

Growth & Retail



Before Amazon, there was a paperback version – the Sears catalog. Starting in 1893, Sears was America’s top retailer for nearly eight decades. At its peak, three out of four Americans shopped at Sears yearly, and its sales made up one percent of the country’s total economic output. But now, Sears is struggling to stay afloat. What went wrong?

Born in 1893 as the brainchild of Richard W. Sears, Sears began as a mail-order catalog offering consumers across America access to an extensive array of goods, from clothing to household appliances, all at the convenience of their fingertips. Sears quickly ascended to the summit of American retail, enjoying unparalleled patronage.

But beneath the surface of success, there was a hidden problem: people were too comfortable and resistant to change. A seminal 1978 top-

secret executive report encapsulated Sears’ myopic outlook, proclaiming:

“We are not a fashion store. We are not a store for the whimsical, nor the affluent. We are not a discounter... We are not a store that anticipates... And we must all look on what we are and pronounce it good! And seek to extend it. And not to be swayed from it by the attraction of other markets, no matter how enticing they might be.”

Meanwhile, on the horizon, a new contender was emerging. In 1962, Sam Walton inaugurated the first Walmart store in Rogers, Arkansas, laying the groundwork for a retail powerhouse that would redefine the industry’s parameters. Countering Sears’ conservatism, Walmart embraced innovation and expansion, pioneering concepts such as the Supercenter and revolutionizing retail with computerized point-of-sale systems.





Instead of using traditional cash registers, which mainly handle cash transactions and require manual entry of prices, the computerized POS system allowed Walmart to automate inventory management, receipt generation, and incomparable sales data.

The boom of the digital age ushered in the dawn of online shopping. In 1994, Amazon emerged as a humble online bookstore, poised to disrupt traditional brick-and-mortar paradigms. With its relentless expansion into diverse sectors and pioneering initiatives like free shipping, Amazon swiftly ascended to preeminence. By 2017, Amazon had become the dominant force in retail, surpassing even the mighty Walmart in market capitalization.

As the retail landscape underwent seismic shifts, with the rise of discounters like Walmart and the advent of e-commerce giants like Amazon, Sears remained wedded to its traditional model, lagging on innovation and failing to anticipate changing market dynamics. Despite trying to diversify itself by acquiring Coldwell Banker, Dean Witter, Allstate, and Discover in a bid to safeguard its future, these strategic maneuvers failed to stave off the encroaching threat.

Sears' decline was exacerbated by a confluence of financial challenges, including mounting debt, declining sales, and shrinking margins. To remain solvent, Sears began selling its most recognizable brands like Craftsman, Kenmore, and DieHard batteries. Unfortunately, the engine that is its operational cash flow had been diluted too much.

Sears found itself teetering on the brink of insolvency, culminating in filing for Chapter 11 bankruptcy in 2022.

Today, as the vestiges of Sears dwindle to a mere handful of stores, the saga of its demise serves as a sobering testament to the need to adapt and innovate in an ever-evolving marketplace. The rise and fall of Sears stand as a cautionary reminder to always be a company "that anticipates."

Activity

Below you'll find the line items needed to calculate ten key financial metrics. These are metrics that CEOs and CFOs use to measure success and formulate strategies. Then use your business acumen to discuss the seven questions below with your team.

sears

Walmart*

amazon

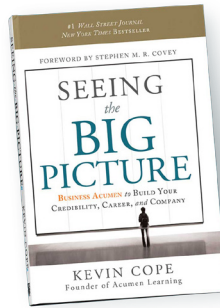
Statement

Cash & Cash Equivalents	\$182	\$6,867	\$20,522	Balance Sheet
Cash from Operations	\$(430)	\$22,764	\$4,106	Cash Flows
Total Revenue 2017	\$16,702	\$485,873	\$177,866	Income
Total Revenue Growth	-24.55%	.56%	30.8%	Income
Net Income 2017	\$(383)	\$13,643	\$3,033	Income
Net Income Growth	-82.8%	-7.2%	27.9%	Income
Total Shareholder Equity	\$(3,723)	\$80,535	\$27,709	Balance Sheet
Total Assets	\$7,262	\$198,825	\$131,310	Balance Sheet
EPS 2017	\$(3.57)	\$4.40	\$6.32	Income
EPS Growth	-82.8%	-3.9%	26.1%	Income

1. Which company would you invest in, and why?
2. If you were working at Sears, what would you do to reverse these downward trends?
3. Compare Amazon and Walmart's Net Income and Revenue growth rates. How would you explain the different growth rates between the two companies?
4. Amazon is a third of Walmart's size, yet it has over triple the amount of cash on hand. Why would Amazon choose to carry more cash than Walmart?
5. If you were an executive in retail, what would your strategy be moving forward? What are some of the opportunities and threats you'd want to be aware of?
6. Sears went from being one of the most successful retailers in America at the turn of one century, to one of the least successful at the turn of the next. Consider with your team what you can do to avoid becoming the next Sears.
7. Now that you've completed the case study with your team, write down three lessons you've learned that will help you make better business decisions in the future.

At its heart, *business acumen* means knowing how your company makes money and making better decisions around the money-making process. As a business leader, you are in a unique position to bridge the gap between functions. You can grow the business in a way nobody else can.

Acumen Learning specializes in business and financial acumen courses that help participants understand The 5 Business Drivers®, the metrics used to measure them, and their role in creating sustainable, profitable, mission-driven growth. The results are employees who are more engaged — aligned, efficient, and productive — which will have an immediate and enduring impact on your company's financial performance. And companies experiencing profitable growth can provide greater opportunities for people to have meaningful careers.





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