# Why can’t kmart be successful while target and walmart thrive?

Business, Company

What drives some companies to succeed while others languish? Successful companies develop a system of a few truly unique capabilities that help them create differentiated value for their chosen customers. Retailers provide many case studies in capabilities-driven success, one of the most compelling of which is the big discounter triad of Walmart, Target and Kmart. And in this fourth-quarter retail season, we thought it would be helpful to take a closer look at what really distinguishes these competitors because they provide valuable insight into the key components of a winning corporate strategy.

We believe that all successful companies — Walmart and Target included — know precisely how they provide value for customers. They make a deliberate choice about their " way to play" in the market, guided primarily by what those companies do uniquely well: their distinctive capabilities. We define capabilities not as " people capabilities," but as the interconnected people, knowledge, systems, tools and processes that create differentiated value. They then select a set of products and services that best leverage those unique capabilities and optimally suit their chosen way to play.

Most important, they avoid markets, products or services that require new or disparate capabilities, and thus threaten the company's focus. Focus for us, therefore, is not about picking just one market, but rather about choosing one coherent way of competing. The true story about Walmart's and Target's success is that they have gone to great lengths to focus internally on building capabilities and product offerings that suit their way to play. Kmart, by contrast, has failed to develop a unique or differentiated way to play, and all that goes with it. Let's take a closer look.

Walmart's success doesn't just stem from impressive logistics, aggressive vendor management and its position as a low-cost retailer. What really underlies Walmart's advantage is a coherent and differentiated approach to the market. • Their well-defined way to play focuses on " always low prices" for a wide range of consumer items, fromfoodto prescriptions to electronics. • They support their low-cost way to play with an integrated system of capabilities, including: real estate acquisition; no frills store design; and superior supply chain management involving among others expert point-of-sale data analytics. Their product and service mix is kept tightly aligned with their way to play and capabilities system: avoiding big-ticket items (e. g. , furniture or large appliances) where it has no cost advantage, or where new service capabilities might be required. And it innovates constantly within its chosen constraints: e. g. , tailoring product assortments to local trends.

Target caters to a similar " money-saving" market, but offers a very different value proposition, focuses on different capabilities and has a different product portfolio. Target's way to play emphasizes design-forward apparel and home decor for image-conscious consumers. Everything from store layout to advertising to inventory conveys an eye for style. • Its capabilities system supports this way to play with image advertising, " mass prestige" sourcing (with the use of private brand and exclusive offerings), pricing, and the management of urban locations. • In product and service mix, Target is similar to Walmart in many ways, but Target satisfies the needs of its younger, image-conscious shoppers by stocking more furniture, clothing and exclusive designer merchandise than Walmart.

Kmart, the least successful of the group, is struggling to define its way to play, describing itself as a " mass merchandising company that offers customers quality products through a portfolio of exclusive brands and labels. " Yet, that definition could describe just about any retailer. As a Walmart customer, you know you'll save money and still feel welcome. At Target, you know you'll get fashionable products at prices that feel reasonable. What, then, is Kmart's niche? Walk through a Kmart store and you'll discover designers like Jaclyn Smith in the low-budget ambience of a warehouse.

They carry Kenmore appliances, which may require high-touch sales assistance that many Sears customers expect and many Kmart stores lack. In short, Kmart has not established an identifiable way to play that reflects both customers' needs and its own capabilities. Harry Cunningham, the founder of Kmart, allegedly admitted that Sam Walton (the founder of Walmart) " not only copied our concepts, he strengthened them. " The lack of a clear concept about how to reach the market, in our view, is the single most important factor in explaining why Kmart's fortunes have fallen so far, compared to its two rivals.

Without a clear way to play, and capabilities to support it, a company cannot achieve the coherence it needs to truly excel at what it does, and thus outpace competitors. http://blogs. hbr.

org/cs/2010/12/why_cant_kmart_be_successful_w. html Kmart (sometimes stylized as K-Mart), is an American chain of discount stores headquartered in the United States. The chain purchased Sears in 2005, forming a new corporation under the name Sears Holdings Corporation.

