

A Postmortem for Sears - Transcript

Tom Mullooly: In episode 123, we're going to do a postmortem on Sears Roebuck. Stick around.

Welcome to the Mullooly Asset show. I'm your host, Tom Mullooly, and this is episode number 123. One, two, three red light.

So today, the day that we're recording this, it looks like Sears Roebuck is going to ask the bankruptcy court to enter liquidation, and that's the end of Sears as we know it. So I thought it would be a good time to just kind of take a walk down memory lane. There's a lot of people in the media today who are comparing Amazon to Sears saying, "Hey, Sears was the Amazon of its day."

And I just want to share a couple of things that I've learned over the years about Sears. It was started in 1886 as a mail order company. Richard Sears actually sold watches through a catalog that he put together. A year later, in 1887, he hires a guy named Alvah Roebuck to repair watches. So I guess they had problems with some of the watches that they were selling through their catalog.

They then added jewelry, and the mail order business really took off. What helped them, a little bit of history for you, is that in the late 1880s, the US government started a program called rural free delivery, or RFD. Some of you are around my age may remember a TV show after Andy Griffith left. It was called Mayberry RFD, and everybody always wanted to know what RFD stood for. It's rural free delivery. But this was exactly how Sears Roebuck was able to get their catalogs out to every farm across the country, and their business really exploded.

Sears catalog was a huge, huge business. In 1920, Sears actually bought Encyclopedia Britannica. I did not know that. In 1924, remember, it's still a mail order company. In 1924, it was added to the Dow Jones industrial average without even having a store. In 1925, they opened their first store in Chicago. They opened up, there was a Sears in every mall across the United States. By 1931, just six years after they opened their first store, their retail stores were outselling their catalog business. And Sears was the largest retailer from the 1920s it into the 1980s, when Kmart finally overtook them. And then Walmart eventually overtook both of them.

The 1980s brought a lot of change to the company. So in the early 1980s, they diversified, or "diversified" into several different areas. They bought Coldwell Banker. A lot of people don't remember that. They bought Dean Witter and Dean Witter ultimately became a part of Morgan Stanley. They also bought Allstate Insurance. And in the 1990s, Sears actually spun these companies out of their parent stock. They actually turned the Sears card ... Remember, for a lot of people, me included, the Sears credit card was your first charge card that people got. And they named this division SPS for Sears payment system.

Well, over the years, through the 80s, SPS ... And I remember hearing analysts talking about Sears in the 80s, saying SPS was the driver of growth of earnings in Sears. That was later

repackaged into something called Discover. And now most people are pretty familiar with the Discover card. That was the Sears credit card.

But they also started brands too. They started craftsman for tools. They started DieHard. Not the movies, DieHard batteries. Kenmore for appliances. They also launched a company called Prodigy. Another thing I didn't know. Prodigy was one of the original Internet companies around. They started this company in 1984, which is unbelievable.

Sidebar, I bought my first computer, Atari parts, and put them together, at Sears. I bought a little black and white TV as my monitor. Anyway, Prodigy was a joint venture between CBS, IBM and Sears Roebuck. Unbelievable. The world's first Internet service provider, Prodigy. It was followed quickly by CompuServe, which was owned by QuickBooks by Quicken. Can you believe that? Sears poured, over the years, a billion dollars into Prodigy, bad investment. And they wound up selling it for 200 million to a Telmex. Prodigy is still the number one Internet service provider in Mexico. Unbelievable.

So I'm wearing a Land's End shirt and it wasn't bought at Sears, but Sears bought Land's End. And recently, they spun them public as well. I think what a lot of people forget is that when we got into this most recent century, Sears was in trouble. Kmart was in trouble. Kmart actually filed bankruptcy. When they emerged from bankruptcy, they spent like ... I don't know where they found the money, but they borrowed \$11 billion and they bought Sears and renamed the company, Sears Holding Company. It was actually a merger between Kmart and Sears. So when you think about all the companies that were spun out of Sears, then you add all the companies that were spun out of Kmart, they own Builders Square. They own Walden books. Remember them?

They also owned a company called The Sports Authority. So when you start putting all of these pieces together, you can see that Sears, they started out, they became a member of the Dow Jones industrial average just by being a catalog company. Then they started opening up stores and they really took off after that. But then they started diversifying into all these other businesses that they really didn't know much about, and the company kind of lost their way. So we look at companies like Amazon today that they're in everything.

These companies don't last forever. They may last a hundred years. They may outlive us, but it doesn't mean that they're going to be around forever.

Anyway, little walk down memory lane for Sears Roebuck. Rest in peace. Thanks for watching episode 123.