Find Value In These Stocks With The Do-It-Yourself Business Model

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Submitted by Morgan Smith as part of our contributors program.

With the economy still in a state of recession recovery, people are not just keeping and fixing up their current homes in lieu of spending money on something new, but they are also following suit with other high-dollar items like appliances and large household tools. And, even though many such items can typically be replaced and purchased new at a discount from a number of big box retailers, with the right parts and expert advice, even those consumers who aren't considered "handy" are saving a bundle by opting to fix and keep using rather than trashing and starting over.

In this article, I will discuss how large retailers such as **Sears (SHLD)** and **Wal-Mart (WMT)** should be starting to move their sales techniques more into the 21st century, and in so doing, may once again offer value to both their customers and to their investors.

Most consumers are aware that while big box retailers may be able to compete on price, they are typically not very adept at specialization of their products. In many cases, those who are seeking an average variety with so-so employee knowledge regarding products' features and benefits will likely have no complaints. Yet, when seeking particular specifics on an item – especially when it comes to locating parts for already-owned products that are in need of repair – today's savvy consumers are turning to retailers with much wider selections in specific product niches.

Although Sears has been in business for over 120 years, this company is known for rolling with the changes a bit more slowly than some of its competition – which has nearly knocked this retailer out of commission more than once over time. Once "the" place to go – especially for items like appliances and power tools – Sears has had to do some major re-vamping in order to keep up.

Sears currently holds a market capitalization of just under $7 billion and annual revenue of slightly above $40.5 billion, although its year-on-year quarterly revenue growth as of the third quarter 2012 is in the red at -6.60% – and this is not good news for investors. The company offers no dividend to its shareholders, and earnings per share are a paltry -26.08. Over the past year, share price has bounced all over the board, from the high $20's to over $85.

Unfortunately for Sears, the majority of analysts have rated the company's shares either as a Hold or Underperform – and I have to agree that unless this once tough giant turns itself around quickly, it will lose not just customers, but investors as well. With a share price that is expected to drop to one-fourth of its current value over the next 12 months, I'd definitely steer clear.

Unlike Sears, big box retailer Wal-Mart has been opening up more conveniences for its customers and has in turn been much better able to reward its investors as well. This mammoth retailer has a market cap in excess of $253 billion – and the company is continuing to grow, recently announcing that it will open 100 stores over the next three years in China, adding approximately 18,000 new jobs.

Wal-Mart has actually done a pretty good job in operating its stores in various formats – including those of Walmart U.S., Walmart International, and Sam's Club. In addition, the company has expanded its selection of online items – even going so far as to offer its "site to store" pick up alternative where customers can order products online that may or may not be available in-store, and then pick up the item – typically within just a few days – at the Wal-Mart store of their choosing.

From an investment standpoint, Wal-Mart continues to offer its investors a solid dividend of just over $2.10 and its share price is expected over the next 12 months to increase by over 6%. And, as the holiday season approaches, positive expectations for shoppers will likely move Wal-Mart's share price higher in the short-term as well.

While many of the large retailers like Sears and Wal-Mart offer a fairly wide selection in the area of appliances and power equipment, they tend to fall short when it comes to both the parts that may be needed – as well as the expertise – when repairs and assistance with other types of glitches may be needed.

Today, companies like RepairClinic are filling the gap in a fast growing niche of fix-it-yourselfers. RepairClinic, founded in 1999, has the most advanced, simple-to-navigate free repair help system in the appliance and outdoor power equipment industries. This online parts store and repair resource offers over one million parts for more than 150 different brands and models of appliances, HVAC equipment, vacuum cleaners, water heaters, and outdoor power equipment, while also providing free repair resources such as videos and live support via phone or Internet chat for its customers. This convenience can save customers both time and money by keeping their current equipment longer and without the hassle of waiting and paying for costly in-home service calls.

The Bottom Line

If the old mantra that "the customer is always right" holds true, then companies like Sears and Wal-Mart are finally starting to cater more to the needs of their customers in terms of product variety and convenience – and this would certainly be a good thing for their investors as well.

While Sears has a long way to go, other big retailers like Wal-Mart are finally starting to "get it" in terms of providing even more convenience and services for their customers – although the everyday low price is still where Wal-Mart seems to excel.

A number of analysts are rating the shares of Wal-Mart as either a Buy or Strong Buy, and I certainly agree. Wal-Mart's share price is expected to rise by a little over 6% over the next year, and in the meantime investors can continue receiving a good solid dividend yield that's just over 2% while they wait.

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