Karnataka Law Society's
GOGTE INSTITUTE OF TECHNOLOGY
Udyambag Belagavi -590008
Karnataka, India.

A Course Project Report on

Case Study: Summary of Walmart vs Kmart

Submitted for the requirements of 6th semester B.E. in ISE

for **"Organizational Behaviour and Professional Communication (18ME661)"**

Submitted by

NAME	USN
1) John Nixon	**2GI19IS016**
2) Hrutuja Patnekar	**2GI19IS017**

Under the guidance of

Prof . Basavaraj Jagathi

Academic Year 2021-2022 (Even Semester)

Karnataka Law Society's
GOGTE INSTITUTE OF TECHNOLOGY
Udyambag Belagavi -590008
Karnataka, India.

Department of Information Science and Engineering

Certificate

This is to certify that the Course Project work titled **"Case Study: Summary of Walmart vs Kmart"** carried out by **Students: John Nixon, Hrutuja Patnekar** bearing **USNs: 2GI19IS016, 2GI19IS017** is submitted in partial fulfilment of the requirements for 5th semester B.E. in **INFORMATION SCIENCE AND ENGINEERING,** Visvesvaraya Technological University, Belagavi. It is certified that all corrections/ suggestions indicated have been incorporated in the report. The course project report has been approved as it satisfies the academic requirements prescribed for the said degree.

Date: Signature of Guide

Place: Belagavi

Prof . Basavaraj Jagathi

KLS Gogte Institute of Technology, Belagavi

Name of the Examiners	Signature of the Examiners
1.____________________	1.____________________
2.____________________	2.____________________

CONTENTS:

INTRODUCTION:

The case talks about two discount store chains which were very similar almost twins in their business-Joseph Antonini's Kmart and Sam Walton's Wal-Mart; they had the same products, sought each other's customers, even looked alike and both started the business in the very same year -1962, yet one won and the other was swept away from the market. A lot of reasons are to be blamed for the two different and entirely opposite fate that these stores had. Analyst believe that since the stores were so similar in all the aspects, the difference in fate would be attributed primarily to the management, we will look at all the reasons one by one.

Even though the two chains had begun the same year, Kmart was way ahead. Experts believed that Wal-Mart was never one of the major players in the market even though Wal-Mart had more consistent earnings and revenue growth as compared to that of Kmart's. Mr. Walton himself regarded Kmart with awe- "so much about their stores was superior to ours". Mr. Walton said in his autobiography- "that sometimes I felt we couldn't compete".

METHODOLOGY:

It is hard to believe that there was once a time when business was booming for the discount store and their parking lots were perpetually full.

When Kmart originally came out in 1989, it was headed by Sebastian Spering Kresge and was originally known as S S Kresge. Kresge had invested $6,700 that he had saved up to open the very first store and the second opened shortly after.

The store quickly took off as being a discount option for people to buy household goods and by 1912 it had $10 million in annual sales. Come 1924, Kresge was worth $375 million and growing.S S Kresge was a success.

Fast Forward to 1962, the company’s then-president Harry Cunningham opened the discount store Kmart- the one we know of today. In a matter of a few years, there were over a hundred stores and Kmart was doing better than ever.If you wanted to buy an oven in the 1960s, Kmart was your best bet- no questions asked. At Kmart’s peak in the 1980s, they ran over 2000 stores- profitably.

So, what went wrong?

The discount store that was envied upon by its competitors, first filed for bankruptcy in 2002 and then subsequently again in 2018 after it had been taken over by the Sears Holdings- a company with its own bag of problems.

The retailer lost over two-thirds of its stores in the short span of ten years and it is quite probable that the younger generation may not even recognize a Kmart.

How Kmart was ahead of Walmart?

