

Company analysis: sears holding corporation

[Business](#)



Company Analysis: Sears Holding Corporation Abstract Sears Holdings Corporation (SHC) is the nation's fourth largest broadline retailer with approximately 3,900 full-line and specialty retail stores in the United States and Canada.

Formed in the later part of the 19th century it was the largest retail company in the country until the early nineties. SHC is currently the leading home appliance retailer as well as a leader in tools, lawn and garden, home electronics and automotive repair and maintenance. As a result of its merger with Kmart in 2005, SHC also has Martha Stewart Everyday products, which are offered exclusively in the U.

S. by Kmart.

SHC operates through its subsidiaries, including Sears, Roebuck and Co. and Kmart Corporation. In recent years Sears has undergone major changes in order to maximize its profits and beat its competitors. In the past several decade Sears has been the place to go shop for home goods, clothing, and fitness equipment and auto repairs. As time progressed they became very comfortable with what they had as other companies such as Wal-Mart, Target, Lowes, JC Penny crept in and reaped a chunk of its market.

In a struggle to re-invent itself, it tries to maintain focus on its primary and secondary target markets.

Introduction The Sears Holding Corporation is a multinational corporation with retailers purchasing products in the United States, Canada, Mexico and Puerto Rico. It is the fourth largest retailer within the United States, with over

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3900 locations and sells many different marketable goods for consumers. These goods include products such as tools, branded clothing, appliances, sporting goods, electronics, home maintenance and repair, and automotive from many different retailers (<http://www.searsholdings.com/>).

The Sears Holding Corporation is a result of the merger between Kmart Holding Corporation with the Sears Roebuck Co. which occurred in 2005, and the headquarters is located in Hoffmann Estates, Illinois. The consolidated subsidiaries include Sears, Roebuck and Co. , Lands' End Inc. , LRFG, LLC, Sears Brands, LLC, Sears Canada, Inc.

, Sears Financial Holdings Corporation, Sears Reinsurance Company, Ltd. , Kmart Holding Corporation, Kmart Management Corporation, Kmart Corporation, and the Sears Holdings Management Corporation(<http://www.secinfo.com/dVut2.v3ap.htm#1stPage>).

5. Brief History The Sears Roebuck Corporation was founded by Richard Warren Sears and Alvah C. Roebuck in 1893.

Sears started as a jeweler who made a profit by selling watches. The most innovative and quite possibly the most famous method of sales synonymous with Sears was the Sears Catalog.

Providing pictures of the products, the prices, and a handy item that could be ordered on a regular basis for sales was by far an ingenious method of marketing. Consumers would be able to purchase items with no markup, have knowledge of their budgets required for purchases, and be somewhat

assured of the quality of the product based upon the appearance, color, and general attractiveness.

The catalog spearheaded many different marketable ideas and mainly products which could be sold, thus expanding Sears' enterprise. Mainly from the early 1900's throughout the 1980's, Sears maintained its stronghold in America's consumer market, especially in the 40's and 50's with its tremendous expansion. However, towards the 90's and 2000's, as many other big businesses arrived, divestiture, as well as problems associated with employee wage issues, Sears' marketability dropped off until its merger with Kmart in 2005 ([http://en.](http://en.wikipedia.org/wiki/Sears)

[wikipedia.org/wiki/Sears](http://en.wikipedia.org/wiki/Sears)). Kmart first opened in 1962 and was founded by Sebastian S.

Kresge. It was a relatively successful corporation and utilized marketing ideas within the store, namely "Blue Light Specials" which would entice customers to purchase the "blue light" or discounted items while they were shopping for their products.

Unfortunately, due to failed ideas regarding consumer marketing, failure to utilize the computer technologies for supply chain management, and other setbacks, Kmart had to declare bankruptcy in early 2002. (<http://en.wikipedia.org/wiki/Kmart>). Merger The merger between Kmart and Sears clearly enhanced both of the companies' mutual progressive goals.

Sears invested many assets in the formation of Sears Grand stores, larger off store malls, and in the process bought many of the Kmart locations which were going out of business.

Therefore the merger helped this process so that it would enable the further growth of Sears at a quicker pace as well as enhance the productivity and save the Kmart Corporation. This was clearly a strong decision made by the executives in combining forces so that the marketability of both companies would increase. Along with this, the shareholders could make a tremendous profit with this alliance.

