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STRATEGY

Is It Too Late for Sears to Save Itself?

by Denise Lee Yohn

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Sears Holdings has indicated that “substantial doubt” exists about its ability to continue operations. While the announcement, made in the company’s recent annual report, seems to be a white flag of surrender, it could just be a yellow warning light. Analysts say that Sears may still have time to stage a turnaround. The company says it is taking action to ensure its future viability. So what should Sears do now? Its number one priority should be to protect and restore its brand.

Some of the company's moves in recent years have generated cash and kept the business afloat at the long-term expense of its brand. Strong brands like Lands' End gave customers a reason to shop at Sears and cast a positive halo on the Sears brand. Selling off those brands may have had short-term benefits, but it eroded the brand in the long term. The company also sold off many of its best store locations, which means brand perceptions are now being shaped only by the customer experiences in older, shabbier, and poorly located stores.

Sears needs to reverse this trend. Its brand still has clout; its name is as steeped in American culture as Coke and Levi's. Once a lifeline for customers in rural areas with few shopping options, Sears has played an important role in many people's lives. The company can tap into this goodwill if it insulates its brand from further hits and invests in restoring it to prominence.

It should start with its internal culture. CEO Eddie Lampert's alienating management style and lack of retail prowess has prompted a mass exodus of executives and has left the company with few leaders who really care about the brand. At the store level, the company has fired employees, cut worker hours, and failed to make investments to improve the store environment. As a result, store employees are bitter, embarrassed, and unmotivated.

The company must restore brand pride, alignment, and engagement throughout its ranks. Alan Mulally led the turnaround at Ford by restoring a "One Ford" mentality throughout his company and championing pride in the Ford name. Lampert and his executive team should adopt a similar effort. It would encourage managers to make strategic decisions that build the Sears brand and frontline employees to provide exceptional customer service and restore customers' esteem of the brand.

Sears should then turn its attention to improving the customer experience. Perhaps most at risk is vendor support. Suppliers that are already under tremendous pressure from the changing demands of the retail industry are probably especially leery of extending themselves with Sears. As vendors start shipping smaller quantities and being less responsive, the inventory and selection at Sears stores is going to get even worse than it already is. To ensure that a strong product assortment can draw people into its stores, Sears should work on buttressing relationships with the vendors of its top brands. Of course, there are many other aspects of the customer experience that need to improve, but Sears would be wise to start with what made its brand great in the first place: a great selection of products.

Sears can take a cue from Marvel. After it filed for bankruptcy, back in 1996, Marvel leveraged its portfolio of popular brands, including Captain America and Iron Man, to stage a comeback. By tapping into the fan bases of individual character brands and producing movies that used a tried-and-true formula of superheroes being pitted against evil forces while dealing with real-world issues, the company was able to restore the Marvel brand to popularity. In the same way, Sears should draw on the equity of product brands such as Kenmore Appliances, DieHard batteries, and *Sesame Street* products. The company should also void the recent deal to sell off the Craftsman brand, if possible. Sears needs to promote these brands more strongly than ever before, and draft off the demand and appeal they enjoy.

Most important, to restore its brand value and power, Sears needs to make some sort of big, bold, visible move. It can't simply tweak a few things and set its sights on surviving. That's what happened at RadioShack. After that company declared bankruptcy, its new owners promised to reinvigorate the brand. It signed up hip celebrities as endorsers, closed some stores, and adjusted its assortment strategy. But to most people, RadioShack didn't seem all that different.

Sears must make a substantive change that not only gets people's attention but also dramatically improves the customer experience. Consider Delta Air Lines's merger with Northwest Airlines. After declaring bankruptcy, Delta was looking for a way to emerge as a leader in the industry — to get ahead, not just level the playing field. So it made what was a foresighted decision at the time and significantly expanded its routes by merging with another airline. CEO Richard Anderson has described the move as a deliberate choice to break away from the fray: "Our company decided that we would be different."

Lampert and his colleagues must make a similarly calculated and courageous move, whether that's to merge with another retailer, integrate vertically, change the Sears store format, slash its apparel offering, or something else. Whatever it is, the objective should be to strengthen the Sears brand (i.e., don't acquire another retailer and operate it separately) and to create more value for its core customers.

It might be too late to save Sears. The company has drained the brand of so much equity that it's difficult to envision a recovery. But if the company remains committed to reviving the business, its brand should be the top priority.

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