

Sears Intensifies Apparel Push

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HOFFMAN ESTATES, Ill. — Shareholders at Sears Holdings Corp.'s annual meeting here Tuesday were told to expect a major apparel push, online and off.

The mandate to turn around apparel was emphasized at the outset and underscored throughout the three-hours-plus meeting.

"Kmart is on a roll and doing quite well," said interim president and chief executive officer W. Bruce Johnson. "We intend to continue that apparel turnaround with a move to everyday pricing and significant improvements to the in-store experience."

Revitalizing the Sears apparel brand is a top priority, Johnson told shareholders, noting new brands exclusive to Sears and Kmart, such as Bongo and Dream Out Loud with their younger demographic, will be key drivers. He introduced John Goodman, executive vice president of apparel and home, as a "great merchant and a talent magnet." Goodman, the former ceo of Mervyns, has given Sears access to brands previously unavailable to the \$44 billion retailer, Johnson said.

Establishment of the San Francisco apparel office, a condition put forth by Goodman before coming on board six months ago, is well under way. The Market Street office, with a head count of 44, should be fully staffed with some 200 associates by midsummer, Johnson said following the meeting, which was decidedly less contentious than in years past. He declined to specify how many positions in the Chicago area would be eliminated as a result, but said the new 25,000-square-foot Market Street office will house a mix of existing and new employees.

"We're going to build a new culture around apparel," Goodman told WWD after the meeting. He said there is significant talent to be mined in the Bay Area, with displaced employees from shuttered stores such as Gottschalks and Mervyns, among others. The physical layout within the historic Phelan Building, where Sears' new apparel brain trust is now based, bears some resemblances to the New York design office, Goodman said.

Calling the space "nonbureaucratic," he noted there are no offices, not even for himself. "People will be empowered to work as a team," he said. Goodman currently serves as interim president of Sears Apparel; however, he said the candidate field has narrowed and an appointee will be named "shortly."

Edward S. Lampert, Sears chairman and majority owner, dedicated some 25 minutes to outlining Sears' commitment to the online channel, including a demonstration of the myGofer retail format accessed through a mobile phone. He placed an order for Zyrtec. There are 150 myGofer locations within Kmart stores and one stand-alone store in Joliet, Ill.

Asked about the wisdom of exposing Sears' customers to competitors' products via the new online marketplace, Lampert invoked the term "frenemy." "We want to make it easy to get what you want....I don't want to send you down the street," he said of the business model pioneered by Amazon.com.

For example, Lampert said, Sears Marketplace visitors can access 67,419 stockkeeping units of sunglasses. "We want to overwhelm you with an abundance of choice," he said, while at the same time offer search tools to drill down to find the right product to purchase.

Though he emphasized the importance of the online channel, he declined to break out metrics for online sales, citing the blurring of lines between where shoppers do research and where they buy.

Lampert also used the gathering to restate his stance on pension reform. "We'd like two additional years to fund our pension," he said. Sears hopes to improve poor-performing stores but without pension relief may need to close stores it would otherwise try to keep open. He also touched on competitive disadvantages faced by retailers required to collect sales tax while pure-play Internet retailers such as Amazon and eBay do not.

He was repeatedly asked if Sears' emphasis online signaled a move to fewer or smaller physical stores — a move away from the big box. Lampert said there's a place for hybrids, but large-format stores will continue to be relevant.

"The paradigm that it's either online or stores [not both] — I don't see that. If you are doing all your shopping in-store...

where are you getting your info? People are getting information on mobile devices. If we are not there [online and into mobile], stores won't matter," he said.