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STRATEGIC PLAN

DECEMBER 2019

The objective is to develop a concise and comprehensive strategic plan for Sears Holding Corporation.

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Executive Summary

PROJECT FOCUS

The objective of this report is to develop a concise and comprehensive strategic plan for Sears Holding Corporation. Since 2011, our financial health has suffered extensively which has led to the closure of more than 3,500 since our peak in 2012, where we occupy over 4,000 stores ("Sears Starves"). As of January 2019, only about 400 Sears stores remained open. It is expected that there will be fewer than 300 stores at the beginning of 2020. We will focus on addressing our critical issues by implementing a strategy that will meet our business' needs of establishing new leadership, implementing a new store strategy and improving our supply chain and OE operations.

PROJECT GOALS

Our long-term project goal is to create a successful profit-generating business while sustaining an increasing growth rate with increasingly positive dividend returns for our shareholders. We will achieve this by increasing customer intimacy, enhancing product differentiation and decreasing the number of product returns due to dissatisfaction.

PROJECT SUMMARY

We are currently concerned with the dropping rate of our net income and current ratio, negative ROE, and no ability to pay a consistently increasing dividend. We are also heavily concerned with the store closure rate. We plan to implement a "limited assortment" strategy to secure our goal of decreasing the number of returns due to dissatisfaction. We will create an overall better experience for our customers, and studies have shown that “limited assortment” stores are expected to grow 5% faster than traditional stores. We expect in the next 3-5 years after full implementation, we will see a noticeable positive reaction to our newly implemented strategy.

Alperen Aksehir & Monica Buczynski
Senior Strategic Advisors
December 9, 2019

Overview of the Case

HISTORICAL AND FINANCIAL BACKGROUND

Sears, Roebuck and Company is the story of the rise and fall of a mail-order business in the 19th century that once was one of America's greatest business success stories.

In 1886, Richard W. Sears, a railway station agent from Minnesota, started a side business of selling watches to other agents after he bought a shipment of watches that a jeweler refused to accept (History.com). After leaving the railway scene several months later, Richard Sears established the R.W. Sears Watch Company in Minneapolis and then moved a year later to Chicago where he partnered with watchmaker Alvah C. Roebuck. In 1893, the partnership officially became Sears, Roebuck and Company which expanded into a general mail-order catalog; our catalog the provided American rural population with low cost options as opposed to the high-priced local general stores. By the late 1890's, our catalog was about 500 pages and included items shoes, women's clothing, wagons, fishing tackle, furniture, china, musical instruments, firearms and bicycles - all that could be delivered by mail; however, the catalog was discontinued in 1993 (Delventhal). Nevertheless, in comparison to online retailer competitor Amazon, sears.com sold home electronics, computers, office equipment, appliances, cookware, baby products, school uniforms, gifts, toys, and sports memorabilia meanwhile Amazon products were limited.

We sold our first stock in 1906 in an initial public offering (IPO) managed by Goldman Sachs (Kelleher). In 1925, we opened our first retail store inside a mail-order plant in Chicago and opened 40-acre logistics center to improve operations. Our growth and efficiency drew the interest of people like Henry Ford who traveled to the "seventh wonder" of the business world to learn about the once small catalog business that operated 300 retail outlets within 5 years and that threatened the existence of small mom-and-pop shops (Delventhal).

World War II was a catalyst to the company's rapid growth (Isidore). In 1945, sales reached $1 billion, and in 1978, Sears showed its continuing prestige and dominance in the retail industry when the Sears Tower, the 110-story skyscraper which would not only be the world's tallest building until 1998 and also our new headquarters, was erected in Chicago. In the late 1970's and early 1980's, our annual revenue reached about 1% of U.S. GDP (Delventhal). In comparison, Amazon's $99 billion revenue last year about 0.8% of U.S. GDP.

Despite our successes, Walmart surpassed us as the largest U.S. retailer in 1990, but the competition between rivals like Amazon, Walmart, Macy's, JCPenney, Lowe's, Best Buy, Home Depot and others continued to grow (Delventhal).

In 1993, Allstate went public when we sold the company's insurance business for $2 billion; at the time, this was the largest IPO to date (Los Angeles Times, AllState). That same year, we sold the residential real estate division to the Fremont Group, a California investment company, for $230 million. In 1999, we lost its ranking in the Dow after 75 years and was replaced by Home Depot (Isidore). In 2005, Eddie Lampert bought control of us for $11 billion which he already owned 15% of their shares (Kelleher).

The stock price peaked at $140 in 2007, and we were able to increase their revenues in 2010 but our stock prices were not sustainable ("Sears Holding"). The lack of investment in us (Sears and Kmart) resulted in not being able to keep up with other competitors such as Walmart. In 2011, we lost over $3.1 billion while Walmart made $17.1 billion. In 2017, we sold their most known brand Stanley Black & Decker in a deal valued at $900 million (Merced). We had the cash they needed but we were not able to sell our signature tool because our rival, Lowe's, also started selling Craftsman tools. In the first quarter of 2018, we admitted to its investors that there was a doubt about whether we were going to be able to remain in business because overall revenue had dropped 25%. Vendors started to request cash upfront because of our financial situation this put us at a greater competitive disadvantage. We attempted to recover by closing stores and deals but their attempts did not save them from $11.3 billion in liabilities (Delventhal). . When we filed for Chapter 11 Bankruptcy in October 2018, we had only 700 stores open compared to 3,500 stores when Lampert bought Kmart out of bankruptcy and merged with us (MR Magazine). That same year, we were delisted from the Nasdaq and began trading over-the-counter; stock prices had plummeted to 50 cents. Eddie Lampert stepped down from the position of CEO when the bankruptcy was filed (Bomey).

SEARS SRATEGIC PLAN DECEMBER 2019

In 2019, a bankruptcy judge in New York approved the sale of most of our assets to hedge funds $5.2 billion. The decision saved 425 stores and 45,000 jobs (Isidore). However, today, we have 177 Sears, and by February 2020, only 70 Kmart stores will be open (Tyko).

PRODUCTS

We operate today in many different areas, and over the years we have introduced several brands into the market including Discover Card, Kenmore Appliances, Craftsman, Allstate Insurance, and more. Currently, we are a chain of department stores that are usually located in shopping malls, however, some freestanding stores exist (Kapner).

Sears Grand stores are typically located away from shopping malls. Many Sears Grand locations were retrofit remodels of existing Kmart stores after the merger. Sears Grand locations carry everything a Sears department store carries, plus health and beauty products, a pharmacy, toys, cleaning supplies, home décor, pet food, cards and party supplies, books, magazines, and a selection of groceries which is limited mostly to dry goods ("Sears.").

We cater several services to their customers. Sears Portrait Studio is a full service portrait studio with locations in our stores and formerly standalone location. Sears PartsDirect is a chain of lawn & garden equipment and appliance parts stores ("Sears."). Sears Travel is a licensed business partner of Sears Holdings and was founded in February 2012 in conjunction with International Cruise & Excursions, Inc. Sears Vacations functions as an online travel agency that provides online and telephone-based booking services for Sears customers through the SearsVacations.com website (Shropshire). A&E Factory Service is the on-site repair service, servicing larger items such as home appliances, electronics, and garden equipment. Sears Home Services specializes in onsite repair, improvement and maintenance of appliances, HVAC systems, electronics, fitness equipment, lawn & garden, electrical, plumbing, flooring, kitchen remodels (Laurenthomas.). Sears Optical**,** Sears Flowers (franchised to Teleflora) are also other services Sears provide. We used to have more divisions in different fields but over the years they sold most of these divisions due to financial struggles ("Sears."). Allstate Insurance Company named after Sears' tire brand and was used to offer auto insurance by direct mail and through the Sears catalog. We acquired additional purchases throughout the years (Allstate History and Timeline). Coldwell Banker was bought in 1981 and became part of the Sears Financial Network. The Discover Card was introduced in 1986 as part of the Sears Financial Network until 1993 (Brodsly). Additionally, we owned Chicago bank until 1993. Sears Rent-a-Car was a car and truck rental chain formed in the mid-1970s as a joint venture with Budget. In another joint venture, we created one of the first home internet services in with IBM and CBS in 1996 (Matthews). Sears Rent-a-Car was sold to Avis in 2002. National Tire and Battery is an American brand of auto service centers. It was formerly owned by us until it was spun off in 2003.

Mission and Vision Statements

MISSION STATEMENT

"To grow our business by providing quality products and services at great value when and where our customers want them, and by building positive, lasting relationships with our customers" ("Sears Mission").

