Brand Doctor

Brand Check-up

Sears Canada

As of June 4, 2024

Status: Flatlined

Sears Canada sold its best stores and paid out cash while sales fell, leaving shoppers no clear reason to visit and the brand less money to give them one.

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 June 4, 2024. It is brand and marketing analysis, not investment advice. Sources are listed at the end.

Vital signs

Share price

CAD, at the dates shown [9, 6, 4, 3]



Last share price (2017)

About $0.62

Approximate last TSX trade, June 21, 2017, before the June 22 halt. Delisted July 28, 2017; no listed shares on June 4, 2024 [3, 2]

Change

Down about 94%

From the C$10.60 close of Sept. 26, 2014 (rights offering price) to about $0.62 on June 21, 2017 [6, 3]

Latest annual revenue

$2.61 billion

Fiscal 2016 (year to Jan. 28, 2017), down from $3.15 billion; net loss $321.0 million [11]

2013 special dividend

$509 million

$5.00 a share, paid Dec. 6, 2013 [10]

Pension shortfall

Over $260 million

Reported Jan. 14, 2018, the day the final stores closed [13]

Stores operating

0

Final stores closed Jan. 14, 2018; nearly 12,000 jobs lost [13, 15]

Timeline

1953-09 Simpsons-Sears, formed in 1952 as a national mail-order business, opens its first store, in Stratford, Ontario. [7]

2012-11 Sears Holdings distributes about 44.5% of Sears Canada shares to its stockholders and keeps about 51%. [5]

2013-06 Leases at Yorkdale and Square One sold to Oxford Properties for $191 million. [8]

2013-10 Sears Canada agrees to sell five more leases, including the Toronto Eaton Centre flagship, to Cadillac Fairview and partners for $400 million. [9, 16]

2013-12 Extraordinary dividend of $5.00 a share, about $509 million, paid on December 6. [10]

2014-10 Sears Holdings announces a rights offering of up to 40 million Sears Canada shares at C$10.60. [6]

2016-08 Sears Canada changes its logo for the first time in 32 years, adding a maple leaf. [7]

2017-06 Going-concern warning on June 13, then CCAA protection on June 22 with 59 store closures and about 2,900 job cuts. [12, 1]

2017-07 TSX delists Sears Canada common shares at the close on July 28. [2]

2018-01 Final stores close on January 14 after liquidation sales that began in October 2017. [13, 15]

Symptoms

- Revenue down about 17 per cent in fiscal 2016, to $2.61 billion
- Net loss of $321.0 million in fiscal 2016
- Going-concern warning in June 2017
- Shares down about 94 per cent from the 2014 rights offering price before trading halted

- Four leaders in four years, then a new logo in 2016

Diagnosis

1 Prime stores sold for cash

In 2013 the company sold its Yorkdale and Square One leases for $191 million and agreed to sell five more, including the Toronto Eaton Centre flagship, for $400 million. Its most visible stores left the network, and one credit analyst described the deal as a continuation of an orderly liquidation. [8, 9, 16]

2 Cash paid out during a decline

In November 2013 the board declared a $5.00 a share extraordinary dividend, about $509 million. By the time the last stores closed, the pension plan was more than $260 million short. [10, 13]

3 An owner reducing its stake

Sears Holdings owned about 95 per cent of Sears Canada in 2012, distributed about 44.5 per cent of the shares that November and offered up to 40 million more in 2014. By 2017 it held 12 per cent. [4, 5, 6]

4 No stable leadership or clear position

Leadership changed hands several times between June 2011 and July 2015. A new logo arrived in August 2016, the print catalogue ended in late 2016, and a retail consultant told CBC that shoppers seeking upscale went to The Bay. [7, 15, 3]

Prognosis

As of June 2024 Sears Canada is flatlined: no stores, no listed shares and no retail business. After the closures, what remained was the insolvency process. In 2018 pensioners agreed to an estimated $48 million against a shortfall of more than $260 million, and the monitor sought to sue Edward Lampert and ESL Investments over the 2013 dividend. Former Sears stores now house other tenants, including Simons at Square One and Saks Fifth Avenue at Sherway Gardens, and some Canadian malls are adding housing. For marketers, the thing to watch is how long the Sears name keeps any meaning for Canadian shoppers with no stores to support it.

Treatment

- Reinvest the proceeds of lease sales in the remaining stores and the direct channel instead of paying them out as dividends.
- Choose one clear position between discount chains and Hudson’s Bay, and build stores, product and the catalogue around it.
- Keep one leadership team in place long enough for a single plan to show results.
- Fund pension obligations before any discretionary payout, to protect trust with staff, retirees and customers.

Lessons for growing companies

Payouts are brand decisions

Every dollar paid out during a decline is a dollar the brand cannot spend on stores, product or service. Decide what you reinvest before you decide what you distribute.

Your best locations carry the brand

Flagships, top accounts and best channels carry the brand for everything else. Selling them to close a short-term cash gap weakens the whole network.

Fame is not a reason to buy

A name people know can hide the loss of a reason to choose it. Check what customers come to you for, and whether a rival now does it better.

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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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