about 60 percent of Sears Holding's stock. Critics claim that since the 2005 merger, Lampert has run the company more as a portfolio of financial assets than as a retail chain. A fierce advocate of free-market economics, Lampert restructured Sears into approximately 40 business units, each set up to operate as an independent business with its own set of c-suite officers, boards of directors, and profit-and-loss statements. The intention was for the decentralized structure to foster independence and competitiveness and to make each part of the corporation more accountable.

It had other, less appealing effects. For example, because the appliance unit could make more money selling products manufactured by outside brands, it began featuring brands like LG over Sears's own Kenmore. A similar problem arose when the Sears Craftsman brand unit proposed a tool co-branded with the Sears DieHard brand. But under the new structure, Craftsman would have had to pay DieHard royalties, making the cost of the item prohibitive. Craftsman tools and Kenmore appliances still lead their categories, and the DieHard brand of automotive batteries remains strong. But the infighting has had a negative effect on the market positions and fortunes of these and other Sears brands.

The decentralized structure also created barriers to pricing Sears and Kmart products competitively relative to competing chains. After studying the company's prices, a newly appointed president of retail services surmised that Kmart's food and drugs were more expensive than those at Walmart and Target. He proposed reducing prices on these product lines, bringing them in line with competitors. The presidents of various business units agreed with the proposal. But no unit was willing to cough up the $2 million needed to fund the project. Corporate headquarters rejected a request for a loan. So prices remained at uncompetitive levels.

As day-to-day operations played out, cooperation and collaboration gave way to a "warring tribes" culture that made the lack of a solid marketing message even worse. As chief marketing officers fought over advertising space in the weekly Sears circular, the circular turned into what one former executive referred to as a "Frankenstein" promotion—a hodgepodge of product combinations with no overall cohesion. Screwdrivers were advertised next to lingerie, and lawnmowers sat next to ladies' shoes. For the cover of one Mother's Day circular, the sporting-goods unit purchased space for a Doodle Bug minibike—an item popular with young boys.

All of this speaks to a lack of leadership at the top. Since the 2005 merger, Lampert has hired four CEOs, not a single one with any retailing experience. After the last CEO left more than a year ago, Lampert assumed CEO responsibilities himself. But "being a successful hedge fund manager doesn't make you a good retailer," says one Sears watcher.

The Only Hope?

There are a few signs of a prosperous future for the nation's once-greatest retailer. To streamline operations and free up cash, Sears is selling off parts of the company. Last year, Sears Holdings spun off Sears Hometown and Sears Outlet stores. Lampert also facilitated the sale of a portion of Sears's stake in Sears Canada. Most recently, the company sold Lands' End—now an independent company, although still located within Sears—in a transaction that put more than $1 billion in Sears's coffers. Lampert is eying similar deals for other Sears businesses. Although some see this as a way to strengthen the company by focusing on its core business, others see it as little more than "continuing to burn the furniture to stay warm."

One potential bright spot for Sears is online sales. As the company's revenues continued to drop, its online sales have been on the uptick. With a strategy to become a fully integrated omni-channel retailer, revenue from e-commerce has been growing by an average of 10 percent over the past few years. In fact, Sears is the sixth-largest online retailer in the United States. This is no accident. Lampert is a believer in selling online. In a recent statement that accompanied a financial update to the press, Lampert came as close as he ever has to issuing a statement of corporate strategy. "We are transitioning from a business that has historically focused on running a store network into a business that provides and delivers value by serving its members in the manner most convenient for them: whether in stores, at home, or through digital devices."

To support this assertion, Sears has developed the Shop Your Way loyalty program—a hybrid between Amazon and Facebook that allows customers to accumulate and spend rewards online or off. Sears has also experimented with a store pickup service, MyGofer—an initiative that essentially turns Kmart stores into a same-day pickup location for all Sears and Kmart brands and merchandise ordered online. With the omni-channel model very much in vogue, this strategy seems to put Sears right on target in terms of where the retail industry is headed.