CUSTOMERS

The customer component of our mission statement well fits with our business. It is not specifying a certain group of age, gender or race. It keeps general and broad using the term ".where our customers want them...' which is better in case of a change in our business. The statement describes that we want to reach our customers through a strong relationship which we still strongly believe and support the idea.

PRODUCTS AND SERVICES

The second component of the mission statement which is the product or the services. There is not one specific product or service that Sears defines in its mission statement. We offer a wide range of products; however, we believe that having a quality product is more important than quantity. One of our goals mentioned in our mission statement is to provide its customers with the best products and services that will provide them with the greatest satisfaction. We assure that we will provide a complex service system that reaches out to all our customers while emphasizing quality delivery.

MARKETS

The market component is also mentioned in the mission statement. Wherever the customer needs us, we will provide them what they need. We are also not looking to niche our market in the short term. Our implementation will reflect the market component in our mission statement.

TECHNOLOGY

We are lacking the technology component in our mission statement. We mention, "…great value," but we believe that is not enough in the technological environment that we need to thrive in the industry.

CONCERN FOR SURVIVAL, GROWTH & PROFITABILIY

The growth and survival components of this mission statement are very important. Our mission statement highlights our focus on expanding its businesses by means of offering excellent goods and services at a great value when and where their clients want them, and by creating lasting relations with our consumers.

PHILOSOPHY

We focus on creating long-lasting relationships that rise as a critical strategic element that they use to remaining growth. The variety deals it showcases for its customers together shows our commitment. The philosophy component in this mission statement, we are committing that we will provide great value while we have the philosophy of building strong relationships with the customers.

SELF-CONCEPT

The self-concept side of the component is easy to understand. We want to expand the business by providing the best and while building a strong relationship with the customers. Our basic beliefs such as providing good quality with a positive attitude.

CONCERN FOR PUBLIC IMAGE

We do not have any parts for the corporate citizenship component in our mission statement. We would like to add a part that we believe is important to represent our business mentality. To comment on the concern for corporate citizenship of Sears' mission statement does not really cover their image in the industry.

CONCERN FOR EMPLOYEES

We do have concern for the employees as they are mentioned in our vision statement; however, they are not mentioned in our mission statement.

CORE VALUES

Our core values include: "honesty, integrity, and adherence to the highest ethical standards" which guide the overall code of conduct and the actions of our employees ("Sears Mission"). We believe in serving its customers with high-quality treatment. With our Master Protection Agreement, we honor our customers by providing them "with the Guaranteed Best Coverage in the industry...because Sears does better" ("Master Protection"). The "because Sears does better" statement attempts to show potential customers that we acknowledge and value our customer relationships as stated in both the mission and vision statements.

REVISED MISSION STATEMENT

We created a new mission statement by taking the existing mission statement as our foundation and modified it: "To grow our business by providing quality products and services at great value when and where our customers want them, and by building positive, lasting relationships with our customers. We create an environment were all employees and customers feel included in our Sears community as we propel our company forward together with never-ceasing learning of technology to achieve and sustain competitive positions in the marketplace."

VISION

Our core values include: "honesty, integrity, and adherence to the highest ethical standards" which guide the overall code of conduct and the actions of our employees ("Sears Mission"). We believe in serving its customers with high-quality treatment. With our Master Protection Agreement, we honor our customers by providing them "with the Guaranteed Best Coverage in the industry...because Sears does better" ("Master Protection"). The "because Sears does better" statement attempts to show potential customers that we acknowledge and value our customer relationships as stated in both the mission and vision statements.

Financial Analysis

OVERVIEW OF FINANCIAL ANALYSIS

Based on SEC data, our financial health is on average worse compared to companies within the department store industry. The profit margin is 12.9% lower than the industry average and both our ROE and ROA are negative (ReadyRatios). We are hoping that we will be able to restore Sears' financial situation without liquidating more stores.

DIVIDENDS

The volatile dividends as well as the decreasing dividends from 2003 to 2019 signal periods of non-constant positive within the company as shown in Figure 1. A decreasing dividend shows that there were not enough positive cash flows in the present and future from earnings to payout, and we were not pleased.

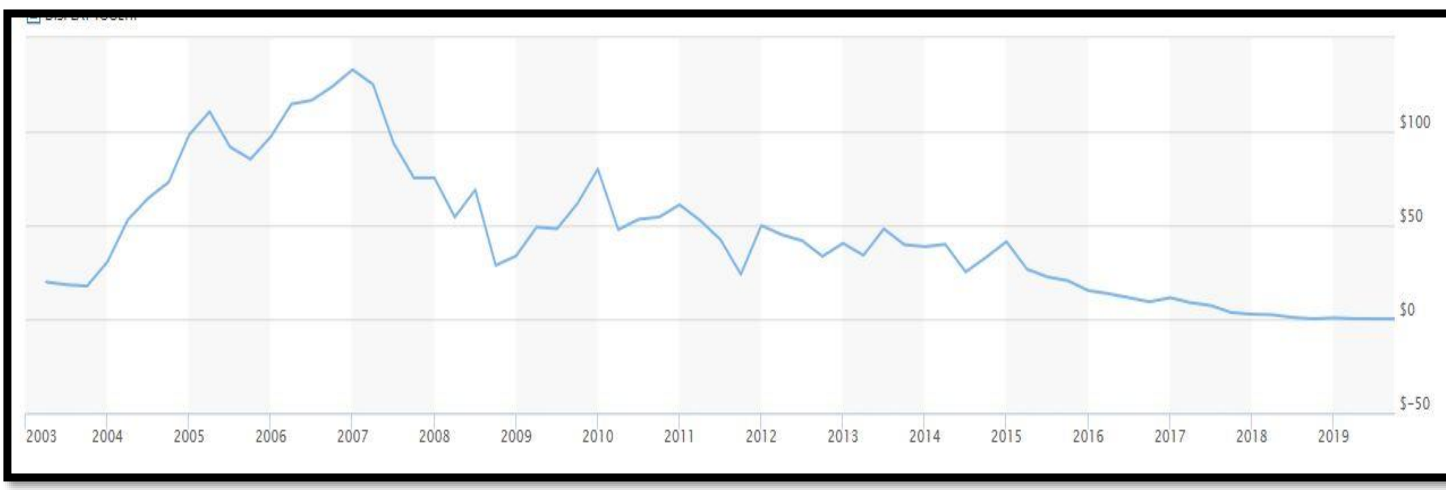

Figure 2: Sears Dividend Growth Trend from 2003 - 2019

Source: "Sears Holdings Corp." MarketWatch.

The steady decrease to dividends also signals to investors that the company is not doing well in the present, and that the board does not have the confidence that it will be profitable in the future; a company should never cut their dividends unless they are going bankrupt. Conversely, a "smooth" regular increase in stocks shows that the company is doing well and increases investor confidence in the profitability of the investment.

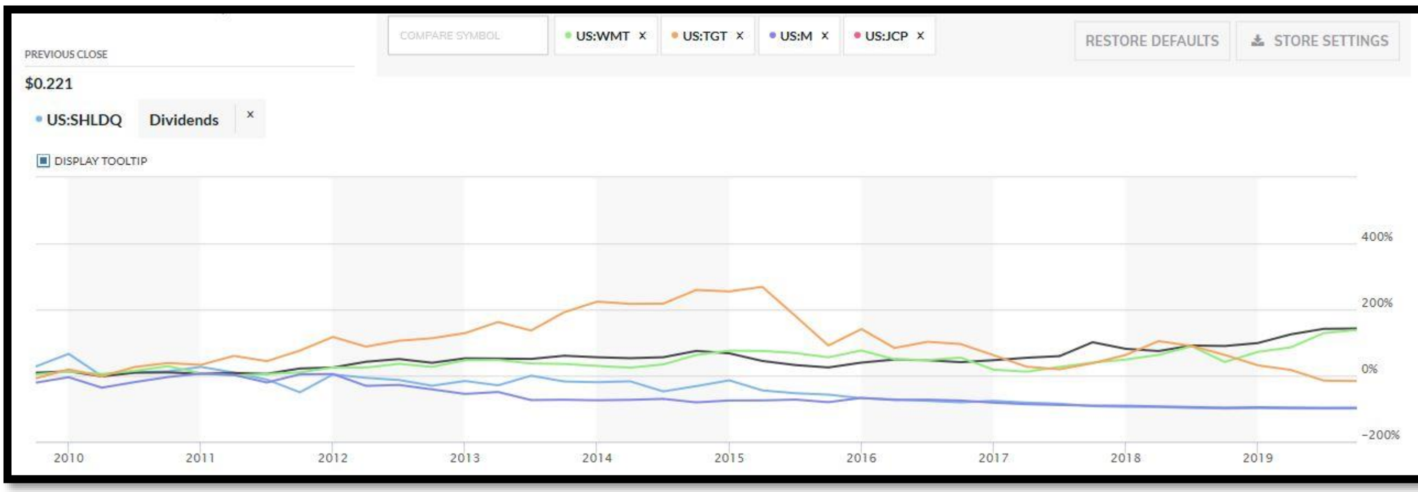

Figure 2: Dividend growth trends from 2010 - 2019. Key: Green- Walmart; Orange- Target; Light Blue-Macy's; Dark Blue-Sears; Black- J.C. Penney's

Source: "Sears Holdings Corp." MarketWatch.

