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## BUSINESS

# Sears to Sell Kenmore Brand on Amazon

The move could be a boon to sales amid dwindling foot traffic in stores



Sears will start selling its Kenmore line of refrigerators and stoves on Amazon.com. PHOTO: ASSOCIATED PRESS

By *Suzanne Kapner and Laura Stevens*

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Sears Holdings Corp. [SHLD -5.31% ▼](#) said Thursday it will start selling its Kenmore appliances on Amazon, loosening its grip on one of its historic product lines and becoming the latest big American brand to capitulate to the online-retail giant.

News of Amazon's move into appliances, one of the categories it hasn't deeply penetrated, rippled through the industry. Investors dumped shares of big appliance sellers that have been benefiting from Sears's retreat. Lowe's Cos. tumbled; Home Depot Inc. [HD -0.19% ▼](#) and Best Buy Co. [BBY +0.59% ▲](#) fell 4% apiece.

Amazon's rapid growth has displaced traditional stores and left even powerful brands unable to ignore it. Nike Inc., one of the biggest holdouts, recently decided to start selling directly to Amazon.

For Sears, selling Kenmore outside its own stores or websites could give it a boost in sales, which have declined every year since 2007. "This will give the Kenmore brand access to a new set of customers who aren't necessarily shopping at Sears," said Dev Mukherjee, a former president of Sears home appliances, who now works at a private-equity firm.

But also it gives shoppers one less reason to visit a Sears department store. "We believe most Amazon sales will simply cannibalize Sears stores," said Loop Capital analyst Anthony Chukumba, since other major retailers don't currently sell Kenmore.

Sears's long-battered shares jumped 11% to \$9.60, while Amazon, based in Seattle, closed at an all-time high of \$1,028.70. Amazon's market value is closing in on \$500 billion, Sears's hovers near \$1 billion.

Kenmore is Amazon's first retail offering in major appliances. Previously, most major appliances available on Amazon were via third-party sellers on its marketplace.

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### PREVIOUSLY

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“Amazon is a continual improvement machine, and Kenmore is a brand with extraordinary heritage and awareness,” something that could transform it into a major winner in an online category currently lacking a dominant player, said Ken Seiff, a venture capitalist at Beanstalk Ventures and a former retail executive. “There’s no positive outcome” for brick-and-mortar competitors.

While major appliances are a fraction of Home Depot and Best Buy’s sales, Amazon is now increasingly targeting their bread-and-butter business of services, says Forrester Research analyst Brendan Witcher. “For years we believed the defensible margins were those in services, because it’s not easy to do online,” he said. But as Amazon’s artificial intelligence assistant Alexa is installed in more devices—including Kenmore’s—that’s changing.

A Home Depot spokesman said: “We’re comfortable with our competitive positioning from both a brand and service perspective.” Best Buy declined to comment.

Amazon, which started selling books online more than two decades ago, is now gaining ground in a number of categories, from office supplies to home goods. After a serious push into apparel a decade ago, it is now one of the biggest clothing retailers, according to a recent Morgan Stanley survey, second only to Wal-Mart Stores Inc.

More than half of product searches now start at Amazon, according to personalization platform company BloomReach, versus 28% on search engines and even fewer at other retail sites. The company’s Prime subscription program, which according to UBS has an estimated 63 million North American members, also offers companies broad access to customers.

Amazon has bigger ambitions than selling Kenmore products. The company plans to expand its reach in both furniture and appliances, according to people familiar with the matter. It is also building at least four massive warehouses focused on handling bulky items, the people said.

Under the Kenmore deal, Amazon will own the inventory but Sears will ship orders from its warehouses, a Sears spokesman said. Innovel Solutions, a unit of Sears, will deliver the goods to customers’ homes and provide installation services, he said. The companies didn’t disclose the terms of the deal.

“We’re constantly working to expand our selection,” said Matt Furlong, general manager of home improvement and appliances at Amazon.

The Kenmore name first appeared in 1913 on a sewing machine. The first Kenmore washing machine was introduced in 1927 and business boomed after World War II. And

for years, the only place Americans could buy a Kenmore stove or washing machine was at their local Sears or Kmart.

But there are fewer of those sprawling stores these days—nearly 1,000 have closed since 2009—and people aren't buying as much from them.

The brand is now produced by Whirlpool Corp., Electrolux AB and other manufacturers.

Sears's share of major-appliance sales in the U.S. fell to 22% in the 12 months ended March, down from 30% four years earlier, according to TraQline, a market research firm. In addition to Kenmore, Sears sells other brands. The Kenmore brand's share of the market fell to 10.3% from 16.7% during that same period.

Sears CEO Eddie Lampert, a hedge-fund manager who took control of Kmart out of bankruptcy and merged it with Sears in 2005, had been looking at strategic options for the company's top brands for more than a year, as the parent company's losses have mounted.

Earlier this year, he agreed to sell the Craftsman tool brand to Stanley Black & Decker Inc. for \$900 million, helping to pay down debt and pension costs. Sears is still exploring options for its DieHard brand, Sears Auto Centers and its Home Services unit.

"The launch of Kenmore on Amazon.com [AMZN -0.43%](#) ▼ will NOT significantly boost Sears's liquidity," wrote Bill Dreher, an analyst with Susquehanna Financial Group in a note to clients. "We suspect this is a move to beautify the Kenmore brand for divestiture and help alleviate some pressure, temporarily, of Sears as a going concern."

Mr. Lampert, who owns more than half of Sears's shares and is a large creditor, wrote in a blog post Thursday that the Amazon deal "is a testament to our commitment to unlocking value from our various assets."

The CEO has also been cutting spending and selling real estate to help the company fund its operations. He has also been financing the company, including a \$200 million short-term credit line that Sears announced Monday.

Although that line was marketed to others, only entities affiliated with Mr. Lampert participated in the financing, according to one investor. The Sears spokesman said the company is in ongoing discussions with various parties with respect to the loan facility.

—Andrew Scurria and Imani Morse contributed to this article.

**Write to** Suzanne Kapner at [Suzanne.Kapner@wsj.com](mailto:Suzanne.Kapner@wsj.com) and Laura Stevens at [laura.stevens@wsj.com](mailto:laura.stevens@wsj.com)

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