But while Sears is apparently investing in the digital side of its business, it is neglecting the brick-and-mortar side. The chain hasn't opened a new store in years. In fact, it's selling off locations—235 this year alone. "Our stores are often in the wrong place and are often too large for our needs" was all that Lampert could say when questioned about the high rate of store closures. And Sears's remaining stores are progressively becoming less appealing. One retail analyst, once a big Sears fan, remembers growing up in Chicago at a time when his family wouldn't think of shopping anywhere but Sears. Now things are different. "I shopped for back-to-school clothes at a store [that's] now so dark and depressing, I can't bear to go in," he says, "even though it's [just] blocks from my home—a home that sits on a street that shares a name with an iconic Sears brand."

Although Lampert and his team continue to claim that turnaround efforts will soon bear fruit, things don't look promising for Sears. The lack of customer thinking and marketing strategy has taken a devastating toll. Sears Holding Corporation's revenues have fallen for 29 consecutive quarters. Total sales for the most recent year were $31.2 billion, down 14 percent from the previous year and a far cry from a peak of $53 billion just eight years prior. Profits also paint a grim picture—the company lost $1.7 billion last year, more than it made from selling off Lands' End. As a result, Sears's stock price has fallen nearly 80 percent since 2007.

In a letter to shareholders after the release of the most recent year's financials, Lampert boasted of his e-commerce plan, saying that otherwise, "we would be stuck on the same path that has claimed Circuit City, Borders, Radio Shack, and others," all iconic retailers that have gone out of business. And yet, with no cogent marketing plan and seemingly no way out of its financial tailspin, many analysts predict that once-dominant Sears will soon follow the same fate and disappear entirely.

Questions for Discussion

1. According to the principles of retail strategy, how did Sears once become the nation's biggest retailer?
2. According to those same principles, how did Sears lose its once-commanding market position?
3. What is the relationship between the current Sears corporate strategy and its marketing struggles?
4. Assess Sears' efforts to become a true bricks-and-clicks retailer.
5. Can anything save Sears? Support your position.

Sources: James Covert, "Sears Posts $548 million loss, Plans to Close 235 Stores," *New York Post*, December 4, 2014, http://nypost.com/2014/12/04/sears-posts-wider-q3-loss-on-13-revenue-drop/; Phil Wahba, "Eddie Lampert's Incredible Shrinking Empire," *Fortune*, February 26, 2015, http://fortune.com/2015/02/26/sears-earnings/; Lauren Coleman-Lochner and Carol Hymowitz, "A Money Man's Trials in Retailing," *Bloomberg Businessweek*, January 5, 2012, pp. 24–25; and various pages at www.sears.com, accessed September 2015.

Company Case 12

Allstate: Bringing Mayhem to the Auto Insurance Advertising Wars

In the spring of 1950, the teenage daughter of Allstate general sales manager Davis Ellis was stricken with hepatitis shortly before she was to graduate from high school. The worried executive arrived home from work one evening just as his wife returned from the hospital where their daughter was admitted. As he met her at the front door, his wife reported, "The hospital said not to worry . . . we're in good hands with the doctor."

Later that year, Ellis became part of a team charged with developing the first major national advertising campaign for the Allstate Insurance Company. As the team discussed the message they wanted the brand to convey, Ellis recalled his wife's "we're in good hands" remark and how good it made him feel. The phrase projected security, reassurance, and responsibility, exactly the traits the team wanted customers to associate with Allstate. Thus was born the slogan "You're in good hands with Allstate."

By the early 2000s, a study by Northwestern University found that the long-standing Allstate catchphrase was the most recognized slogan in the United States. For years, Allstate held the position as the second-largest personal lines insurer, trailing only State Farm. In 2003, Allstate hired actor Dennis Haysbert as the brand's spokesperson. After starring in dozens of Allstate commercials—each culminating with the question "Are you in good hands?—Haysbert's deep voice became a comforting familiarity to television viewers. Today, the "Good Hands" slogan is the oldest surviving slogan for a paid campaign.