Figure 2 above shows dividend trends for us and rival companies including Walmart, Target, Macy's and J.C. Penny's; we decreased our dividend growth or kept it relatively constant compared to the rival companies, especially Target. Not surprisingly, Target's revenue growth, as shown in Figure 4, is higher than ours; higher levels in Target's revenue can be attributed to giving increasing dividends to stockholders, which in turn brings in more investment for the company to innovate due to increase in investor confidence.

NET INCOME

Net income did not increase at a steady rate as shown in Figure 3; there was a decrease in the net income from 2014 to 2018 which signaled abrupt negative pitfalls that could decrease the confidence of investors if the following year earnings returned to the previous constant rate. A smaller net income is also a signal that our revenue is growing smaller and/or our costs are growing larger. More insight on our revenue can be found in Figure 4.

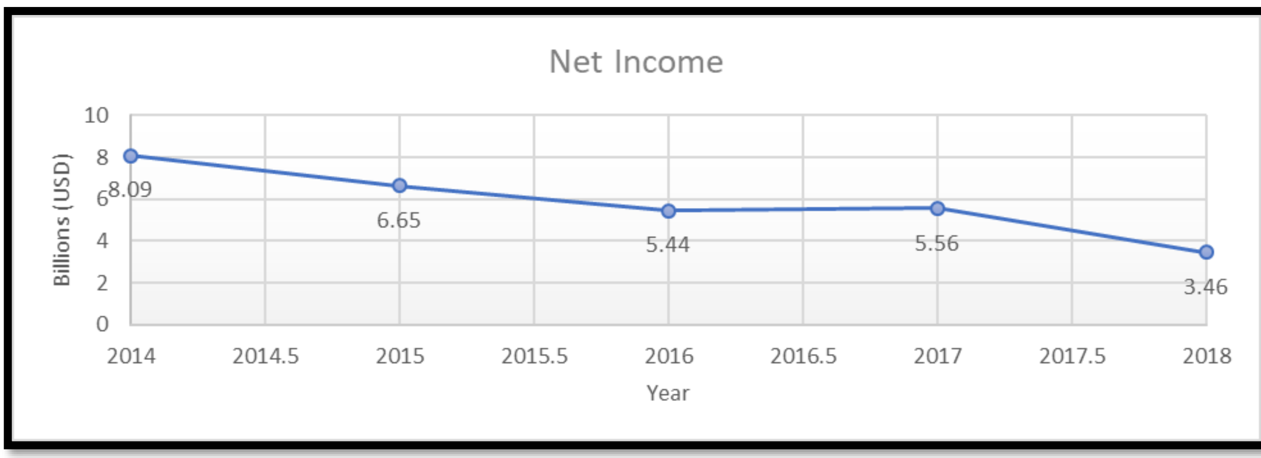

Figure 3: Sears Net Income 2014-2018

Source: "Annual Financials for Sears Holdings Corp." MarketWatch.

REVENUE COMPARISION

When comparing our revenue amongst other companies within the general merchandise industry, we perform poorly as shown in Figure 4. Not only are our competitors having constant or growth, companies with prosperous growth like Amazon have resources to invest in more and better marketing and other characteristics that make Amazon a better competitive advantage. Inside our industry, the revenues of store like Target and Kohl's increased, the revenues of Macy's and JC Penny's decreased. Additionally, our decreasing revenue does not allow us to innovate and therefore "get ahead" of other companies. Our revenue has decreased from $31,198 in 2014 to $13,191 in 2018.

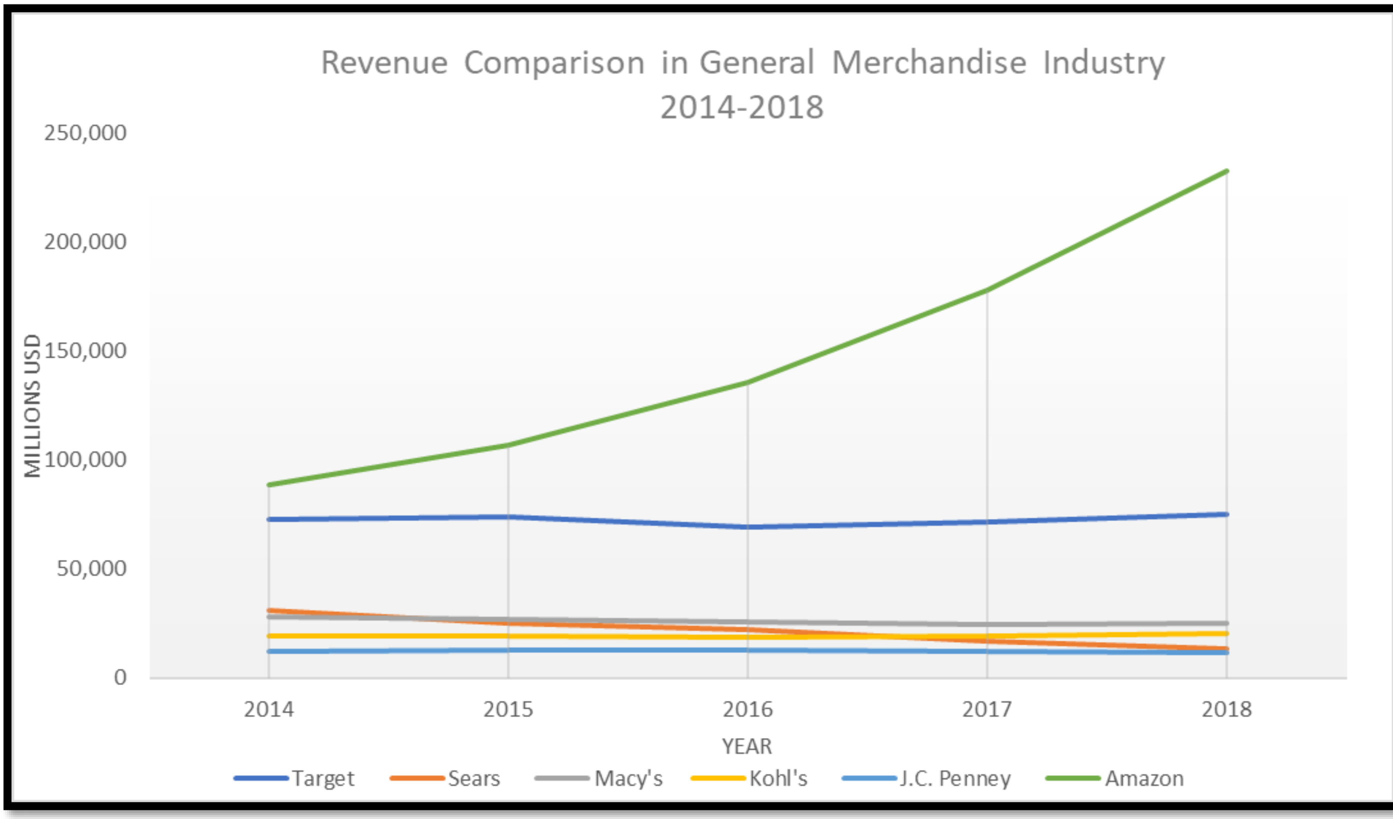

Figure 4: Revenue Comparison 2014-2018

Source: "Top companies by revenue for the industry 'General Merchandise Stores' in 2017."

Sears' Revenue (2014-2018)				
2014	2015	2016	2017	2018
$31,198.00	$25,146.00	$22,138.00	$16,702.00	$13,191.00

RETURN ON EQUITY

We are not satisfied with our standing based on the return on equity that was derived from data from the past 5 years as shown in Figure 5. The ROE is the ratio of net income to stockholder's equity. We can see that within the last 5 years, our ROE decreases or is negative. A negative ROE would indicate either that net income or shareholder equity is negative. A decreasing or negative ROE would signal to stockholders that the money that they are investing in our company is not being used effectively and efficiently. The ROE dropped from 3.71 to -0.01 from 2014 to 2015 and then dropped further to -2.78 in 2016. The ROE then recovered slightly in 2017 and 2018, increasing to -1.46 and -0.93, respectfully. The negative ROE values are due to a negative stockholder's equity, which implies that we were holding a greater amount of liabilities than assets; the low current ratio, as presented in Figure 6, contributes to the cause of the negative ROE which is a sign of financial distress for us.

