

Sears Dials Up Discounts to Record Levels as It Copes With Slump

By Alexandra Stratton
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Sears Holdings Corp., reeling from billions in losses and sputtering mall traffic, is increasingly turning to a time-honored retail tactic: putting everything on sale.

The department-store chain embarked on its most aggressive holiday sales ever this month, marking down its entire inventory by 10 percent to 50 percent. The company's Kmart chain is taking a similar tactic, with discounts of as much as 40 percent. "It's unprecedented," spokesman Brian Hanover said.

Even in a sea of retail promotions, the discounting binge stands out. And Sears executives say the push has already helped bring some momentum to the business ahead of Black Friday, the traditional kickoff to the holiday season. But to some Sears observers, the campaign is another sign of trouble at the once-mighty retailer.

"I call it desperation," said Ron Friedman, a retail consultant at Marcum LLP. A holiday blowout won't fix Sears's deeper problems, he said. "Millennials would never go into Sears, and yet who spends the dollars today?"

Sears Chief Executive Officer Eddie Lampert has taken steps to update the chain, using a membership program called Shop Your Way as a key piece of his strategy. The 131-year-old company also has an e-commerce marketplace that hosts third-party sellers -- similar to the approach of Amazon.com Inc.

But the efforts haven't done much to pull the company out of a tailspin. Same-store sales fell 17 percent at Sears last quarter and 13 percent at Kmart. The Hoffman Estates, Illinois-based retailer, which has posted about \$11 billion in losses over the past six years, has closed hundreds of locations.

To stay afloat, Sears has received loans from Lampert himself, a hedge-fund manager who also serves as the company's biggest investor. And it's sold off brands and real estate to generate cash.

Long-Term Doubts

“We grow increasingly concerned whether the company will ever return to profitability,” Susquehanna International Group analyst Bill Dreher said in a note last week. The company’s initiatives are “only temporarily fixes,” he said. “Sears’s long-term success remains in doubt.”

Kelly Cook, the chief marketing officer of Sears and Kmart, says the November promotions have been effective in getting more return customers. She declined to give specifics about the impact on sales or foot traffic.

“We were able to launch the campaign in a way that was economically appropriate for our business,” Cook said in an interview. “We found that there were return customers -- and that was a great sign that we are doing things the way the members want.”

The company seeks annual feedback from its members, and they asked for sales on everything, she said. Sears began by testing the promotion in “a couple stores” several times this year and found that it worked well, Cook said.

Wal-Mart Stores Co., Target Corp., Macy’s Inc. and Best Buy Co. are ramping up their own holiday promotions -- though none is offering storewide sales. In addition to the monthlong specials, Sears will also offer Black Friday deals from Thursday at 6 p.m. until Friday at 2 p.m.

To Friedman, the more extreme sales seem like an exercise in unloading inventory. The promotions probably won’t bring new kinds of customers into the stores, he said. Sears’s most loyal fans may be past their prime shopping years.

“The baby boomers, who shopped at Sears when they were kids, are phasing out,” Friedman said.