An Advertising Shakeup

Although Allstate's advertising served it well for decades, by the late 1990s, the company had fallen into the same routine as the rest of its industry. Big auto insurance companies were spending modestly on sleepy ad campaigns featuring touchy-feely, reassuring messages such as Allstate's "You're in good hands" or State Farm's "Like a good neighbor." In an industry characterized by low budgets and even lower-key ads, no brand's marketing stood out.

However, the advertising serenity ended with the first appearance of the now-iconic GEICO Gecko in 1999, backed by a big budget and pitching direct sales and low prices. That single GEICO ad campaign sparked a frenzy of ad spending and creativity in the insurance industry that quickly escalated into a full-scale advertising war. Once-conservative car insurance ads became creative showstoppers, as edgy and creative as ads found in any industry. Here are a few highlights:

- ***GEICO:*** GEICO got the auto insurance advertising wars rolling when it was acquired by billionaire Warren Buffet's Berkshire-Hathaway company in 1996 and given a blank check to aggressively increase market share. That led to an onslaught of advertising the likes of which the auto insurance industry had never seen. A string of creative GEICO campaigns featured everything from civilized cavemen to cash with googly eyes. But it was the GEICO Gecko that had the biggest impact. With his signature English accent, the Gecko made GEICO's simple message clear—"15 minutes can save you 15 percent or more on car insurance." More than any other industry spokesperson, the Gecko lent personality and pizzazz to the previously sleepy insurance industry and its staid brands.
- ***Progressive:*** Following GEICO's lead, in 2008 Progressive created its own perky and endearing personality—Flo. Progressive created the ever-upbeat, ruby-lipped salesclerk to help convince consumers who are already in the market that they can get an even better price deal from Progressive. Flo helped put Progressive hot on the heels of rising GEICO as the fourth-largest auto insurer. Flo assists people when they are ready to shop. Progressive later introduced a complementary campaign featuring the Messenger—the mustachioed, leather-jacket-wearing stranger—and Brad—the easy-going, self-assured man with an absurdly funny sense of self-esteem who refers to himself only in the third person.

Like the GEICO Gecko, Flo, the Messenger, and Brad pitch price savings as their primary appeal.

- *State Farm:* As GEICO and Progressive shook up the industry with their direct, low-price, high-profile selling models, conventional agent-based auto insurers were forced to respond. Ninety-year-old State Farm, the long-time industry leader, was hardly a stranger to advertising. Like Allstate, State Farm had a long-standing, widely recognized slogan—"Like a good neighbor, State Farm is there"—a jingle written by pop music icon Barry Manilow in 1971. Sensing the threat from the rising newcomers, State Farm fought back vigorously with a new campaign centered on its enduring jingle. In its "magic jingle" campaign, State Farm agents magically appear when summoned with the jingle by young drivers in trouble—including the likes of LeBron James. The campaign's goal—to convince consumers that they still need the services of one of State Farm's 18,000 agents. To help make the point more forcefully, State Farm doubled its ad budget.

"Good Hands" Meets Mayhem

Amid this surge in competition and advertising creativity, Allstate struggled just to hold its own, let alone to grow. In the wake of the Gecko and Flo, Allstate had lost market share for two years running, even with Haysbert's presence as company pitchman. The brand needed its own over-the-top personality. So Allstate brought mayhem to life—literally. With the new creepy Mayhem character played by actor Dean Winters, Allstate created a villainous counterpart to Haysbert's soothing hero. The campaign's goal: to convince consumers that there is more to buying car insurance than just price. Put more bluntly, says an ad agency executive involved with the campaign, "We wanted to kick Flo's ass."

Mayhem portrays all of the unlikely events that can lead to a major auto insurance claim. As a deer, he jumps into the path of a moving car at night "because that's what we deer do." As a torrential downpour, he loves leaky sunroofs. As a malfunctioning GPS, he sends a driver swerving into another car. As snow, he weighs down the roof of a garage until it collapses, smashing the car within. Each quirky ad ends with the statement and question "If you have cut-rate insurance, you could be paying for this yourself. Are you in good hands?"