The company was founded in 1962 and is the third largest discount store chain in the world, behind Walmart and Target, with stores in the United States, Puerto Rico, the U. S. Virgin Islands, and Guam (which houses the world's largest Kmart). [2] As of January 29, 2011, Kmart operated a total of 1, 307 (6 closing by early 2011) Kmart stores across 49 states, Guam, Puerto Rico, and the U. S. Virgin Islands. This store count included 1, 278 discount stores, averaging 93, 000 sq ft (8, 600 m2), and 29 Super Centers, averaging 169, 000 sq ft (15, 700 m2). [3]

Kmart became known for its " Blue Light Specials. " They occurred at surprise moments when a store worker would light up a mobile police light and offer a discount in a specific department of the store. At the height of Kmart's popularity, the phrase " attention Kmart shoppers" also entered into the American pop psyche, appearing in films and other media such as Troop Beverly Hills, Six Days Seven Nights, Rain Man, Beetlejuice, and Dawn of the Dead. Kmart's world headquarters was located in Troy, Michigan, but since the purchase of Sears, has been relocated to Hoffman Estates, Illinois.

Kmart also exists in Australia and New Zealand (see Kmart Australia), although it now has no relation to the American stores except in name, after U. S. equity in the Australian business was purchased in the late 1970s.

https://en. wikipedia. org/wiki/Kmart As outlined in " Private Equity May Be The Only Way To Save Sears," as restructuring and turnaround advisers and investors, we here at ACM Partners are often asked about the big retail " stories of the day" (meaning companies on the brink of distress). GAP, Tiffany & Co. and now Sears and Kmart are the most recent " big cases" we've received the majority of inquiries about. Here, then, is our take on what's in store for Kmart (which hedge fund manager Eddie Lampert officially took control of in 2003, post-bankruptcy):

Do we need Kmart anymore? While " during the early years, Kmart was the fastest-growing of the " big three" discounters (Kmart, Wal-Mart and Target), easily outpacing their key competition," Kmart, like its parent-company Sears (which acquired the discount retailer in 2005), has lost significant market share through a ombination of poor market strategy and by being " squeezed out" by " sexier" (ie Target) or more affordable (ie Wal-Mart) competitors. In short, " Kmart is trapped between Wal-Mart and Target, becoming the merchandiser in the middle — and ultimately, the discounter in the muddle. " On the consumer side, it's difficult to say Kmart would be particularly missed – since the retailer provides few unique product or experiential offerings - except in geographic areas particularly dependent on the retailer.

On a personal note, while I worked at a Kmart as a teenager, I don't believe I've stepped foot in one in more than decade (nor would have any particular reason to). I do, however, visit Target almost monthly. If yes, can Kmart be turned around? What does the executive team need to do? Here, then, it's a question again of " Where did Kmart go wrong? " Let's take a look at some core areas in which Kmart could generate a turnaround. Strategy, Strategy, Strategy: Kmart failed to see the writing on the retail wall before initially filing bankruptcy in 2002 (and, some would argue, continues to ignores it). All retailers, even discount ones, must have a coherent pricing-and-product strategy in order to appeal to core consumers. As the brand stands now, Kmart offers very little in terms of " must-have" items for any particular consumer segment. • Management " Expansion": By all accounts, Kmart is an exceptionally insular company, meaning very few outsiders have been brought in to " refresh" the store's brand.

Consequently, errors in judgment and purchasing have been magnified by continued mismanagement, while fights and fiefdoms have prevented the company from moving forward into the 21st century. Instead of squeezing every last penny from the dying brand, Lampert must insist on reviving both methods and management if Kmart is to reassert its relevance. • Logistics: As a discount player, Kmart has lost nearly every round of the logistics game, from management of its supply-chain to in-store sku measurements. For instance, because Kmart measured potential profitability by gross margin ercentages rather than by sales-per-square, the retailer has and continues to stock higher-margined goods in place of faster-moving products, leading to a decrease in inventory turn-over. Furthermore, inefficient ordering and supply-chain management means everything's cost more and arrives later than at Kmart's competitors. Combine these factors, and you get a dying retailer on the brink of disappearing from the American landscape. Like we outlined in " Private Equity May Be Only Way To Save Sears," “ With a market cap of only $3. 5 billion, it wouldn’t be tough to get the financing for a going-private transaction " for Sears Holdings Corporate. In short, the market is not going to allow a $40B+ asset-based retailer simply disappear. Ergo, once again, private equity may end up being the only answer for what ails these dying retailers. Margaret Bogenrief is a partner with ACM Partners , a boutique crisis management and distressed investing firm serving companies and municipalities in financial distress. She can be reached at[email protected]com.