry infrastructure at a large level.

Social factor:

- **Education.** A higher education in the population is desirable for multiple reasons that will benefit Sears Holdings, it also means more talented, skilled, and knowledgeable persons in the talent pool for Sears Holdings and also implies that the population's consumers will be more aware of their purchases and consumption patterns. As a result, they will focus on positive consumption which will give Sears Holdings an advantage because of its unique competitive positioning and placement.
- **Health consciousness.** An increasing portion of the population is adopting health and wellness trends. The health and wellness trend has also translated into consumption decisions and patterns. Sears Holdings has introduced health aspects in its marketing, and also add features of health in their products as per consumer research and behavioral assessments. The increased health consciousness has also led Sears Holdings to make collaborations and take CSR initiatives focusing not only on physical, but also mental and emotional health and wellbeing.
- **Demographics.** A higher portion of the younger population is beneficial for Sears Holdings as it will allow the company a larger consumer population base. In addition a younger population will also promise Sears Holdings with more skilled and educated workers and human resources, thereby adding breadth and depth to the talent pool. A moderate to high middle class is also important for Sears Holdings as its current consumers, and advocates. This group acts as brand ambassadors for Sears Holdings, and encourages younger population to become loyal customers as well.

Technological factor:

- **Technological infrastructure.** The country has a strong infrastructure with regards to technology. There is a high rate of technological development and advancement. Increasingly, businesses like Sears Holdings are incorporating technological up-gradations and innovation to increase business efficiency and affectivity. There is high rate of innovation across all industries, which makes companies including Sears Holdings competitive as well as progressive. The

improved technological infrastructure also helps in attracting foreign direct investment, which in turn leads to further development and advancement. The improved technological infrastructure also helps in attracting foreign direct investment, which in turn leads to further development and advancement. As a result, Sears Holdings has a distinctive competitive advantage in terms of technological advancements, and the business continues to make use of, as well as participate in innovation processes to enhance the business cycles and operations.

- **Use of social media.** There is a higher portion in the population of the youth, as well as middle ages persons. These population segments widely make use of social media for connectivity. Increasingly, social media is also being used by businesses like Sears Holdings for gathering consumer data and information. Sears Holdings also interacts with, gathers feedback, and communicates promotions to customers through official social media channels. Business like Sears Holdings have also started using social media for purposes of recruitment, which highlights the changing trends in the business community with respect to social media.
- **Investment in R&D.** There is a high level of local as well as international investment in the technological R&D of the country. The high investment helps in advancing industries, and equipping them with new, and more flexible as well as effective ways for business operation and other business processes. The higher investment, and related research has also allowed for an increased rate of innovation. Businesses take advantage from innovation and development through the overall industrial growth along with development of competitive edge for the industry in the global market. Adaptations by individual players like Sears Holdings also leads to the building of high competitive advantage for companies.
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Environmental factor:

- **Recycling.** There is an increased focus on environmental sustainability and recycling. Consumers are becoming more aware, and demanding ways for recycling products to be disposed off. Consumers are also increasingly

demanding recycled products for consumption. Sears Holdings has launched specific sites for disposing off products to be recycled. Sears Holdings, like many other players, is also introducing a novice product line of recycled products for consumers to benefit from.

- **Waste management.** The country has high regulations for waste management and control. Sears Holdings should associate itself with, and register with the waste management authorities and institutions to be able to follow regulations, maintain checks, and avoid any future hassles. Sears Holdings, in view of environmental sustainability, already has a controlled and designated process of managing waste, and disposing waste in an environmentally friendly manner.
- **Green consumption.** The increased awareness of environmental sustainability has also given way to an increase in the green lifestyle. Consumers in the country, and across all markets are increasingly preferring products and services that are green i.e. produced and marketed using environmentally friendly and sustainable ways and methods. Companies are also hopping on the bandwagon and introducing green products to appeal to the consumers. Sears Holdings engages regularly in environmental friendly CSR activities. Sears Holdings has also introduced a green product line – which is a variation of its existing products. The company plans on increasing weightage for the green product line gradually to increase its role in environmental sustainability. Sears Holdings also contracts with suppliers and distributors in its integrated back chain, who are following strong principles with regards to environmental sustainability.
- **Renewable energy investments.** The country as a whole it all its industries is gradually moving towards the use of renewable energy for operations and business processes. This is being done to reduce the environmental footprint by the market, as well as for reducing the carbon effect. Sears Holdings and related industry members are increasingly making use of solar energy, and hydroplanes for purposes of operation management and business processes. Sears Holdings has a company controlled hydro plant – on a small scale – to help in manufacturing operations.

Legal factor:

- **Health and safety law.** There are strict regulations pertaining to the health and safety of employees at the workplace. Respected associations and institutions regularly check with businesses about implementation of safety nets, drill, and precautionary measures at the workplace. The safety and health involve not only physical wellbeing, but also the emotional and mental wellbeing if employees. Sears Holdings has placed high importance of the safety and health of its employees, a and continually strives to improve it further.
- **Employment laws.** Country wide regulations demand businesses to form legal contracts pertaining to employment. These contracts are authorized by the respected governmental bodies, and involve all aspects of employment. Employability contracts ensure a healthy relation between all parties involved, and also ensures that there is no misunderstanding or colluding. Sears Holdings practices employment laws and briefs its employees about the same during the

recruitment process. The HR department of Sears Holdings also regularly conducts workshops and training sessions for employees to engage them, and make them aware of the employment laws, along with other legal formalities.

- **Anti-discrimination law.** The country and the market is made up of diverse population. There is a high number of immigrants, and the businesses from the country also operate at multiple off shore locations. Sears Holdings, as a result, has always been comfortable with diversity in its workforce, and has framed internal company policies to support diversity. The company follows the anti-discrimination law in all its processes – from recruitment to promotion. All employees regularly undergo diversity trainings and workshops to be able to avoid discriminatory and prejudiced actions – which could have severe repercussions. Sears Holdings, like other players in the industry, is an equal opportunity employer. Sears Holdings also ensures that there is no discrimination within the company, and the organizational culture remains toxic free. Sears Holdings ensures this by following regulations about the anti-discrimination law as well as through regular investment in trainings and employee development sessions.
- **Where are we now?** Sears Holdings is about making our customers happier, by providing a wide range of high quality products, fast and convenient service, including safe and quick delivery or friendly and helpful staff.
- **How do we get there?** The best option for Sears Holdings would be following transnational strategy, which assumes global integration and local responsiveness. Following this, Sears will be able to compete with US retail company like Wal-Mart on a domestic retail market, by developing e-commerce, investing in modernization of shops and attracting talented, well-educated staff. Newly developed technologies and efficient ways of operating business will help Sears Holdings to integrate in emerging markets and keep leading role there, since local retail companies usually operate in one region of a country and not as well-known as Sears, do not have well – organized business, including robust supply chains, providing customer services, setting company's values, tracking customer experience, setting marketing strategy, forecasting future sales, trends, analyzing local retail markets. Finally, having advantage over local retail companies, Sears will consequently integrate in emerging markets all across the world and remain competitive in markets of developed countries.