Through such clever ads, Allstate's creative and award-winning "Mayhem. It's Everywhere." campaign has put a contemporary, attention-grabbing twist on the company's long-standing "You're in good hands with Allstate" slogan, helping to position the brand as a superior alternative to price-oriented competitors. Even with its long-standing "Good Hands" campaign, Allstate needed something unconventional. In fact, mayhem didn't just describe the Allstate campaign—it characterized the entire world of auto insurance advertising.

The Mayhem campaign quickly won many top ad industry awards. But perhaps a bigger indication of the campaign's impact is the extent to which the character has become ingrained in the pop culture. Although Mayhem has just more than a third of Flo's 4.9 million Facebook fans, he commands an engagement score nearly eight times that of Progressive's perky spokeswoman. And when the character's creator recently saw a Mayhem-costumed trick-or-treater walking down her street, she called it "a career highlight that gave her chills."

More than just popular, Mayhem is right on message. At the end of each ad, he warns, "If you've got cut-rate insurance, you could be paying for this yourself." Then a reassuring Haysbert provides the solution: "Are you in good hands?" he asks. "Get Allstate. You can save money and be better protected from Mayhem." This "worth-paying-a-little-more" message puts Allstate back at the top in terms of customer value.

Mayhem Redux

Allstate's ads were not only creative, they were effective. After a few years of Mayhem ads complementing Haysbert's Good Hands ads, Allstate's unaided brand awareness of 74 percent trailed State Farm's by only a slight margin, despite State Farm's 60 percent greater ad spending. And for a time, the Mayhem campaign halted Allstate's market share slide. According to Allstate CEO Thomas Wilson, "It's working. If you look at our quotes and our new business, it's way up." All this prompted Allstate to extend the campaign, including the introduction of Mayhem's Hispanic cousin, Mala Suerte (bad luck), aimed at Hispanic consumers.

In extending the campaign, Allstate took Mayhem to the next level, giving the character his own Twitter account. Seemingly late to the Twitter party, Allstate executives indicated that the delay was intentional. "We've been very careful about not overdoing Mayhem and not overexposing [him]," said Jennifer Egeland, Allstate's director of advertising. "[We wanted] the right idea for launching him in the Twitter space."

The right idea was to conform to Mayhem's persona. As a recent football season dawned, Mayhem polled followers about what he should portray in the next ad—a charcoal grill or a cheap bungee cord. Consumers voted for the cord. Mayhem disobeyed, Tweeting: "Too bad I'm a tailgate grill. Who's got a light?" He followed that up with Vine videos of a car set on fire from a grill mishap. Allstate then released two new Mayhem ads—"Tailgate Grill Fire" and "Cheap Bungee Cord," making everyone happy. Similar antics ensued for the ensuing March Madness kickoff of the NCAA playoffs, helping drive more than 61,000 followers to the @Mayhem Twitter account.

With all this activity and public response, Allstate thought it had a surefire weapon for maintaining its market position. But the all-out auto insurance advertising war illustrates just how critical it is to stay one step ahead of the competition. For the most recent year, Allstate increased its ad budget to $887 million, outdoing even market leader State Farm's $802 million effort. However, both companies were eclipsed by GEICO's eye-popping $1.1 billion advertising spending. Today, no fewer than 11 car insurance brands are running national TV advertising campaigns. Combined, the auto insurers now spend more than $6 billion each year to get their messages out. That makes things confusing for consumers, who struggle under the deluge of clever ads for the respective brands.

The intense competition, big budgets, and focus on consumer advertising have kept industry market share dynamic. In fact, in the last year, GEICO moved into the number-two spot behind State Farm and is pulling away with a 10.8 percent share of the auto insurance market to Allstate's 10.0 percent. Allstate has grown its auto insurance business in recent years. But GEICO's growth has been consistently stronger. With that development, Allstate is left to reconsider the value that it is getting out of its advertising investments and just how it might slow GEICO down GEICO and retake its number-two market position.