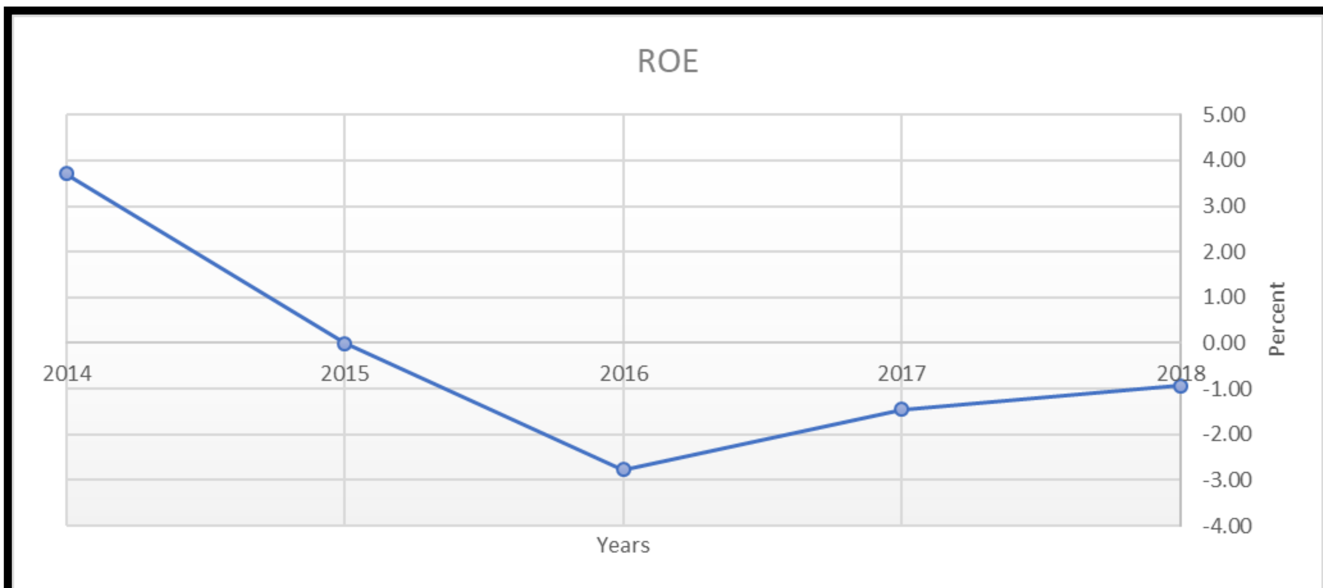

Figure 5: Sears' Return on Equity 2014 -2018. Source: "Annual Financials for Sears Holdings Corp." MarketWatch.

CURRENT RATIO

The current ratio from 2014 to 2018 has fluctuated between 1.11 and 0.77 as shown in Figure 6; a "healthy" current ratio is 1.5 more most industries. In 2015 and 2018, the current ratio dropped below one, signifying that the value of total current liabilities has surpassed the amount of total current assets; this is a dangerous position for a company to be in because we do not have enough resources to pay off short-term debts. The 28 percent drop in the current ratio from 2017 to 2018 is alarming; the drop may be credited to the continuing decrease in revenue and investor confidence.

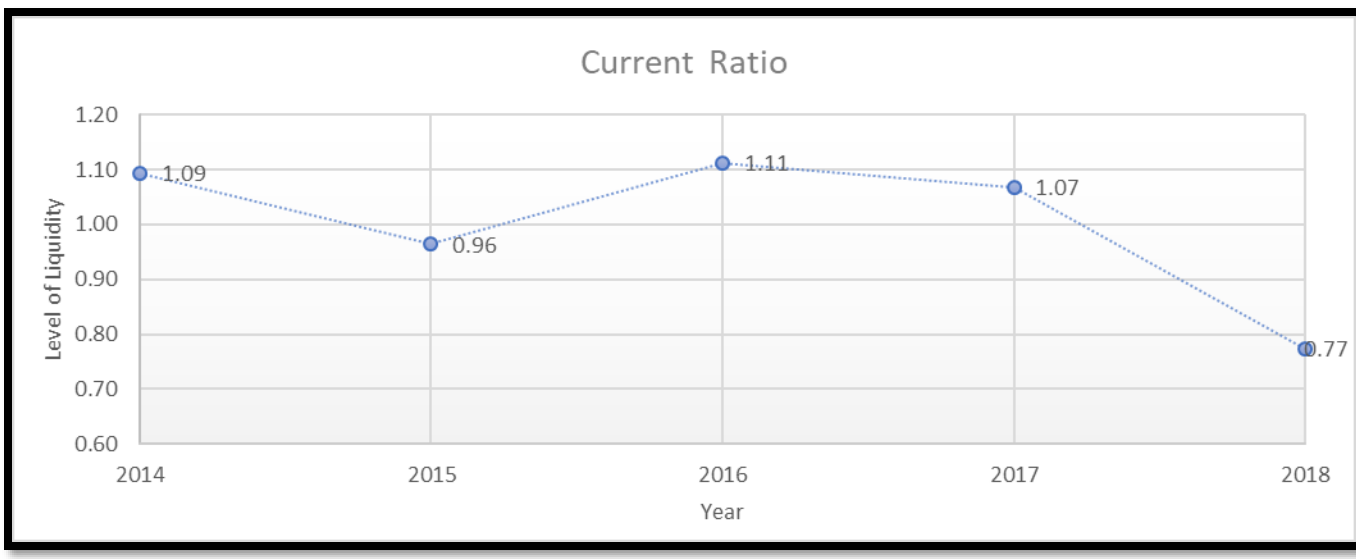

Figure 6: Sears Current Ratio 2014-2018

Source: "Annual Financials for Sears Holdings Corp." MarketWatch.

STOCK PRICES

Figure 7 shows the volatile stock prices due to lack of confidence in both consumers and investors from 1995 to 2019. Our stocks reached its peak on April 12th, 2007 with

$140.77, the decreasing stock prices reflected our company's poor financial health. Low earnings reports, as shown in Figure 4, or the board's decision to cut dividends, as shown in Figure 1, are influencers that drove the stock price down. Additionally, investors' view on growth potential and leadership strength as well as market shares and revenue affected the stock price.

Figure 7 Sears' Stock Price Trend from 1995 to 2019.

Source: "SHLDQ - Sears Holdings Corp." SeekingAlpha.

Evaluating a Company’s Resources and Competitive Position

HOW WELL IS OUR PRESENT STRATEGY WORKING?

Over the years, we have tried many strategies. Although we can blame our decreasing revenue in consumer tastes and the environment, we need to take ownership that our current strategy is not working (“Top Companies.”). There were combinations of failures that led to our decline. First, well-known brands of ours were sold to big rivals in our industry. Second, our ‘shop your way’ rewards program has been promising, but we believe that it is not enough. The program needs to offer rewards that are attractive to customers, and the language is ambiguous; we need to be able to offer something only for our customers, and show the customer why we are special in the retail business over our competitors (Farfan). Second, we struggle with our brands that are presented in the stores. After the Kmart merger, some of our products were being offered in Kmart store and diluted our brand, increasing the problem in the market for us. Third, we tried the increase our revenue by selling our brands and cutting operational costs. We spun off brands and other assets, and we also cut hours, pay, and employees to save cash, which may cause many bigger problems just for daily experience for the customers. One of our employees said, “We have a 17-year-old running the office and cash office” (Delventhal). On one attempt to save us, the company announced a deal with Amazon in which the retail chain would use Sears auto centers to allow customers to order and install their tires in the Sears’ shop. This helped our company and our shares were affected it positively (Delventhal).

STRENGHTS AND WEAKNESSES OVERVIEW

Sears Holding Corporation thrived because of its strong sustainability. Sears Holding is one of the largest retail stores in the US. Even though the company had to file for bankruptcy in 2018 after the investments by Eddie Lampert the company has been operating with its 429 stores with 89,000 of its employees (Laurenthomas). However, by February 2020, the number of stores will be 247 (Tyko).

Despite having an excellent portfolio and strength and current growing economy, we have weaknesses that has led to our decline. Our falling revenues indicate that shoppers are leaving the retailer for its competitors.

ARE THE COMPANY'S PRICES AND COSTS COMPETITIVE WITH THOSE OF RIVALS?

