Sears is closing stores, but they may not be a done deal for bargains

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With analysts and the media circling like buzzards around dying department and big box stores, shoppers may be wondering whether they should join in.

A slew of retailers have gone through bankruptcies in recent months, including American Apparel and H.H. Gregg, while others, such as Sears, have indicated they are closing stores. Sears SHLD, +0.77% shares sank Wednesday after the struggling retailer warned that it has “substantial doubt” that it would be able to “continue as a going concern” if its turnaround plan failed. Sears announced a $1 billion restructuring effort in February that includes staff cuts and store closures. It has said it will close 150 stores, adding to the more than 2,000 the company has closed, sold or spun off in the last 10 years, according to The Wall Street Journal.

For shoppers in the market for a deal, it may make sense to stop in at some of their favorite struggling stores. But buyers should not expect a bargain basement bonanza. “It’s a mixed bag,” said Howard Davidowitz, the chairman of Davidowitz & Associates, a retail consulting firm. When it comes to previous closures of other major retailers, the inventory in the run-up to the store’s final weeks of operation is often the clothes and appliances that customers didn’t want to buy in the first place. “What happens many times is that the company through a liquidator buys special merchandise to put in the store that's absolute junk," Davidowitz said.

> *The human brain is primed to react to signs of scarcity, which is why we often see shoppers 'gorging' or 'hoarding' during times like Black Friday.*

Still, there are deals to be had. If a company is going out of business or has filed for bankruptcy, it's likely in a rush to liquidate its merchandise to pay off creditors or simply shut its doors and so they may be offering it at a discount. But that often goes fast. Davidowitz suggests opting for name-brand merchandise so that you have an understanding of the item's quality and of what it's supposed to cost.

While a dying store may be a good place to get a discount, you may have to hunt, said Denise Lee Yohn, the author of "What Great Brands Do." As the store gets closer to death, the discounts may get bigger, but the selection and quality could wane. Employees also aren't likely motivated to help you much if they know the company is soon to disappear. "You can get some really great deals if you're willing to make some compromises," Yohn said.

Those compromises include not being able to return an item or buying a product with a warranty that's unlikely to be honored. Katherine Hutt, a national spokeswoman for the Better Business Bureau, said shoppers should think through whether they're willing to take the risk of having to keep a purchase they're unhappy with. Depending on the product, there are ways to avoid buyer's remorse, like trying on any clothes before you buy them, she said. "You want to make sure that you will be okay if there's no one there to return it to," she said.

> *'I always joke that there is a carpet store near my parents' house that has been going out of business for approximately 35 years.'*

And if the retailer owes you something — like money or products in the form of a gift card — you should try to get that sorted out as soon as possible, because retailers often won't honor those after they shut down, Hutt said.

Ultimately, shoppers considering taking advantage of a store's demise should set some guardrails to be sure they don't overbuy. The human brain is primed to react to signs of scarcity, which is why we often see shoppers "gorging" or "hoarding" during times like Black Friday, when retailers manufacture a sense of fleeting discounts, said Gad Saad, a marketing professor at Concordia University's John Molson School of Business. "The final going-out-of-business sale creates this psychological pressure and urgency in the consumer's mind," he said. "They think they might get a price advantage," he added.

Shoppers heading to major retailers whose struggles are in the news can be pretty sure that the discounts are real, but it's important to be wary of small businesses looking to take advantage of that same sense of urgency, Hutt said. "I always joke that there is a carpet store near my parents' house that has been going out of business for approximately 35 years," Saad said.

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