JOSEPH ANTONINI'S KMART	SAM WALTON'S WAL-MART
Had 2228 stores	Had only 1198 stores
The red "K" in the logo had greater visibility and people would easily recognize even from a distance	Wal-Mart on the other hand didn't enjoy that great recognition and wasn't really visible
Kmart stores were located in posh areas-sat on expensive urban real estate	Stores were located in pastures outside small towns.
Competed against the other big discounters which had stores in those expensive areas	Competed against the aging pop and mom shops.
Enjoyed large urban presence	Didn't have that much presence, were present mainly on the nooks and corners
Sales of around $25.63 billion	Sales of around $15.96 billion

STRATEGY 1:

KMART: Marketing and Merchandising	WAL-MART: Operations
Mr. Antonini focused on his own strength: marketing and merchandising.	Mr. Walton avoided publicity and focused on operations.
Invested heavily in national television campaigns and glamorous representatives such as Jaclyn Smith, a television star who has her own line of clothes with Kmart	Invested 10 of millions of dollars in company wide computer system linking cash registers to headquarters
Invested heavily to improve its image and cultivate store loyalty	Invested heavily in trucks and distribution centers, around which he located his stores

CONSEQUENCE OF STRATEGY 1:

KMART: Result of Investing in Marketing and Merchandising	WAL-MART: Result of Investing in Operations
The marketing efforts only widened a public- awareness gap between the two retailers. The collaboration between Jaclyn Smith-the television star and Kmart was also not really helpful for Kmart as even before the campaign, Kmart's "blue light special" was famous around the country	Linking the cash registers with the computer system enabled Wal-Mart to quickly restock the goods selling off the shelf thus always ensuring availability of the products all the time. investing in trucks and distribution system not only ensured better control of the management but also helped in reducing the per unit cost substantially.
Mr. Antonini tried to improve the image	Mr. Walton kept on lowering costs

STRATEGY 2:

Kmart's Strategy to Cope Up with The Discounting Fever DIVERSIFICATION STRATEGY	Wal-Mart's Strategy to Cope Up with The Discounting Fever DISCOUNT RETAILING
Mr. Antonini tried bolstering growth by overseeing the purchase of other types of retailers: The Sports Authority sporting goods chain, OfficeMax office-supply stores, Borders bookstores and Pace Membership Warehouse clubs.	Mr. Walton on the other hand kept on offering more and more discounts. He started Sam's Club, a deep discount, members-only retailer outlet that was modeled after California based Price Club, which devised the concept. He also started a brand of discounting that Kmart had already tried and abandoned in the 1960s-groceries.First hypermart store was more than 230000 sqr feet in size.

CONSEQUENCE OF STRATEGY 2:

Kmart's Diversification Strategy	Wal-Mart's strategy of discount retailing
Diversification strategy didn't really prove to work out for them as their competitor was offering the similar products at a discounted price and hence customers were shifted from here to there.	Walton's first experiment with massive Hypermart suffered as customers complained that the produce wasn't fresh or well presented and that they were having trouble finding these stores so big that stockers wore roller skates. To fight this problem Mr. Walton had to launch Supercenter - a combination discount store and grocery that was smaller than Hypermart

Of the two retailers' diversification efforts, Kmart again proved the least successful Kmart's strategies and their consequences:

STRATEGY	CONSEQUENCE
Mr. Antonini made Kmart a combination discount and specialty-retailing at the end of 1993	The specialty stores – those offering books, office supplies or sporting goods — had contributed 30% of sales the year before, they only made up 15% of operating profit
	Kmart's discount stores were quickly losing market share to Wal-Mart
	At the insistence of shareholders and against Mr. Antonini's wishes, Kmart announced at the end of last year a plan to sell majority stakes in three of its specialty retail chains.

Was it really the strategies that led to Kmart's defeat or was it the attitude?:

ATTITUDE OF KMART'S TOP EXECUTIVES	ATTITUDE OF WAL-MART'S TOP EXECUTIVES
Mr. Antonini didn't think others could tell him much about the business. Insiders say he didn't do much hiring of managers from outside the company who might challenge him, and he flayed or fired consultants who recommended everything from management changes to targeting a narrower consumer market.	Mr. Walton and Mr. Glass asked subordinates what wasn't working, and chided them for failing to deliver any bad news. Executives, expected to spend much of their week visiting stores, actively solicit proposals from subordinates. Mr. Walton always acted as if a fierce competitor was just behind him and gaining. Even publicly, he and Mr. Glass were likelier to discuss Wal- Mart's weaknesses than its strengths.

