Brand Doctor

Brand Check-up

# Sears

As of November 26, 2024

Status: Bleeding

**Sears Holdings sold assets and underfunded its stores for years; shoppers left, it filed for Chapter 11 in 2018, and the brand survives as a small private remnant.**

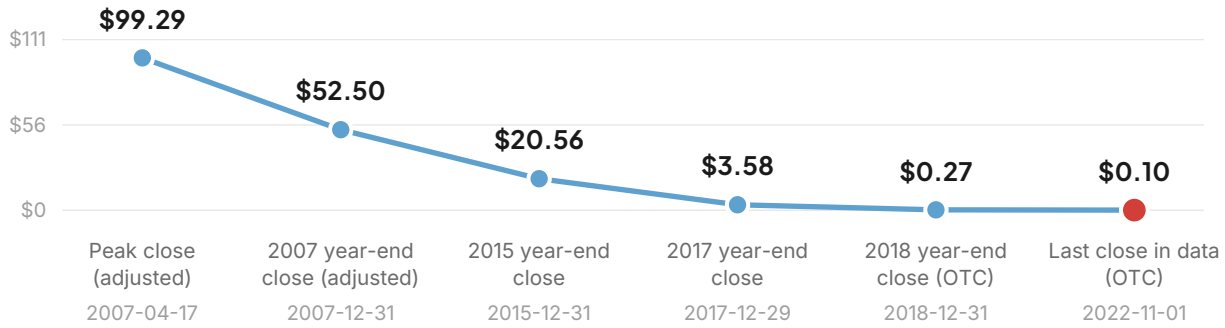
### About this check-up

Brand Doctor reviews well-known brands the way we review a client's marketing: symptoms, diagnosis, treatment. This check-up uses public information available on November 26, 2024. It is brand and marketing analysis, not investment advice. Sources are listed at the end.

# Vital signs

## Share price

USD, at the dates shown [15]




Share price

**$0.10**

Last OTC close (SHLDQ) in Macrotrends data, Nov. 1, 2022; no listed shares at the as-of date. Nasdaq moved to delist the stock after the Chapter 11 filing, and OTC Pink trading was set to begin Oct. 24, 2018 [15, 5]

Change from peak

**Down 99.9%**

$0.10 vs the $99.29 peak close on April 17, 2007, both in Macrotrends' series, which it describes as adjusted for splits and dividends (the chart uses the same series); in unadjusted terms the shares traded as high as $195.18 in fiscal Q1 2007 (10-K) and stood at $101.36 on Feb. 26, 2008 (Chairman's letter) [1, 16, 15]

Latest annual revenue

**$16.7 billion**

Fiscal 2017 (year to Feb. 3, 2018), the last full year reported before Chapter 11; $22.1 billion in 2016 and $53.0 billion in fiscal 2006 [3, 1]

Sears comparable sales

**-15.2%**

Fiscal 2017; Kmart -11.4%, company -13.5% [3]

Sears stores

## Just over a dozen

In the continental US, as reported by CNN on Jan. 11, 2024; Sears Holdings had 1,002 Sears and Kmart stores at Feb. 3, 2018 [12, 3]

Pension plans

## 64% funded

Sears plans covering 90,000 people, as reported in January 2019 when the federal pension insurer opposed Lampert's $5.2 billion bid [10]

# Timeline

| | |
|---|---|
| 1887 | Richard Sears offers his first mail-order catalogue, a year after starting a watch business in Minneapolis. [13] |
| 1925 | Sears opens its first retail store, in Chicago. [13] |
| 1993 | Sears discontinues its general catalogue. [13] |
| 2005-03 | Kmart completes its purchase of Sears, announced in November 2004 at about $11 billion; the combined company is Sears Holdings. [8, 1] |
| 2015-07 | Seritage Growth Properties' rights offering is oversubscribed; it helps fund a $2.72 billion purchase of Sears properties and joint-venture interests, many leased back to Sears. [6, 2] |
| 2017-01 | Sears Holdings agrees to sell the Craftsman brand to Stanley Black & Decker for about $900 million and to close 150 stores. [9] |
| 2018-10 | Sears Holdings files for Chapter 11 on October 15; Eddie Lampert steps down as CEO and 142 more stores are set to close. Nasdaq moves to delist the shares, which are set to trade on OTC Pink as SHLDQ from October 24. [4, 5] |
| 2019-02 | Transform Holdco, backed by Lampert's ESL Investments, completes its purchase of the go-forward stores and other assets on February 11. [7] |
| 2024-01 | The last Sears in the New York area is closing; CNN reports that just over a dozen Sears stores remain in the continental US. [12] |
| 2024-08 | Demolition is under way at the former Sears headquarters campus in Hoffman Estates, Illinois, about 2.4 million square feet of offices. [14] |

