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10 signs the struggle is real at Kmart and Sears

By Paula Gardner

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It's not a secret that Sears and Kmart continue to struggle.

Their parent company, Sears Holdings, recently announced its financial performance. The theme appeared to be, "we're not losing as much money." The stock market took note, with the price on November 15 jumping 11 percent to \$4.24 per share. That gives it a market capitalization of about \$455 million, or about \$65 million less than it owes on a term loan.

"So while Sears apparently has a few folks willing to believe something good might still happen, the company continues to execute what I have long called "the world's slowest liquidation sale." In fact, Sears continues to act as if we're all either gullible or stupid. Or perhaps both."

Then there's Kmart.

In fall 2016, Kmart operated 38 stores in Michigan. By early 2018 - after the announced closings take place - the chain will have 15.

That's quite a change for a national chain that once made its headquarters here, and was founded in Garden City. (That flagship store closed in January.)

The company insists that it's improving its platform and fundamentals.

Here's what CEO Eddie Lampert said in July when Sears Holdings announced 43 store closings: "(W)e continue to take actions to realize our vision of an integrated retailer focused on quality member experiences. Changes in consumer behavior are driving our vision and actions, and we continue to transform our business model so that our physical store footprint and our digital capabilities match the needs and preferences of our members."

And, in response to a recent article calling into question the future of Sears and Kmart, the company said this: "It is unfortunate that there are those who continue to root against a company that employs so many people, is important to so many communities, and serves so many members."

"This has been the most tumultuous year in bricks and mortar retail, I think, in history," retail analyst Jeff Green told Mlive.com recently. "Meaning you've had more store closures during 2017 than I think you've had in any year.

"We're in unique territory."

Holiday spending is expected to climb 4 percent to \$682 billion, according to the National Retail Federation. Online spending will be about 12 percent of that, leaving room for physical stores to keep some hold on shoppers, said Ron Friedman, a national retail consultant with Marcum in Los Angeles.

What does all of that mean for Sears and Kmart?

I visited three stores this week - one Sears in a mall, one Kmart that remains open and one Kmart that is closing.

Here's what I saw, along with how it fits into the experts' opinions.

1. Want to pay more? Go to a Kmart that's having a liquidation sale.

Until you realize that a Kmart that's not closing will sell it to you for 80 percent off.

The holiday markdowns are not the only examples I found of higher prices during a 'liquidation' sale.

Other examples that I found without even trying:

- Corelle open stock
 - Liquidation price: 20 percent off \$5.99.
 - Regular store: Cleared out for \$2.
- Kids puffy coats
 - Liquidation price: 25 percent off.
 - Regular store: 40 percent "blow out" sale.

"This shows me everything I've thought about Sears and Kmart," Friedman said. "They haven't got a clue about what they're doing."

2. Liquidation sales need to appeal to shoppers.

Pallets of mulch and other yard supplies won't move easily at Thanksgiving without signs, prices - or unwrapping the pallets. This is from the closing Kmart.

3. "Usually you have tremendous sales to move as much inventory as you can."

That's what Friedman said is essential about a liquidation sale. This is Kmart's chance to make up for bad or slow-moving merchandise and raise capital to buy what will sell in its remaining stores.

It's hard to believe that anyone in Michigan will get excited about booty shorts on sale in November for 20 percent off.

4. "They're inconsistent."

That's how Friedman described the retail approach at Sears and Kmart.

One on hand, they're pushing merchandise into stores, stacking holiday sweaters in the Kmart entry so that shoppers see them before they even step foot on the sales floor.

There are the holiday deals all over the store, too.

The signs are on just about every display, announcing the percentage discount. In many cases, there are charts accompanying them that help a shopper do the math. This is what Sears Holdings means by aggressively pursuing holiday market share.

The off-season labels on the clearance racks seem off. Isn't "clearance" enough?

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