Currently, our biggest rivalries have an advantage over our prices and the cost of the products. Strip malls have started to get into the race with department stores like Walmart and Target. Walmart started to gain more market share almost every day because of the low-price advantage over the Sears stores (Hyde). Additionally, Amazon started to gain more market share from us because of the great customer experience and the convenience of their two-day shipping. (Bowman). To try to combat that, we have a page for price match policy. We believe that we offer competitive prices and that is why we have the policy. We have two different policies for retail competitors-stores. The first policy reads: "If you find a lower price on an identical brand and model number currently available for sale at another local competitor's retail store, Sears will match that price. Just bring in the original advertisement to a sales associate at the time of your purchase. The competitor price must be offered on the same date as the date of your purchase. The price match is eligible only on the day you make your purchase." Our other policy is for online price match (Sears). Additionally, we get to offer more frequent discounts and promotions than Walmart. Our range of products is competitive and that also shows us our product differentiation strategy and Walmart's strategy is a cost-based strategy.

IS THE COMPANY COMPETIVELY STRONGER OR WEAKER THAN KEY RIVALS?

While our competitors are still making money and being profitable, we are not currently a sustainable profitable company. When we filed for bankruptcy in 2018, we had $11.3 billion in liabilities (Delventhal). Over the years, our biggest competitors and the strong ones have been Walmart and Amazon ("Top Companies"). Other rivals include JCPenney, Macy's, Home Depot, and Best Buy. We have been selling and spinning off some of our business units and brand names to offset our costs; however, we realized that we make a mistake to sell some of our best brands like Craftsman and Discover (Delventhal). As a result, we have closed many stores, especially after the bankruptcy, and we will be closing more stores in the upcoming 2020 year as well. We used to have a stronger hand in the market, especially in the era before dot-com. We are not stronger compared to our rivals nowadays.

WHAT STRATEGIC ISSUES AND PROBLEMS MERIT FRONT-BURNER MANAGERIAL ATTENTION?

There is a problem with the decision-making process, and we desperately need a restructuring of our top management team as there have been many decisions made by our former CEO that hurt our corporation drastically by not being able to be profitable anymore. To further deepen the problem, we have no current CEO in the office right now to lead the company and is replaced by a team of C-level executives. We also believe that the high turnover rate of C-level executives has hindered the company culture as each individual in office has had a different vision than the prior; since the Kmart merger in 2005, we have changed more than 10 C level executives (Rocco).

Additionally, there have been issues with inventory level and the response of how management handled the situation in the stores was not favored by our team; instead of seeking the root cause of the problem, some stores used bed sheets to cover the empty shelves (Peterson). Inventory issues will be corrected by implementing our limited assortment strategy along with better supply chain practices that include operational excellence practices and hiring experts who are knowledgeable in creatively solving inventory and supply chain issues in the retail business.

Strengths and Weaknesses

STRENGHTS

Brand Recognition scores 0.25/1.00 in the internal analysis matrix. We are a well-known company that has been around since 1886, and our house brand kitchen appliances are everyday products that people use across the country. We were first known for our general mail-order catalog which provided the American rural population with low-cost options as opposed to the high-priced local general stores.

Strong Relationships with Dealers scores 0.05/ 1.00 in the internal analysis matrix. Because of our long existence, we have good relations with our suppliers.

WEAKNESSES

Supply chain Dysfunction scores 0.05/1.00 in the internal analysis matrix. There was a problem with how we handled our supply chain, and studies show that integrating strong supply chain improves a business' performance. Our current stock price and our increasing costs are the results of our dysfunctional supply chain. Some of our supply chain problems included wrong ordering size (Peterson).

Lack of Research and Development scores 0.05/1.00 in the internal analysis matrix. While other competitors like Amazon have spent $22.6 billion on research and development for the industry in the past year, we have spent less than $1000 in the past quarter on R&D (Green, "SHLDQ-Income"). We did not take its actions fast enough, and we lacked innovation compared to competitors.

Overdiversification scores 0.20/1.00 in the internal analysis matrix. Even though the product range is extremely wide, we feel that we have diversified too far. For example, in women's shirts alone, we sell over 12,000 different styles, and it is very hard to keep up with all different kinds of markets that we sell, let alone clothing ("Women's Tops"). One of the strongest known elements of Sears was sold to Stanley Black and Decker.

Selling House Brands scores 0.05/1.00 in the internal analysis matrix. The company lost some of its competitiveness in some markets because Sears was not able to tackle the challenges that were presented by the new entrants (Strategic Management). Some of the other competitors spent a lot of money on their business while Sears was cutting too much of its business, like selling Craftsman to Stanley Black and Decker for example.

The Sears management scores 0.15/1.00 in the internal analysis matrix.. We have high turnover rates among management and non-management employees. Non-CEO executive compensation appears to be significantly lower than that of the industry, possibly representing a missed opportunity to attract top talent and a cause of the high management turnover rates ("Another Slap in the Face"). Another issue is that some of our management members was not the best fit for the job. For example, Eddie Lambert, our previous CEO, had a finance background but had no experience in the retail business and led him to make decisions, like selling Craftsman to Stanley Black & Decker that was not in the best interests for us (Shoulberg, Garner).

Our elite customer service scores 0.10/1.00 on the internal analysis matrix. We have very low-quality customer service that would not be comparable in the market. In some of our stores we have empty displays, broken escalators and lighting as it shows lack of commitment to help for better customer service experience (Cooper). Especially around the time for closing stores we would get the most complaints because all sales are final which customers are not allowed to return items. The reason for that we hire a liquidation specialist whom decides to sell in specific price to get the top dollar for the remaining merchandise. People had many complaints about receiving a shipment of the wrong items from closing store (Elliot).

Internal Factor Evaluation Matrix

Strengths	Weights
Brand Recognition	0.25
Strong Relationship with Dealers	0.05
Total	**0.30**

Weaknesses	Weights
Lack of R&D	0.05
Overdiversification	0.20
Supply Chain Dysfuction	0.05
Poor Sears Management (C level)	0.15
Selling House Brands	0.15
Poor Customer Service	0.10
Total	**0.70**

Macro Environment

GENERAL ECONOMIC CONDITIONS

The U.S. Dollar index is the strength of the dollar against a basket of six currencies: the Euro, Swiss Franc, Japanese Yen, Canadian dollar, British pound, and Swedish Krona (US Dollar). The USD index shows high volatility since its inception in 1971 and even within the last five years. In the past year, the strength of the dollar has generally increased. Furthermore, U.S. products have become generally more expensive in foreign countries leading to a decrease in U.S. exports and an increase in foreign imports.

The unemployment rate in the United States as of October 2019 is 3.5%, a historical low since 1969 (United States). The number of unemployed decreased by 275,000 to 5.8 million change in one month. There are approximately 321,000 discouraged workers in the U.S; there has been no significant change in the number of discouraged workers from September 2019. To compare, Switzerland has an unemployment rate of 2.10% and Germany of 3.10%, China of 3.61%, Russia of 4.30%, France of 8.50% and South Africa of 29.00% (“Unemployment”). The unemployment rate has continuously decreased from 9.9% in 2009 when the ARRA was introduced, and the federal minimum wage was raised from $6.25 to $7.25 (Amadeo).

LEGISLATION AND REGULATIONS

As the world around us is becoming ever more legislated and regulated, changes of this nature, especially in the department store business competing with Amazon and other online competitors. Legislation and regulations can have a direct effect on our company. Our physical stores are in Canada and the United States (Seren). Our stores expose themselves to different types of environment because of which country or state they are operating their stores. The political environment can affect the bureaucracy and cause interference in the department store industry. Depending on the location of the physical store, warehouse, and shipping location, we and our customers can be affected by trade regulations and tariffs Additionally, copyrights, patents and employee benefits are important factors in our business which are applicable to legislation and regulations. Strict tax, tariff, and immigration laws implemented by President Trump have also had an impact on us (Bizjournals.com).

POPULATION DEMOGRAPHICS

In terms of demographics, the diversity structure of the population and trends are frequently changing. However, China, India and the United States remain the top three largest countries in the world with Shanghai being the largest city in the world ("World"). From 2000 to 2019, the world population growth rate has dropped from 1.31% to 1.08%. Additionally, the United Nations projects that within the next century the population growth rate will steadily drop to 0.06% by 2095 with a 0.05% population growth of 9 million people; family size will decrease as world wealth increases.

