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Lessons Every Company Can Learn From the Decline of Sears

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On October 15, Sears Holdings, owner of the once-beloved Sears department stores, filed for bankruptcy protection. While the company's decline has been largely publicized, it is still hard to believe that a longstanding staple in the American shopping experience is on the brink of liquidation. Today, Sears is associated with monstrous, empty department stores, 142 of which will be closing by year-end, but it wasn't always that way. For a long time, Sears was synonymous with success. It was innovative— the largest retailer in the world and its name sake adorned the tallest building in the world. In its infancy, Sears was ahead of its time, as it was one of the first companies to implement a sales catalog strategy, which allowed consumers to order products from the comfort of their own home. The company then grew into large shopping malls, where it carried almost any item, from clothing to large appliances that the American family could need. So how did the company fall from grace? Below are a few takeaways every company can learn from the decline of Sears:

1. React and adapt to an evolving business landscape

Sears was once a pioneer for the home shopping experience; however, once it made its move to retail department stores, it was slow to react to market demands. Walmart and Amazon have methodically captured market share by building robust e-commerce shopping portals. This not only captured the preferred home shopping method, but also shed cost, allowing both retailers to beat Sears on price. Sears was slow to react to the reversion back to the home shopping experience and held steadfast in its belief that consumers preferred an in-store shopping experience.

Business owners need to stay on top of industry trends and evolutions. Management cannot get fixated on a "this is how it's always been done" mentality. Instead, understand how your business landscape is evolving and adapt accordingly. Recognizing market demands and reacting quickly will allow a company to sustain long-term success.

2. Protect your brand

At one point, Sears was an iconic brand that represented quality.Now, it's known for dilapidated stores that have half-filled shelves. Instead of injecting money into the in-store shopping experience, management decided to cut costs, which included the maintenance and renovations required to attract customers. Advertising was another area management decided to abandon in order to reduce expenses. While Sears lagged its competitors, it ignored its greatest assets: its brand and customer base.

Through lack of investment, the Company failed to provide customers with a superior shopping experience, which resulted in a dramatic decline of sales. Even in tough times, companies should not neglect quality for an improved bottom line. While the result may include short-term financial gains, those gains will almost certainly come at the expense of the brand and future profits.

3. Create and implement a clear strategic plan

In 2005, Kmart and Sears merged to form Sears Holdings in an effort to create a larger, stronger more productive company.The thought process was to expand locations while also creating synergies that would produce a more efficient and profitable entity. At the same time, Sears also immediately began using its excess liquidity to buy back stock.These strategies were in direct conflict with each other: the company was doubling down on the brick-and-mortar retail space and, at the same time, notifying the market that investing in its stores would not provide adequate returns.

Companies need to create a strategic plan that provides a framework to achieve clearly articulated goals.The plan needs to be harmonious to where each step builds off of the previous one. Otherwise, you might as well be throwing stuff against a wall and hoping something sticks.

Sears was an American icon for over 100 years and now is on the verge of going the way of the dinosaurs. While there are many reasons for its decline, business owners should examine how they can prevent such a catastrophe by focusing on these three areas.

If you think your business might be falling victim to similar issues as Sears or just curious to learn more, please contact Will Frederick of Schneider Downs Meridian.

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