

Why Lowe's, Sears Are Planning Store Closings

Kmarts are dwindling and Orchard Supply Hardware will shutter

ARTICLE | AUGUST 23, 2018

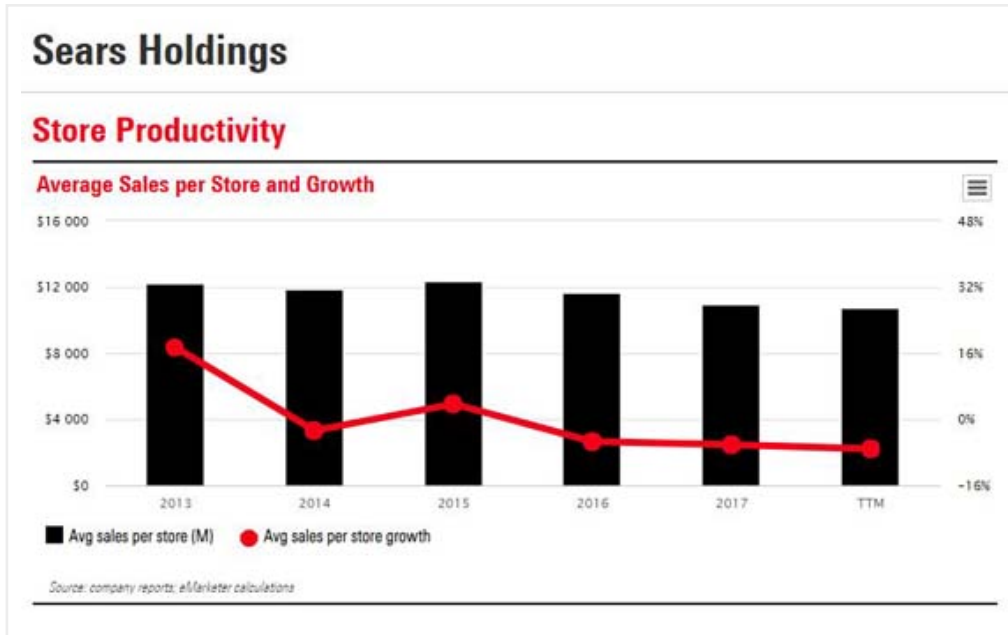
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Add [Sears](#) and [Lowe's](#) to the list of retail shake-ups. Both companies announced shrinking brand portfolios this week, but the factors that necessitated these closures weren't exactly the same.

Sears Holdings has been struggling for some time. Earlier this year the troubled retailer said it would close more than 200 stores by the end of 2018. Now it's adding 46 more: 33 Sears stores and 13 Kmart locations are set to shutter in November.

The slow death of the mid-market mall has had dire consequences for traditional anchor stores like Sears. With shopping behavior shifting online and the fact that retailers built too many stores during boom times, Sears has found that the number of its brick-and-mortar stores isn't sustainable. Store productivity has been waning for years.

The average sales per store have been declining since 2015. And the average sales per square foot have been shrinking for the past five years, falling from \$126 in 2013 to \$87 in 2018.



Eddie Lampert, CEO and chairman of Sears Holdings, earlier this month offered (in his capacity as a hedge fund manager) more than \$400 million for the Kenmore appliance brand, one of Sears' last remaining valuable assets. Last year Sears sold its Craftsman tool brand to Stanley Black & Decker.

Lowe's, which is in better shape than Sears—the home improvement retailer reported a 7.1% increase in Q2 2018 sales to \$20.9 billion—has decided to close all 99 Orchard Supply Hardware stores in California, Oregon and Florida by the end of 2018. Lowe's bought the smaller customer service-focused business (once owned by Sears Holdings) in 2013.

However, the retailer expects to open nine Lowe's stores by the end of the year.

Lowe's has long played second fiddle to [The Home Depot](#). The company posted \$68.62 billion in revenues for the latest fiscal year, but its competitor pulled in \$100.90 billion, according to the [eMarketer Retail Database](#). This is partially due to Lowe's target DIY customer, whereas The Home Depot has courted professional contractors who spend more.

Lowe's president and CEO Marvin Ellison also called out multiple areas where the company has "work to do," including supply chain strategy, in-store technology and problems with out-of-stocks.

Interestingly, Lowe's said being the exclusive big-box home improvement channel for Craftsman has paid off. "We drove market share gains across all major categories where we introduced Craftsman to our lineup," chief customer officer Mike McDermott said during the company's Q2 earnings call.