Questions for Discussion

1. Why has Allstate's "good hands" slogan withstood the test of time to become advertising's longest-running slogan?
2. Analyze Mayhem ads based on the process of creating an advertising message as outlined in the text (for Mayhem ads, check out www.allstate.com/mayhem-is-everywhere.aspx).
3. Discuss issues of selecting advertising media for the Mayhem campaign. How might this process differ from that of campaigns for other companies?
4. Based on the information in this case, how might Allstate measure the effectiveness of the Mayhem campaign?
5. Has the Mayhem campaign been effective? Support your answer.

Sources: Ashley Rodriguez, "How Allstate's Mayhem Disrupted the Chatter around Insurance," *Advertising Age*, June 10, 2015, http://adage.com/print/298779; Steve Daniels, "GEICO Overtakes Allstate as No. 2 Auto Insurer," *Advertising Age*, March 3, 2014, http://adage.com/print/291947; E.J. Schultz, "Allstate's Mayhem Joins Twitter … Now What," *Advertising Age*, October 14, 2013, p. 28; Anthony Crup, "Allstate's Marketing Boss Talks Up 'March Mayhem,'" *Ad Week*, March 25, 2014, www.adweek.com/print/156471; and advertisements and other information accessed at www.allstatenewsroom.com and www.allstate.com/mayhem-is-everywhere.aspx, accessed September 2015.

Company Case 13

SunGard: Building Sustained Growth by Selling the SunGard Way

If asked what company topped the most recent *Selling Power* magazine list of "50 Best Companies to Sell For," you'd probably guess IBM, P&G, or maybe Xerox, companies long known for their outstanding sales forces. But number one on this year's list is a company you probably know less about—software and technology services company SunGard.

What makes SunGard such a good place to work as a salesperson? For starters, SunGard has strong name recognition and a solid reputation in its industry. SunGard has long provided excellent compensation and training to its salespeople. And the company has consistently delivered strong customer growth and retention. However, although SunGard has long been good in these areas, what has made it outstanding and put it at the top of *Selling Power*'s list is a recent complete transformation of SunGard's sales force model.

Pioneering a New Industry

In the late 1970s, the computer services division of the Sun Oil Company (today Sunoco) pioneered a service now considered indispensable by virtually every company in the world. Sun and 20 other Philadelphia-area companies entered an agreement to act as backups for each others' data systems. To create the needed capacity, the group developed a designated disaster recovery backup center. But when member companies were slow to pay their shares of the expenses, Sun Oil took over the backup operation and began selling computer services. In 1983, Sun Oil spun off the computer division and SunGard was born.

Since then, with the help of a few acquisitions, SunGard has grown steadily. It's now one of the world's leading software and technology services companies, with nearly $3 billion in annual revenues. SunGard now provides processing solutions for the financial services industry, K–12 education, and public sector organizations. It serves 16,000 customers in more than 70 countries. As a business-to-business service provider, that requires a substantial sales force.

Good, but Not Great

When Russell Fradin took over as the CEO of SunGard in 2011, business was good. But the company faced some issues of concern. For starters, the Internet increasingly provided SunGard clients and potential clients with the information they needed to solve their own problems. For both its private and public sector businesses, compliance with government regulations was also increasing. And increasing globalization made it more and more challenging for SunGard's sales reps to meet client needs. SunGard was not alone in facing these issues. But that just added to the pressure—any company finding effective ways to meet these challenges would gain considerable strategic advantage.

SunGard also faced plenty of internal issues. The company sold multiple product lines, and Fradin felt that the SunGard sales force wasn't achieving its potential in terms of selling the optimal mix of products. The company's thousands of sales reps spent most of their time and effort selling licensed software rather than developing broader solutions to customer problems. Moreover, with multiple divisions and product lines and a fragmented go-to-market approach, SunGard often had multiple sales reps pursuing the same clients, sapping productivity and even driving some customers away.

Based on these assessments, Fradin asked himself, "How can SunGard make its sales force—one of the company's biggest