

Failure Case for ENTR200 Class Discussion

Based on http://en.wikipedia.org/wiki/Montgomery_Ward accessed 12/13/17

Montgomery Ward Montgomery Ward (later known as **Wards**) is an [online retailer](#) and a former [American department store](#) chain, founded as the world's first [mail order](#) business in [1872](#) by [Aaron Montgomery Ward](#). At its height, it was one of the largest retailers in the United States, but declining sales in the late [20th century](#) forced the original Montgomery Ward to close all of its retail stores and catalog operations by early [2001](#).

After a near four year absence, the Montgomery Ward brand was revived as an online and catalog-based retailer headquartered in [Cedar Rapids, Iowa](#), in late 2004, when Direct Marketing Services Inc. purchased much of the [intellectual property](#) assets of the former Wards. Currently, the company has no retail stores.

Since June 2006, the revived Montgomery Ward has expanded to run a children-oriented online retailer, **Wards Kids**. ^[1]

History

Company origins

Ward had conceived of the revolutionary idea of a dry goods [mail-order](#) business in [Chicago, Illinois](#), after several years of working as a traveling salesman among rural customers. He observed that rural customers often wanted "city" goods but were often victimized by [monopolists](#) who offered no guarantee of quality. Ward also believed that by eliminating intermediaries, he could cut costs and make a wide variety of goods available to rural customers, who could purchase goods by mail and pick them up at the nearest train station.

After several false starts, including the destruction of his first inventory by the [Great Chicago Fire](#), Ward started his business at his first offices at the corner of North Clark and Kedzie streets, with two partners and using \$1,600 they had raised in capital. The first catalog in August of [1872](#) consisted of an 8 by 12 in. single-sheet price list, showing 163 articles for sale with ordering instructions. Ward himself wrote the first catalog copy. His two partners left the following year, but he continued the struggling business and was joined by his future brother-in-law Richard Thorne.

In the first few years, the business was not well received by rural retailers, who considered Ward a threat and sometimes publicly burned his catalog. Despite the

opposition, however, the business grew at a fast pace over the next several decades, fueled by demand primarily from rural customers who were attracted by the wide selection of items unavailable to them locally. Customers were also attracted by the innovative and unprecedented company policy of "satisfaction guaranteed or your money back", which Ward began using in 1875. Although Ward turned the copy writing over to department heads, he continued poring over every detail in the catalog for accuracy. Ward himself became widely popular among residents of Chicago, championing the causes of the common folk over the wealthy, most notably in his successful fight to establish parkland along [Lake Michigan](#).



The last Montgomery Ward logo before the switch to *Wards*.

In [1883](#), the company's catalog, which became popularly known as the "Wish Book", had grown to 240 pages and 10,000 items. In [1896](#), Wards acquired its first serious competition in the mail order business, when [Richard W. Sears](#) introduced his first general catalog. In [1900](#), Wards had total sales of \$8.7 million, compared to \$10 million for [Sears, Roebuck and Company](#), and the two companies were to struggle for dominance for much of the 20th century. By [1904](#), the company had grown such that three million catalogs, weighing 4 pounds each, were mailed to customers. [\[1\]](#)

In the bygone days of [outhouses](#), with a dearth of real toilet paper, pages from the Montgomery Ward catalog were a popular substitute.

In [1908](#), the company opened a 1.25 million ft² (116,000 m²) building stretching along nearly 1/4 mile of the [Chicago River](#), north of downtown Chicago. The building, known as the Montgomery Ward & Co. Catalog House, served as the company headquarters until [1974](#), when the offices moved across the street to a new tower designed by [Minoru Yamasaki](#). It was declared a [National Historic Landmark](#) in [1978](#) and a Chicago historic landmark in May of [2000](#). [\[2\]](#)

Expansion into retail outlets



This logo was used by Montgomery Ward from 1968-82

Mr. Ward died in [1913](#), after 41 years running the catalog business. The company president, William C. Thorne (eldest son of the co-founder) died in 1917, and was succeeded by [Robert J. Thorne](#). Robert Thorne retired in 1920 due to ill health.

In [1926](#), the company broke with its mail-order-only tradition when it opened its first retail outlet store in [Plymouth, Indiana](#). It continued to operate its catalog business while pursuing an aggressive campaign to build retail outlets in the late-[1920s](#). In 1928, two years after opening its first outlet, it had opened 244 stores. By 1929, it had more than doubled its number of outlets to 531. Its flagship retail store in Chicago was located on [Michigan Avenue](#) between Madison and Washington streets.

In [1930](#), the company turned down a merger offer from rival Sears. In [1939](#), as part of a [Christmas](#) promotional campaign, staff copywriter [Robert L. May](#) created the character and illustrated poem of [Rudolph, the Red-Nosed Reindeer](#). Six million copies of the storybook were distributed in 1946. The song was popularized by [Gene Autry](#).

After [World War II](#), Montgomery Ward had become the third-largest department store chain. In 1946, the [Grolier Club](#), a society of [bibliophiles](#) in [New York City](#), exhibited the Wards catalog alongside [Webster's dictionary](#) as one of 100 American books chosen for their influence on life and culture of the people. The brand name of the store became embedded in the popular American consciousness and was often called by the nickname "**Monkey Wards**," both affectionately and derisively.

