Did Sears' Digital Deficit Lead to its Demise?

Fierce pureplay competition and lack of ad spending may have doomed the retailer from the start

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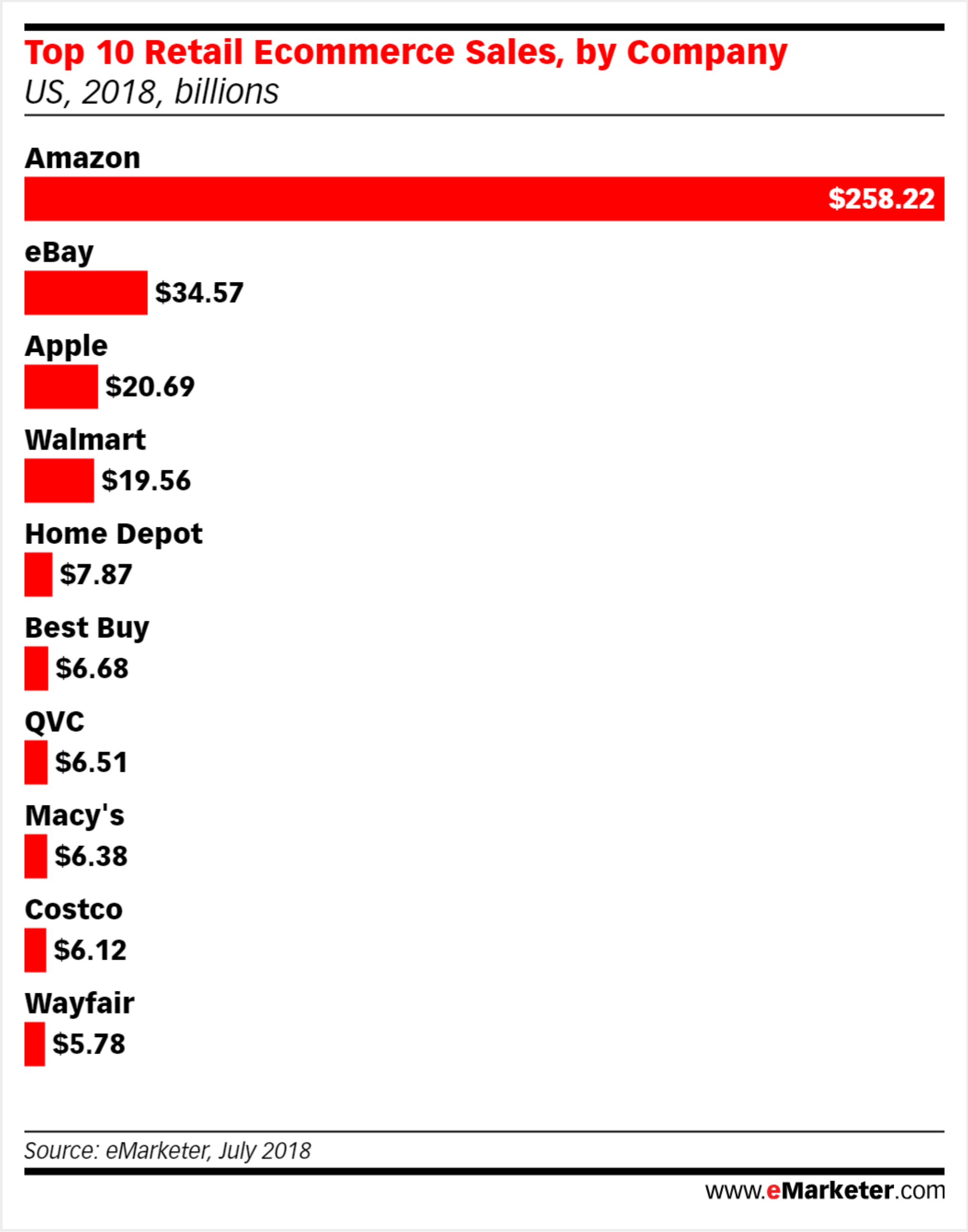
Krista Garcia

News this week of Sears filing for bankruptcy protection wasn't *exactly* a shock to anyone. Earlier this year, the venerable department store announced closings of more than 200 locations by the end of 2018.

What were the forces that led to Sears' bankruptcy protection?

According to a new Adthena study that looked into how digital commerce competition affected Sears, the retailer fared poorly compared to other retailers. Amazon (42.1%) and Walmart (12.6%) dominated clicks on the share of paid US retail text ads for the year ending October 2018. Meanwhile, Sears won just 0.7% of clicks from digital shoppers, which was lower than other department stores such as Macy's (3.7%), Kohl's (3.1%) and JCPenney (2.5%).

Additionally, among the top companies by ecommerce sales, Amazon and Walmart rank highly, so this click dominance makes sense. And out of all the department stores, Macy's is the only one to make it into the top 10.



However, department stores aren't necessarily Sears' direct competitors. Adthena found that for online search, the biggest competitors were pureplay online retailers. By the search terms that Sears was advertising on, Amazon had a 169% impression share, followed by Overstock.com (68%), Zappos (60%) and Wayfair (41%).

Also, Sears invested less in Google Shopping Ads than others. According to Adthena, this format drives 85.3% of clicks in US retail.

Walmart (8.8%) and Wayfair (7.5%) spent the most, while Sears was responsible for a mere 1.3% of ad spend.

Sears had also been increasingly falling out of favor with shoppers. A new YouGov study shows that in 2015, 23% of US consumers said they would consider Sears for buying items like clothing or home goods. That figure dropped to 13% by October 2018. Sears-owned Kmart also saw declines, from 19% to 9% during that same time period.

Additionally, YouGov identified five retailers at which former or current customers of Sears or Kmart were likely to shop. In the past 12 weeks, consideration scores have gone up at TJ Maxx (2.6 points), Kohl's (2.6), Target (2.2), 99 Cents Only Stores (1.2) and Ross (1.2).

Both studies show how changes in the US retail landscape spelled trouble for Sears from the start. Amazon and Walmart dominate digital commerce, pureplay online retailers like Wayfair and Overstock capture furniture and home goods shoppers, while dollar stores and off-price retailers have been able to withstand pressures that have forced physical retail to scale back. It is the middle-of-the-road retailers like Sears that have been bypassed by digital growth.