Department stores can’t survive with nostalgia as a business model

By Barrie McKenna
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Walking into the Sears Canada store in Ottawa’s Carlingwood Shopping Centre is like a retro journey back to the 1960s.

Tucked inside the main entrance is a watch and clock-repair counter. Who wears a watch any more?

Well, if you’re over the age of 60 or 70, there’s a good chance you do. That’s a core Sears demographic – and perhaps part of the reason North America’s old-line department stores are in so much trouble.

The same people who flocked to this former Simpson-Sears store in west-end Ottawa when it opened in the mid-1950s are still some of its best customers – only they are a lot older. Their kids are long gone, they’re not in the acquiring stage of life and their once-vibrant middle-class neighbourhood has been overtaken by faraway urban sprawl. Through it all, Sears has stuck with them, barely changing the decor to attract a younger clientele.

News this week that Sears Canada – like its U.S. cousin – is running out of cash and may not survive as a “going concern” isn’t a revelation to anyone in the retail industry.

And it probably isn’t a surprise to anyone who has visited a Sears store in recent years.

Sears has the look of a gone-concern. The chain has seemingly been in a death spiral of losses, store closings, buyouts, management shuffles, reinventions and rebrandings for years. Now, the company says it’s pondering a sale or a restructuring.

Chicago-based Sears Holdings Corp., which like Sears Canada is controlled by New York hedge-fund manager Edward Lampert, has similarly warned there is “substantial doubt” it will be able to stay in business.

Sears was once the largest U.S. retailer. Its former Chicago head office was the tallest building in North America. Now, the building doesn’t even bear the Sears name. The company sold the building in 1994 and insurance broker Willis Group acquired the naming rights in 2009.

Sears never seemed able to transform itself from a catalogue store to a force in the e-commerce era and targeted big-box stores. It’s not a go-to store for anything any more. Older shoppers are a growing demographic, but it’s a group that’s more likely to replace a watch strap than buy a new wardrobe every few months or drop $2,000 on new garden furniture.

Stores of any kind that don’t have an identity are doomed to fail. Consumers have far too many better options.

In Canada, shoppers long ago abandoned Sears for Canadian Tire, Wal-Mart and an endless array of online merchants such as Amazon.com. They gravitated to places that know what they’re all about – be it low prices, selection, convenience or a little buzz.

A bland store that offers a little of everything but does nothing particularly well is fighting a losing battle if it wants a piece of the market for younger shoppers.

If Sears fails to survive as a “going concern,” the pain will spread to Canada’s shopping-centre industry. Nearly 100 anchor locations – many at secondary malls such as Carlingwood – could go dark. It would be a severe blow for an industry still struggling to fill stores Target abandoned when it pulled out of Canada in 2015.

Hudson's Bay Co., Canada's other major department-store chain, is also facing challenges. The chain announced earlier this month it is shedding 2,000 employees in North America and revamping operations to generate $350-million in annual savings.

U.S. department-store sales have shrunk by roughly a third since 1999 even as overall retail sales have continued to climb. Sears, J.C. Penney and Macy's are all closing stores. Amazon's sales have quintupled since 2010 alone. Statistics Canada no longer tracks department-store sales, lumping them instead with general-merchandise stores because of "confidentiality" concerns in a market with so few players.

HBC insists it will be a consolidator in a shrinking industry. Its Canadian stores remain a relative bright spot and the chain could gain market share, and perhaps a few choice locations, if Sears disappears.

And it still holds valuable real estate.

Sears Canada, on the other, has already squeezed much of the value out of its owned and leased properties. And still, the company's losses are mounting.

Sears's demise would give a short-term lift to some of its rivals.

But the continued drift of younger shoppers away from department stores appears unstoppable.

Nostalgia isn't a business model.