Prior to the merger, if the independent companies were not steadily increasing their revenue shareholders would lose money from their investments. The combination of both of the corporations would improve shareholder investment returns and thus facilitate the growth of the Sears Holding Corporation. The more investors receive higher returns, the greater investments into the company thus fostering its overall growth.

The proprietary brands, selling the aforementioned products, under both companies would be able to reach the target demographic groups with greater ease.

The real estate holdings of individual Kmart or individual Sears stores, now under the umbrella of the Sears Holding Corporation, could be leveraged, thus enhancing the ability to sell more of their combined products to a vast variety of consumers. This was reported to increase revenue by nearly 200 million dollars per year. Along with the increased revenue, a decrease in overall cost for maintenance of both corporations due to the merger would

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save nearly 300 million dollars per year (http://en.wikipedia.org/wiki/Sears_Holdings_Corporation).

A general projected net increase of 500 million dollars per year is a phenomenal growth rate. As mentioned previously, a global distribution of these stores in the North American continent (from Mexico to Canada) has enabled the Sears Holding Company to expand even further. Leadership Overall, this merger helped Sears Holdings Corporation be a force in the United States market. As the eighth largest company in the US, the profits and revenue have increased tremendously, but the lack of leadership and the constant changing of executive power has been a preventative factor in its further growth and development.

A lack of strong leadership and a changing of hands on a regular basis means that a company cannot initiate new marketable strategies that will come to fruition.

Employee stability and satisfaction in a large company is always an issue as well, because job security is always in question when companies merge. Another downside to such mergers means that the people in executive positions can relocate to other positions at different companies, and strategies that were used to run a single company might not work due to multiple variables involved to create a joint company.

Initially, the decisions to run the joint company might cause disagreements that might not necessarily increase the percentage of revenue on an annual basis. However, after testing market strategies over a period of time, implementing different methods to sell products, and keep investors happy <https://assignbuster.com/company-analysis-sears-holding-corporation/>

by generating profits on a yearly basis, the company will eventually succeed through innovation and investment. SHC faces stiff competition from big box retailer such as Wal-Mart and Target. In the mid-tier its competitors include Macy's, J.

C. Penny and Kohl's.

Organizational Structure SHC recently implemented an organizational structure and operating model that aids in the management of its several business lines thus creating autonomy and focus for business unit management teams. This 5 unit structure enables each organization to focus on their core capabilities and categories which are: support, operating business, brands, online, operating business and real-estate. These support units provide administrative and operational support to the areas of marketing, store operations, customer strategy and finance.

Each unit thus comes with a designated leader and an advisory group which is composed of Sears Holding executives. Giving autonomy to each unit futures the business by allowing them to focus on management and profitable of that Unit and the company as a whole (Reuters 2008). With these changes I believe SHC will be better placed to compete and maximize profits. Target market The primary target market for sears is arguably home owners between the ages of 25 to 55 with a moderate household income 25,000 to 60000 dollars. Homeowners make the majority of the population shopping at sears stores.

This accounts for the sale in the hard lines department.

Sears provides home improvement solutions to this group of people. This group is attracted by products such as home appliances, entertainment centers, home decor, and fitness equipments. The main appeal to these customers is home appliances and lawn and garden tools. This is so because Sears has a reputation for Secondary market targeted by SHC consists mainly the younger generation. In an effort to bring itself up to par with its competitors, they have been providing brands and clothing items in the soft lines department.

This group consists of school age children (4-18).

Sears offers products like the kids advantage program where parents can purchase shoes for their kids and be able to switch it for a new pair sometime down the road. Last year Sears teamed upped with LL Cool J and MTV to provide the LL Cool J brand appeal to the teenage population. This brand resonates better with young African American and Latino teenagers. Competitors In the hard lines division sears faces major competition from hardware retail giants such as Lowes and Home Depot.

These two have managed to cut off some primary markets targeted by Sears. They are more of a hardware specialty store and provide more variety home improvement products than sears.

Their yearly sales post better profits than SHC. The soft lines department faces major completion from JC penny, Macy's, Target and Wal-Mart. Macy's and JC Penney have managed to chip away some of the market by providing better quality brand named apparel such as Liz Claiborne, Baby Phat, and

Anne Kline to these customers. Both companies have managed to post better revenue than SHC the previous quarters.