Diversity trends are growing rapidly in the United States and around the world. 2018 saw a growth in diverse leadership in companies such as Netflix, M&T Bank, and Uber (Gassam). To elaborate on the value of diversity in business leadership, firms like McKinsey and Company have provided evidence that diversity and embracing an inviting environment to all cultures improves company performance (Barta). For example, companies with levels of high diversity at the executive level had higher ROEs by 53 percent.

SOCIETAL VALUES AND LIFESTYLES

The United States is a very progressive, modern, and advanced society. The U.S is a first-world country and has an economy with a high standard of living. Americans tend to value qualities like equality, progress, and change, freedom of speech and expression and respect, and we are characterized to be more individualistic and self-motivated. Furthermore, the hope of "the American Dream" is always at the forefront of the minds of Americans and believe that anyone can be and achieve anything with hard work. Americans also tend to be fast-paced individuals living on the run; therefore, online shopping with fast shipping explains the huge success of the online industry. A lot of people are very committed to their work lifestyle in the U.S, but we as a company need to have an open management style that allows our workers to balance between their life and work. There should be flexibility in the workplace and great concern for our employees.

TECHNOLOGY

Technology is fast and disrupts various industries. There are industries that do not exist anymore because of the fast transformation because a company needs to catch up with the industry's technological accomplishments. Therefore, we need to follow the recent developments of our competitors. Additionally, we need to understand more about the progressing technology and impact of technological advancements in the cost structure so that we can offer better services with the existing technology in the market. We need to use more effective and more efficient equipment and implement better supply chain practices throughout the company. We did not utilize the opportunities we had in the best ways that we could both Sears and Kmart. Hence, technology innovation is primary goal for us. (Clear Spider).

NATURAL ENVIRONMENT

Natural disasters, even though they may be predicted by weather services, can have a monumental impact on businesses. Because we support payment in various currencies and participates in international shipping in 101 countries, including Monaco, Brazil, France, Israel, Lithuania, Pakistan, and Qatar, both the economic stability in foreign countries and natural environments across the globe have an impact on our profitability (International). Unforeseen turbulence and lightning storms may delay shipment of air cargo when planes are grounded. Some cargo may be shipped overseas via cargo ships and powerful storms or tsunamis may sink these ships, losing containers of our merchandise before hitting the mainland. The World Shipping Council (WSC) reported in their 2017 Containers Lost at Sea report that from 2008-2016, on average, there were 568 containers lost at sea per year (excluding catastrophic events) and 1,582 containers lost at sea per year (including catastrophic events); 50 or more containers must be lost on the vessel to be defined as a catastrophic event (Containers). Despite the yearly losses, the WSC reported that "the international liner shipping industry transported approximately 130 million containers packed with cargo, with an estimated value of more than $4 trillion" and that the yearly losses of containers at sea per year are a "small fraction."

GLOBAL FORCES

The 2019 trade war between the United States and China will hurt us financially due to the rising tariff rates from China. Craftsman, one of our brands, outsources production to China and Taiwan (Craftsman). Due to the "world-wide relaitation" of the trade war, the Wall Street Journal reports that China has raised its tariffs for Americans to 21.8 percent (Zoellick). We as an American based company will be forced to either pay the price for the increase in the tariff or pass the costs to the consumers and risk the consumers finding an alternative brand for the product.

In retrospect, the U.S. lost not only its protection from non-tariff and no barriers to trade when the country withdrew from the Trans-Pacific Partnership Agreement, but the United States also lost its influential presence in markets (TPP). While China taxes European Union and Japan (a current member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership) 6.7 percent, the United States is taxed 21.8 percent (Zoellick).

The outcome of Brexit will greatly affect the economics of the United States. If the U.K. leaves the European Union with a "no-deal Brexit," a disruption in trade is to be expected as well as grounded planes and heavy border traffic (John). Furthermore, the U.S. Census Bureau reported in 2016 that the U.K. was America's 7th largest importer and 5th largest exporter with over $100 billion in imports and exports counted separately, and a “no-deal Brexit” may harm the trade relations between the U.K. and the United States (Walker).

Industry Environment

DOES THE INDUSTRY OFFER ATTRACTIVE OPPORTUNITIES FOR GROWTH?

The retail industry does offer attractive opportunities for growth. These opportunities include: the decreasing unemployment in the United States; increase in the Big Data industry; increasing visibility in customer service departments; technological advances; decreasing cost of transportation; the growth of developing countries to expand business markets.

WHAT KINDS/STRENGHT OF COMPETITIVE FORCES ARE INDUSTRY MEMBERS FACING?

Porter's 5 Forces of Competitive Rivalry, Threat to New Entry, Buyer Power, Supplier Power, and Threat of Substitution analyzes the competitive forces that we are facing and where our management should focus their time, energy, and resources.

Competitive Rivalry is high because there are many department stores in the retail industry. Our top competitors are Target, Macy's, Nordstrom, Best Buy and JC Penney (Delventhal).

Threat of New Entry is high because of easy access to start up and large market opportunity. Students at universities now have access to business development centers like SCORE to help aid and prosper entrepreneurs.

Threat of Substitution is Median. We offer both in-store, online shopping, and by mobile app. Methods of substitution to purchase products include shopping by mail-in catalogue. We canceled its catalog in 1993; however, Forbes magazine recently polled customers of a Canadian client and discovered that 95 percent of people would rather look through a physical magazine and order than via an online catalog (Geller).

Buyer Power is medium. Even though buyers can have a low switching cost when they can find the same product elsewhere for a lower price, we have leverage to decrease our purchasing power due to branding. Kenmore, Craftsman and DieHard are our key brands. However, one individual customer does not have a big impact on the total revenue due to our large market across 101 countries ("International").

Supplier Power is high. We need to ensure that we are paying our suppliers at a competitive price due to other department stores like Macy's and Target who could pay the same supplier more and drive us out of business. Additionally, the skill to work as a cashier, greater, customer service representative or stock clerk, do not require a lot of training or high levels of education to be competent in the job. Therefore, we must provide its employees, especially in employees in low level positions with competitive salaries and benefits to ensure that the employees will not take their training and experience from us to one of the many department stores (and our competitors).

Overall, the collective strength of the five forces is weak to medium, and it is necessary for us to be more competitive with our rivals because of the continuous increase of consumers, according to Statista; the seven year period between 2010 and 2017 saw a 191 million increase in customers who shopped in department stores on a monthly basis (O'Connell).

WHAT FORCES ARE DRIVING INDUSTRY CHANGE?

Technology and aesthetics are driving forces for industry change, especially in an industry where most of the revenue is made through the customers purchasing products. Therefore, the user interface is very important. Keeping up with technology signals to customers that the industry is thinking about the future, and technology can help to increase productivity and efficiency for both the customer and the company; the company can cut its administrative costs and reallocate that money to other weaknesses when it is being cost effective. Additionally, aesthetics are a marketing tool that is vital for customers to be loyal to the company. In the article "Budding Business Leaders Learn The Importance Of Aesthetics," a business professor at Harvard Law School says that "people do not need more stuff, but they do need pleasures, and aesthetics are a powerful way to deliver it" (Nobel). She also notes that it is vital that management studies what aesthetics create "financial value" for the company which varies in different customer bases.

WHAT MARKET POSITIONS DO INDUSTRY RIVALS LIKELY OCCUPY?

We filed for bankruptcy in 2018, and our competitors gained a lot of market as a result of our filing and are still trying to gain more (Delventhal). We still face a number of challenges even though we tried to return to profitability which could provide a boost for competitors and a helping hand for some malls. There are several retail rivals that could benefit dramatically from our non-stop persistent shrinking because of the chances that will be open to our competitors' business (Brittany De). Some of our biggest competitors are Macy's and J.C. Penny's – which have locations that are very close in relationship to us, especially in large shopping malls; therefore, our competitors are primed to pick up our current customers if our stores are closed (Ausick). Of those potential beneficiaries, Macy's is a department store with the most potential to succeed if we close our doors because Macy's has the highest stores rates surrounding our stores compared to all our other competitors (Yahoo! Finance). While JC Penny's has the largest amount of overlap stores, they also have more locations that coexist in less successful malls. "The store overlap of our stores with those of its rivals is strong. For example, 94 percent of Sears stores have a Home Depot within 15-minutes" (Halzack). Not to mention that "Sears has already decreased store count by about 70 percent since January" (Yahoo! Finance). Target also has a very high percentage as well in the store overlap. Additionally, Amazon is more likely to gain more sales in clothing because of the convenience of 2-day shipping option for its customers. Other rival companies we will have to try to keep more stores open while our stores are closing and increase their advertising efforts by working for better shelf space, running ads in newspapers or weekly coupon offerings. Not only that, they might also offer better and stronger brand loyalty for their services to overpower us.

