

# Wall Street West

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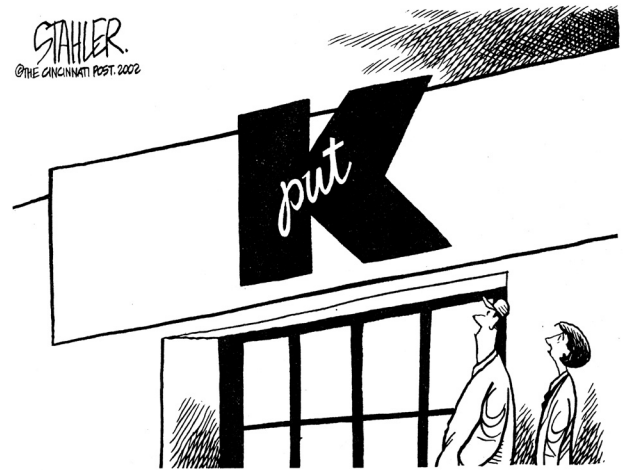
## *A new start for Kmart – set the company apart*

By Jenni Cooper

Kmart's announcement last week that it is seeking protection from its creditors by filing Chapter 11 bankruptcy comes as a huge shock, both in the business community and among Kmart customers. Kmart is an icon in the discount-retail world. Kmart has been squeezed from below by Wal-Mart, which guarantees the lowest prices on everything it sells (and will change prices on the fly anywhere in the store to achieve this). Above all, they've been outdone by Target, which has successfully positioned itself as inexpensive but hip.

For years, Kmart ignored the threat of Wal-Mart, figuring that Wal-Mart had pursued a rural-only strategy that kept it from competing head-on with urban-focused Kmart. Kmart has scored wins with shoppers with its increasing stock of Martha Stewart merchandise, exclusive to Kmart. It promotes this merchandise, designed to appear to those who want attractive, high-fashion household items at an affordable price.

This approach has brought people into the store who might not have shopped there in the past. But when they arrived, they were greeted with stores not



updated since the 1960's or 1970's, with uninformed, overworked staff, and with poor inventory systems and sparsely stocked shelves. Putting Martha Stewart out into the world as the main spokesperson for a discount store is bold. It signals something different. But because Kmart has not backed up the advertising and merchandise with a comparable shopping environment, it has created a disconnect in people's minds around its brand.

Kmart has told the world that it is no longer trying to compete mainly on price, but on exclusive celebrity brands. But at the same time, it has put competing advertising out into the fray that talks all about price, such as its "Blue Light Always" promotion. Kmart must solve this split in its retail image between low prices and upscale merchandising by repositioning itself as the store that delivers a fashionable experience at an affordable price. It should take a page from the book of Toys R Us, which just opened a flagship store on Madison Avenue in Manhattan featuring a giant Ferris wheel of toy cars, a CandyLand sweet shop and three floors stuffed with affordable toys. FAO Schwartz for the masses.

Since Kmart is already delivering Martha Stewart merchandise to the masses, it should follow through with an entire customer service experience that backs up this strategy. Kmart should consider taking the following steps to revitalize its brand:

■ **Create an unforgettable customer experience.** KMART needs to figure out how to attract customers who are choosing Wal Mart for the lowest prices and Target for more stylish, trendy merchandise. KMART should take a look at how to create an unforgettable customer experience and wrap their positioning around this. This type of strategy can come to life through exceptional customer service, shopping consultants, value-added amenities such as soda fountains, cafes or updated lunch counters.

■ **Go back to the basics.** KMART should go back to their roots to create the customer experience. For example, the recent “Blue Light Always” strategy was about competing on price - an impossible position when competing against Wal-Mart. The original “Blue Light Special” was about leveraging the power of the shopping experience through daily promotions. It was about finding a great deal. It made KMART shoppers feel smart, as if they were in the right place at the right time. It made the shopping experience fun and most importantly, memorable.

■ **KMART needs a face-lift.** KMART needs to back up their merchandising strategy of selling premium discount brands with a premium shopping environment. Toys-R-Us created FAO Schwartz for the masses. How can KMART bring the shopping experience of a Nordstrom’s to the masses?

■ **Think about emerging target markets.** KMART can differentiate itself by honing in on emerging target markets, such as ethnic consumers or baby boomers. As an urban retailer, they have the opportunity to reach out to dense populations of ethnic consumers and create merchandising strategies that speak specifically to increasingly diverse demographics. Baby boomers also represent an emerging segment, many of whom grew up with the KMART brand. These shoppers have vast purchasing power and changing lifestyles. The retailer that understands their needs will capture their dollars.

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