LIMITATIONS:

There are several reasons as we've already mentioned as to why Wal-Mart, even though started with less resources than Kmart won and Kmart had to face an ugly fate. There are a few things that Kmart ignored and hence was unable to compete. To list out some would be:-

- When it came to bringing some changes, Kmart focused entirely on its marketing and merchandising strategy and didn't realize that one can only advertise to an extent. Too much advertising only widened the awareness gap between the two discount stores and didn't prove effective for Kmart. Instead of collaborating with celebrities which for the record didn't help the business, Kmart should've upgraded its technology game.
- Kmart did not catch up to the digital age: Kmart should've been a little aware of the environment and would have brought changes in its computer systems to back itself as a response to what Wal-Mart was doing which was- "aggressively bringing on changes in its operations and was making everything automatic" which resulted in shelves always stocked up and no delays at the cash registers.
- Instead of deciding on to expanding the business even further and not offering as much discount, Kmart should've done extensive competitors' analysis to figure out and realize the strategies that were leading to increase in Wal-Mart's revenue share and consumer base. Wal-Mart was offering everything at great discounts when Kmart was busy diversifying its business and hence the customers were naturally inclined towards discounted products.
- No focus on rural area: While Walmart tapped into rural America, Kmart focused solely on the suburbs and refused to get off the well-worn path. Walmart created well-organized supply chains and gathered rural customers quickly with its 'always low' prices. This technique worked and Walmart quickly overtook Kmart in sales. This shows us that the pumping out stores method that Kmart used may not be the best idea because when Walmart did overtake Kmart, it actually had fewer stores. This goes back to the first reason of having a good strategy. Kmart did not really have any strategy except to expand at any cost.
- The shopping experience was lacking: Walmart gave you a no-frills experience while Target focuses on being stylish. Kmart, on the other hand, was paying no attention to its in-store experience which left people wondering, " Why should I go to a Kmart at all?". Even the stores themselves were not being taken care of

properly and customers could tell. It looked run down and destroyed before it actually was.

- The fashion scene could have been dominated by Kmart- but wasn't : Kmart was always good at selling discounted apparel. Even when the rest of its store shelves were empty and barely being looked at, they still managed to sell apparel well with some good brands being sold on the floor level. This strength could have been their knight in shining armor but was not focused on the way it should have been.

- Supplies could not meet demand: As Kmart started selling store after store as well as getting rid of some of its businesses, the ability to buy in bulk and supply in bulk was compromised. Kmart never really had a supply chain strategy that could support the company's low-cost model of business. So, when the stores started shutting down, this big problem could no longer be ignored. Kmart never made changes to its supply chain strategy due to innovation. Any changes that were made happened because they were following in Walmart's footsteps or because they were playing catch-up. When supply chain technology improved, Kmart did not catch up to that either and when it finally did, it was too late. Ignoring something as important as supply eventually caused Kmart to stop supplying completely. Even at its 2000 store peak in the 1980s, Kmart could have focused on building relationships with its key suppliers but did not. Overall, a lack of supply chain strategy could well be stated as one of the reasons for Kmart's ruin.
- It wasn't Kmart who failed but it is the management who failed. Ineffective managers who couldn't scan the environment, who couldn't see what the competitors are offering led to Kmart's failure. In this regard Mr. Sam Walton and Mr. Glass were very well aware and hence their business bloomed.

CONCLUSION:

Sears and Kmart's collaboration- The final nail in the coffin

After Kmart filed for bankruptcy in 2002, Eddie Lampert thought it was worth saving and got Kmart out of debt by 2003. In what he thought would be a great move, Lampert then merged Sears and Kmart in a bid to catch up with Walmart. This did not work well with either customer base. Sears' home goods and Kmart's household items did not work well together and the overall decline in Kmart's reputation reached a new low.

This eventually lead to Sears Holding filing for bankruptcy in 2018 which means that Kmart, a company that was once one of the most profitable companies in the world, had filed for debt twice in 16 years.

REFERENCES:

- https://alabrava.net/walmart-v-kmart-what-led-to-kmarts-failure/
- https://mbamadesimple.com/case-study-summary-of-walmart-vs-kmart/
- Organizational-behavior-15e-stephen-p-robbins-timothy-a-judge-pdf-qwerty.
- Fred Luthans 12th Edition Organizational Behaviour An Evidence – Based Approach.