WHAT STRATEGIC MOVES ARE RIVALS LIKELY TO MAKE NEXT?

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WHAT ARE THE KEY SUCCESS FACTORS (KSF) FOR FUTURE SUCCESS?

Today, we have 177 Sears, and by February 2020, only 70 Kmart stores will be open (Tyko). In order to achieve future success, we need to go back to the core of our business and adapt to the future's way of doing business because if we adopt today's, we will be out of date in the future again as well. We will do that by, for example, having a better mentality of continuous improvement to provide better services. First, we are offering many different items including shoes, clothing for men and women, furniture, jewelry and the things that were possible to mail it to customers, and physiological studies claim that a high range and high volume of products is unnecessary because it will be more costly to a business in the long run (Schwartz). For example, we invested in providing more services like insurance, investment and real estate in addition to our retail industry. Therefore, one of our hopes is to have a less confusing service line to the consumer and to return our focus to home building products as there is too much competition from department stores in the market. Second, we carried our famous Sears catalog for over 100 years (Delventhal). It was a successful business and we would like to bring the catalog back, but more focused on the online version of the catalog. It could be a great opportunity to come back to the market with the famous great catalog that we discontinued in 1993. Third, our mistake was cutting off too many stores and workers, especially discounting our catalog, to cut costs. Fourth, one of the key factors is to improve our online opportunities. We started providing a program called “shop your way” (Sears). This membership allows customers to get extra deals with no obligation or commitment to the program. We can offer free shipping options such as other competitors. Fifth, in order to continue to be competitive, we must continue to implement Operational Excellence tools and better supply chain processes and tactics. Sixth, we need to set up an advanced data collection to increase customer intimacy.

DOES THE INDUSTRY OFFER GOOD PROSPECTS FOR PROFITABILITY?

Yes, the industry does offer good prospects for profitability. “It is estimated that two-thirds of the U.S GDP comes from the retail industry.” (Farfan) We believe that we are capable of driving the industry, but we will need to change the way we do things. We understand that even though there are going to be changes with economic circumstances, we live in a society that people keep on buying and that the elasticity for consumer goods inelastic. The retail industry also has very different goods and services that it offers such as consumer goods, durable goods, nondurable goods and consumer services. We have the capability of implementing all of these good industries. Increasingly, though, e-commerce is gaining market share. “According to the US Census Bureau, e-commerce, defined roughly as “shopping online,” accounted for over 8% of total retail sales in the 2nd quarter of 2016 - dramatic growth from only 3% in 2006. While Amazon is reported to own 26% of all internet retail sales, most retail operations are at least developing an online presence, and many are going far beyond that. Smart retailers are working to integrate their online and physical shopping experience, making it seamless for consumers to shop however they’re most comfortable” (Farfan).

Opportunities and Threats

OPPORTUNITIES

Big Data Job Growth scores 0.225/1.00 on the external analysis matrix. More and more companies are beginning to use CRM systems like SAP and Oracle to help increase profitability in the present; however engaging in data analytics and reporting gives companies a competitive advantage by identifying internal opportunities and weaknesses, predicting future trends and implementing more effective marketing ("Why Big Data"). Geoffrey Moore, the managing director of Geoffrey Moore Consulting, says, "Without big data analytics, companies are blind and deaf, wandering out onto the web like deer on a freeway." Increased visibility in customer service departments due to the implementation of strategic surveys can be used to pinpoint weaknesses. Additionally, according to IBM, demand in Big Data will grow by 28% from 2017 to 2020 (Columbus). The substantial increase in the usage of data analytics (1.7 megabytes of data generated every second by 2020) will allow companies to generate more revenue and make themselves more competitive.

Decreasing Unemployment scores 0.075/1.00 on the external analysis matrix. The unemployment rate in the United States has steadily decreased since 2010 ("United States Unemployment"). Hence, with more Americans employed, they will have more disposable income to spend on goods and services.

Expanding Markets to Developing Countries scores 0.075/1.00 on the external analysis matrix. Countries like China, Russia, India, Brazil would benefit from low cost products like ours to increase their standard of living and mortality rates. Additionally, producing in developing countries would also contribute to both the developing country abroad and the parent company; the employees would receive profit to purchase goods and services and the company can benefit by cheap labor and the final production of their product.

Technological Advances scores 0.05/1.00 on the external analysis matrix. Technological advances and the forward movement in the sciences can decrease costs for firms. Examples of technological advancements include robots and more efficient machinery to decrease dysfunctional products and heightened security measures to decrease loss of profit due to fraudulent scandals.

Decreasing Cost of Transportation scores 0.025/1.00 on the external analysis matrix. Fuel efficient trucks and the decreased cost of railroad travel decreases input costs of the product. Then, the company can choose whether to pass the decreased cost onto the customer of reinvest the gained profit for R&D.

THREATS

Technological Advances score 0.10/1.00 on the external analysis matrix. New technologies developed by the competitor or market disruptor could be a serious threat to the industry in medium to long term future. Constant technological development requires the workforce to be trained accordingly as the inability to keep up with these changes can lead to a loss for us. Sears can lose a lot of its market share to its competitors.

Poor Image Affecting Bargaining Power scores 0.175/1.00 on the external analysis matrix. The bargaining power of suppliers has been increasing dramatically affecting how we are performing as a business. The costs of inputs could increase for us soon.

Shift in Consumer Tastes scores 0.125/1.00 on the Threat scale. Consumer tastes are changing, and this puts pressure on companies to constantly change their products to meet the needs of our customers.

Changing Regulations and Legislations scores 0.10/1.00 on the external analysis matrix. Rising raw material costs related to exchange rate can pose a threat to our profitability. Rising minimum pay levels in different states especially movements such as $15 an hour and the increasing prices in China due to the trade war can lead to pressure on our profitability (Zoellick). Ultimately, there has been high competition within the industry that has put a lot of pressure on our price tags. Additionally, the exchange rate has not been as stable, and we are affected because we also operate internationally.

External Factor Evaluation Matrix

Threats	**Weights**
Technological Advances	0.10
Changing Regulations and Legislation	0.10
Shifts in Consumer Tastes	0.125
Poor Image Effecting Bargaining Power	0.175
Total	**0.50**

Opportunities	**Weights**
Big Data Job Growth	0.23
Decreasing Unemployemnt	0.075
Expanding Markets to Deveping Countries	0.075
Decreasing cost of Transportation	0.05
Technological Advances	0.075
Total	**0.50**

Strategic Objectives

1. We will increase our customers survey response by 30 percent within the next two years. The average response rate for online surveys is 24.8 percent. Increasing our response rate in conjunction with analytical data procedures will help us to shape our business operations to satisfy our customers more.
2. We will decrease the number of products returned due to satisfaction to 70 percent over the first year after implementation with a five percent negative margin of error.
3. We will enhance product differentiation by regaining ownership of all our house brands by 100 percent. When we own all our brands, we will become exclusive to our customers.

SWOT Matrix

We will combat our weakness of overdiversification, poor management (C level), supply chain dysfunction and poor customer service in our strategy.

Internal Analysis

Strengths	Weaknesses
Brand Recognition	Lack of R&D
Strong Relationship with Dealers	Overdiversification
	Supply Chain Dysfuction
	Poor Sears Management (C level)
	Selling House Brands
	Poor Customer Service

External Analysis

Opportunities	Threats
Big Data Job Growth	Technological Advances
Decreasing Unemployemnt	Changing Regulations and Legislation
Expanding Markets to Developing Countries	Shifts in Consumer Tastes
Decreasing Cost of Transportation	Poor Image Effecting Bargaining Power
Technological Advances	

Strategic Formulation

Our strategic goal is to decrease the number of products returned due to satisfaction to 70% over the first year after implementation is complete with a 5% negative margin of error by reorganizing our company to fit a "limited assortment" style.

We will introduce a "limited assortment" model by eliminating 6% of non-house brands over the next 5 years to create a 100% house brand environment. The current house brand to non-house brand ratio is 70% house brands 30% non-house brands. Additionally, we will lower the number of items. Companies using the "Limited Assortment" are expected to grow 5.6% annually through 2023 while traditional supermarkets are expected to grow only 0.5% annually (Kang). "Limited assortment" stores like Aldi, Lidl, and Trader Joe's have increased sales due to a "simpler store that offers fewer products" at lower prices (Kang). First, non-house brands which are replaced with cheaper store brands. For example, Aldi has 17% lower costs than Walmart. We would like to eliminate 6% of non-house brands over the next 5 years to create a 100% house brand environment. Our current house brand to non-house brand ratio is 70% house brands 30% non-house brands.