Downfall

In the [1950s](#), the company was slow to respond to general movement of the American middle class to [suburbia](#). While its old rivals [Sears](#), [J.C. Penney](#), [Macy's](#), and [Dillard's](#) established new anchor outlets in the growing number of suburban [shopping malls](#), the top executives thought such moves as too expensive, sticking to their downtown and main street stores until the company had lost too much market share to compete with its rivals. Its catalog business had begun to slip by the [1960s](#). In [1968](#), it merged with [Container Corporation of America](#) to become Marcor Inc.

During the [1970s](#), the company continued to flounder. In [1976](#), it was acquired by [Mobil Oil](#), which was flush with cash from the recent [rise in oil prices](#). In [1985](#), the company closed its catalog business after 113 years and began an aggressive policy of renovation of the remaining stores. The renovations centered on restructuring many of the store layouts into [boutique](#)-like speciality stores. In [1988](#), the company management undertook a successful \$3.8 million [leveraged buyout](#), making Montgomery Ward a privately held company.

In [1987](#), it began a push into [consumer electronics](#) using the "Electric Avenue" name. Montgomery Ward greatly expanded their electronics presence by shifting from a predominantly private label mix to an assortment dominated by [Sony](#), [Toshiba](#), [Hitachi](#), [Panasonic](#), [JVC](#), and other national brands. This strategy was led by V.P. [Vic Sholis](#), who later became President of the [Tandy Name Brand Retail Group](#). (McDuff,

[VideoConcepts](#), and [Incredible Universe](#)) Seemingly on the right track for a rebound in marketshare, in the late 1980s and early 1990s Montgomery Ward was one of the hottest retail chains in the country. 1994 brought a 94% increase in revenues, largely due to Ward's tremendously successful direct-marketing arms. For a short while Wards was also back in the mail-order business, through "Montgomery Ward Direct", a mail order business licensed to the catalog giant "Fingerhut". But by the mid 1990s sales margins were eroded even further in the competitive electronics and appliance hardlines, which traditionally were Ward's strongest lines.



The exterior of a typical Jefferson Ward discount department store

The company also spun off [Jefferson Ward](#) (known as "Jeffersons"), a short-lived discount department store version of Montgomery Ward which had the same concepts as most discount department stores. The chain was discontinued in 1988, and most locations were converted into [Bradlees](#) stores.

In [1994](#), it acquired the now-defunct [New England](#) retail chain [Lechmere](#).

Bankruptcy

By the [1990s](#), however, even its old rivals had begun to lose ground to low-price competition from [Kmart](#), [Target](#), and especially [Wal-Mart](#), which stripped away even more of Montgomery Ward's old customer base. In [1997](#), it filed for [Chapter 11 bankruptcy](#), emerging from bankruptcy court protection in [August](#) of [1999](#) as a wholly owned subsidiary of [GE Capital](#), by then its largest shareholder. As part of a last-ditch effort to remain competitive, the company closed 250 retail locations in 30 [U.S. states](#), abandoned the speciality store strategy, and spent millions of dollars to renovate its remaining outlets to be flashier and more consumer-friendly. But GE reneged on promises of further financial support of Wards' restructuring plans.

Wards



In [1999](#), many stores were branded as "Wards", and began using this logo.

On [December 28, 2000](#), the company, after lower-than-expected sales during the Christmas season, announced it was going out of business and would close its remaining 250 retail outlets and lay off its 37,000 employees. All the stores closed within weeks of the announcement. The subsequent liquidation was at the time the largest retail bankruptcy liquidation in U.S. history. Roger Goddu, Wards' CEO, was offered the CEO

position of [J.C. Penney](#). Goddu declined on pressure from GE. One of the last stores to close was the [Salem, Oregon](#) location in which the head of the Human Resources Division was located. By May of 2001 Montgomery Ward was gone.

Return

In June, 2004, an [online retailer](#) was created which sells the same products as the former brand. The company does not currently operate any [retail stores](#). Key "Montgomery Ward" and "Wards" trademarks were purchased by Iowa-based direct marketing company Direct Marketing Services Inc., a catalog marketer, for an undisclosed amount of money.^[1] DMSI then began operating under the same branding as the original company and managed to get it up and running in three months and started a new, smaller catalog. It is not the same company as the original, however.^[2] As such, the new company does not honor obligations of the previous company, such as giftcards and items sold with a lifetime guarantee.

It is expected that Wards will soon start selling clothing and shoes and will also release a Spanish version of their site. David Milgrom, president of the firm, said in an interview with the Associated Press: "We're rebuilding the brand, and we want to do it right."^[3]

Notes

1. ^ [a](#) [b](#) Dave Carpenter [Montgomery Ward brand name is back as an Internet and catalog retailer](#) Retrieved January 10, 2007.
2. ^ [Montgomery Ward brand makes revival](#), *Austin American-Statesman*, December 10, 2006.
3. ^ Associated Press [Montgomery Ward back in business, as online retailer](#) Retrieved January 10, 2007.
4. ^ Quick, Bob (2000-06-26). [Santa Fe, N.M., Community Group Reaches Compromise with Supermarket \(brief article\)](#). *Tribune Business News*. Retrieved on 2007-11-18.
5. ^ <http://ccmallcity.blogspot.com/2006/04/salute-to-montgomery-ward.html> Carolina Circle City: Salute to Montgomery Ward
6. ^ <http://www.rockymounttelegram.com/photos/content/news/slideshows/tarrytown/> Rocky Mount Telegram: Tarrytown Mall Demolition

External links

- [Montgomery Ward: the Internet-based retailer](#)
- [Wards Kids](#)