## Symptoms

- Revenue down from $53.0 billion in fiscal 2006 to $16.7 billion in fiscal 2017
- Sears comparable store sales down 15.2% in fiscal 2017
- About 435 stores closed in 2017 alone

- Capital spending about a quarter of depreciation in fiscal 2017
- Just over a dozen Sears stores left in the continental US by January 2024

## Diagnosis

### 1 Stores starved of investment

In fiscal 2017 Sears Holdings spent $80 million on property and equipment against $332 million of depreciation and amortization. Across fiscal 2015 to 2017 it spent $433 million against $1.13 billion. In our view, stores renewed this slowly fall behind what shoppers expect. [2]

### 2 Assets sold instead of reasons to visit built

Seritage agreed to pay $2.72 billion for Sears properties and joint-venture interests in 2015, and Sears Holdings leased 255 of the properties back. Craftsman went to Stanley Black & Decker in 2017 for about $900 million, and sales of properties and investments brought in $1.1 billion that year. Liabilities of $10.99 billion still exceeded assets of $7.26 billion at February 3, 2018. [6, 2, 9]

### 3 A financial plan in place of a customer promise

The 2017 annual report described a move to “a more asset light, integrated membership-focused company.” That year comparable store sales fell 15.2% at Sears and 11.4% at Kmart, and revenue dropped to $16.7 billion from $22.1 billion. [2, 3]

### 4 Two old formats joined, not renewed

The 2005 merger, valued at about $11 billion when announced, put about 3,500 Kmart and Sears stores under one owner; the company called it a combination of “two of America’s oldest existing retail entities.” Revenue reached $53.0 billion in fiscal 2006 and was $16.7 billion by fiscal 2017. [8, 1, 3]

## Prognosis

As of November 26, 2024, Sears is a private brand with no listed shares and few stores. The listed company left Nasdaq in 2018, the go-forward business was sold in 2019, and the former headquarters campus is being torn down. Its main asset is recognition, and recognition fades without use. What to watch: whether the private owner keeps any full-line stores open, whether it puts money behind the categories and services that still carry the Sears name, and whether the name appears on new products or with new partners. Without a clear job for the brand, we expect the decline to continue.

## Treatment

- Set a reinvestment floor tied to depreciation, so stores were renewed at least as fast as they wore out.
- Pick a few categories where shoppers already trusted Sears and rebuild the store and online offer around them.
- Use proceeds from asset sales to fund the remaining stores and service, not to cover recurring losses.
- Judge any membership program by repeat visits and margin, not by sign-ups.

## Lessons for growing companies

### Reinvest before you harvest

Set a floor for spending on the product, stores or service your customers touch. When upkeep falls below wear, the brand loses value before the accounts show it.

### Sell assets with the customer in mind

Selling property or a brand can buy time, but ask what reason to buy it removes. Raise cash in ways that leave the customer offer intact.

### Track brand health beside cash

Watch comparable sales, repeat purchase and traffic every quarter alongside cash flow. A steady fall in those numbers is bleeding, even when asset sales keep the balance sheet afloat.

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# About Brand Doctor

Brand Doctor is a marketing strategy consultancy founded by Cliff K. F. Lin. He has spent 17 years in marketing and managed more than $30 million in spend for SaaS, tech and lead-generation companies.

A Brand Check-up applies the method we use with clients to a well-known brand: the symptoms you can see from outside, the root causes behind them, and the treatment we would prescribe. For your own company, we look at six areas (positioning, messaging, customer journey, channel mix, budget and spend, and measurement) and rank what to fix first.

| $30M+ | 135+ | 8× | 17 |
|---|---|---|---|
| In marketing spend managed | Campaigns treated | Growth achieved | Years in marketing |

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