"Limited Assortment" stores that sell between 2,000 and 5,000 products ("Limited"). On the contrary, we sell over 12,000 different styles of women's shirts ("Women's Tops"). The total number of our selling products cannot be disclosed. In a Harvard Business Review article, psychologists concluded that "consumers are less likely to buy anything at all, and if they do buy, they are less satisfied with their selection" when more choices are provided because of “choice paralysis” (Schwartz). More options require “increased time and effort and can lead to anxiety, regret, excessively high expectations, and self-blame if the choices don’t work out” (Schwartz). With each new option, the marginal benefit will decrease; the total cost due to stress and “choice paralysis” will eventually surpass the benefit of purchasing the product, thus lowering the customer’s satisfaction (Schwartz). We can work on decreasing the number of choices by eliminating non-house brands which would as well decrease product returns due to dissatisfaction. If there is no close alternative to the eliminated non-house brand product, we are committed to “providing quality products and services at great value” (“Sears Mission”).

We will decrease the number of products that we offer by adopting Aldi’s “no-frills” philosophy. We will remove non-house brands which eliminate the risk of house brands like Lands’ End will “divorce” from Sears Holdings as a spin off and will be a “stand-alone, publicly traded company” (Kang, Northrup, Greene). After the spinoff, Lands’ End kept its “physical retail location inside Sears stores” possibly luring loyal Sears customers to continue purchasing Lands’ End products when the customer’s purchase could have been one of our products (Northrup).

In the future, we will diverge our increased cash flow to our R&D sector specifically on how to simplify our layout and expand the “limited assortment” model to our stores that have been currently closed. A simplified layout, brighter colors and limited choice will result in increased revenue, decrease costs and customer satisfaction (Kang).

Implementation

Our implementation will include reestablishing our leadership, reorienting our sales focus to a limited assortment style and upgrading our supply chain and operational excellence practices. To fund our implementation, we plan on disinvesting Kmart and cooperating with individuals to invest in our new and improved vision.

LEADERSHIP

We want to reestablish our current leadership by introducing a new CEO to the company. We feel that our Office of the CEO, the replacement of the CEO position when Edward Lampart stepped down as CEO when we filed for bankruptcy in October 2018, which runs our day-to-day operations and is composed of "Robert A. Riecker, chief financial officer; Leena Munjal, chief digital officer, customer experience and integrated retail; and Gregory Ladley, president of apparel and footwear, is not sufficient to run our company (Garner). Edward Lampert is currently serving as chairman and is unfit to continue to save Sears from bankruptcy because we do not believe that Edward Lampert is acting ethically and in the best interests of Sears. Lampart has increasingly taken over more control of the company's assets since his inception as CEO to today; today as he has 49% ownership of Sears (Bomey). We believe that his large investment in the company is risky, and we have speculation to believe that he is acting in his own interest. Additionally, we do not feel that Lampert was ever fit for the CEO position or that he should be renamed as company CEO. Lampert's background is in finance and does not understand the retail industry and its environment. Lampert began working at the risk arbitrage department at Goldman Sachs after his college graduation and then pursued a very successful business in private investment funds at age 26 called ESL Investments before buying "controlling interest" in Kmart (Abbott). His initial chairman position with our company became controversial as ESL Investments, Edward Lampert company, is our "largest stockholder and creditor" (Garner). We are looking to name Ron Johnson as the new hired CEO because we believe that he is best suited for the position considering his prior success in the industry of retail business. Under Johnson's leadership, we are planning to achieve a good level of growth with great annual sales with Sears' limited assortment. Ron Johnson retail leadership experience includes positions like the former CEO of J.C. Penney, the senior vice president of retail operations at Apple Inc., and the vice president of merchandising for Target corporation (Johnson). We can take advantage of Ron Johnson's wisdom in retail business and utilize his willingness to take risks for the company. Not only that, Ron Johnson has no personal ties to Sears which will eliminate the belief that he will take corporate actions for personal gain like it is believed Edward Lampert has with his now 49% control of the company. We believe that his success in leading Apple's changing store layout and structure will help us. Additionally, Ron Johnson was highly regarded for the work he did as the merchant leader at Target helping their chain stores to differentiate itself through design and skillful marketing. As Sears, differentiating and keeping our products exclusive is an area that we lack, and we believe that Ron Johnson will help us achieve our goals. The salary that we are currently offering is $100,465.00 and 5% in Sears' stocks.

LIMITED ASSORTMENT

The expected total cost of the initial wave of the implementation for our limited assortment strategy is $87,500,000.00. We will implement the limited assortment in all currently 300 opened stores in the first wave. If deemed successful over the initial three-year period, we will continue to reopen stores using the same technique in the second wave of our limited assortment implementation where we will reopen closed stores.

SUPPLY CHAIN AND OE

We will spend $2,000,000 on upgrading our supply chain and operational excellence practices. We will implement the best practices for the retail industry with our expert team that we will be bringing to the company. The best practices will specifically be focused on the transportation problems we had in the past. We believe that we have enough talent, leadership, and technology to make our process better for Sears.

CEO salary	100,465.00
R&D	
Limited Assortment	87,500,000.00
Upgrade Supply Chain & OE	2,000,000.00
Fees for Kmart sale	150,000.00
Total Cost	**$ 89,600,465.00**

COST OF IMPLEMENTATION

The expected total cost of the implementation is $89,600,456.00. To cover the costs, we will be divesting Kmart and relying on investors to fund our implementation. The 2018 current ratio was 0.77, signifying that there were more current liabilities than current assets

("Annual Financials"). We do not have enough funds to pay for operation costs and implement our strategy.

DIVESTMENT OF KMART

We would like to sell Kmart because after the merge our revenue dropped more than 10 percent while our competitors increased. One of the major assets we had before was Craftsman. We would like to buy back to come back with a stronger Craftsman. Since we are more appealing towards male customers, we will sell Kmart and focus on our existing Sears stores and brands with investment (Johnson). We will attempt to sell Kmart for $8.295 million as it is 39.5 percent of the total market capitalization share of 21 million dollars (Tyko).

INVESTORS

To cover the remaining cost of $81,305,456 after the successful sale of Kmart for $8.295 million, we will find individuals to invest in our company. We believe that Bernard Marr is an excellent choice and is one of our top candidates. Bernard Marr is a well-respected consultant who works with businesses and government agencies to advise them on the insight drawn from their data (Bernard). He specializes in strategic performance, analytics, KPI's and big data. We believe that we and Bernard have the same attitude towards the magnitude of impact created by implementing the use of data analytics in daily operations. Not only that, having a connection through Bernard's investment in Sears will give us an opportunity to grow our relationship with him so that we could use his expertise and services in the future to help us identify our own opportunities, threats, weaknesses, and strengths.

Evaluation

We expect that that full implementation of the store renovation will take 6-8 months after receiving funding and floor plans are completed. We expect that we will see a noticeable positive reaction in our net income 3-5 years after the full implementation. The expected sales for supermarkets using the "limited assortment" strategy is 5.6% annually; however, since this method is a blue-ocean strategy for department stores, combined with Sears' current declining sales due to lack of customers, we are expecting sales to grow 0.5% in the first year and then to grow at least 1.45% for the next five years; the average sales increase for department stores for 2019 was 0.7% ("U.S. Retail").

There are a couple of evaluation types we will be applying for our strategies. The first evaluation strategy will ensure that we will be consistent with our environment throughout our implementation process. We need to make sure that our strategies make sense with respect to what is going on outside of our company in the future. We are aware of the big cost of failing if our strategies will not be consistent with the environment.

Our marketing and legal team will be responsible that we on track with our strategies. Every three weeks, our implementation team will update management, employees, shareholders and investors on the construction and planning process to see if we have completed everything according to our mission and vision statement.

We believe that we have done a sufficient job with our weighted matrix for internal and external analysis, but we are aware that as we implement our strategies, we might have to change how we view our matrix for analysis. We will establish a focus group of 800 loyal and frequent customers as well as employees who we be asked survey questions over the course of a year about their thoughts on the new "limited assortment" Sears stores after implementation. Together with the analytical techniques from Bernard Mars, we will learn to better understand the customer view of how the strategies are working and also customer preferences. The initial 500 participants in the focus group will be compensated with a $100 Sears gift card after the completion of focus group. Moving forward, we will mail or email responses to our customers survey questions to receive more data for analysis. We will also measure our success by evaluating our stock price and the number of returns due to customer dissatisfaction.

Our goal is to bring high quality products to our customers, but at this moment, in order to be able to continue to do that, we need to gain trust from our stockholders, investors and our Sears community. We will rise again as one of America's strongest chain stores by innovating new techniques into our business and focusing more on our customer and employees.

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