

Kmart from Garden City to Troy and \$16 billion

By Leonard Pagar
staff writer

Today there are nearly 2,000 stores which regularly have "blue light specials," but in March 1962 there was only one Kmart.

That store, the keystone of an operation which made Kmart the business success story of the 1960s and '70s, is 20 years old today.

The first Kmart was opened on the northwest corner of Ford and Middlebelt in Garden City by the S.S. Kresge Corp. as an experimental effort to maintain the company's share of the general retail market.

The store's success sparked a transformation which saw the company change from a chain of stores which used to be known as "dime stores" to become the nation's second largest non-food retailer in gross sales — behind only the Sears chain.

Kmart's success helped change shopping habits and restructure the retail discount business.

EVER SINCE the first store opened in Garden City, the Kresge Corp., founded in 1899, conducted an aggressive campaign to capture a bigger share of the retail market.

In the process, many discount chains went out of business but the renamed Kmart Corp. is stronger than ever. Even during the current recession, Kmart has been building 170 new stores a year — a rate of three a week.

Now based in Troy, the Kresge Corp. changed its name five years ago to Kmart Corp. to more accurately reflect the nature of the company's business.

It was no accident that the Kmart approach to retailing became the nation's business success story, despite several recessions, said Susan McKelvey, corporation spokeswoman.

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The Kmart approach was developed during a two-year study by president Harry B. Cunningham, who became chief executive officer and chairman of the board.

CUNNINGHAM wanted to determine what the Kresge Corp.'s role should be in the growing discount field and where the company generally should be heading.

At that time, the Detroit discount market was covered by E.J. Korvette, Topp's, Arlan, and small discounting operations.

In the 1950s, shoppers generally perceived discount stores as having unappealing interiors, surly clerks, and low-priced merchandise heaped on counters or bins, company officials believed.

A management study started in 1959 commented that discount department stores were unproven and not highly regarded by most general merchandising retailing persons, Ms. McKelvey said.

Kmart felt it could do a better job. The solution seemed simple to Kmart officials.

DISCOUNTING would succeed if a company would sell top quality merchandise at real discount prices and eliminate the shopper's risk by having a "satisfaction always" policy, the management decided.

Instead of having a fixed percentage markup for merchandise, the company could lower the markup, sell more merchandise and generate more sales and profits.

Management decided to have at least 75 percent of its merchandise be national-brand articles with the balance being special label items which meet the company's standards, such as Focal film and camera equipment and KMC (for Kmart Corp.) television sets and pocket calculators.

In the company's original Kresge variety stores, customers went to one department, picked out and paid for the merchandise, and then moved to another department and repeated the chore.

BUT MANAGEMENT decided that people don't need a clerk behind each counter, the spokeswoman said.

A study of retailing by the firm showed that customers were willing to wait on themselves instead of having a sales clerk help them.

"In fact, grocery supermarket shopping had conditioned them to prefer self-service," a chairman said in a busi-

ness magazine several years ago.

Kmart was convinced that economies of self-service and concentration on a rapid merchandise investment turnover instead of the traditional percentage of profit based on each transaction would better serve the company.

Another part of the Kmart formula involved floor plan and building design.

Stores have only one major entrance, forcing shoppers to enter a wide central aisle and then turn left or right to get to specific departments, Ms. McKelvey said.

IN MOST department stores, there are numerous entrances and shoppers often walk in from the parking lot of street and are immediately in the men's clothing or appliance section.

Another part of the company's policy is quick and easy refunds or returns on merchandise, she said.

The company insists that the customer service desk is just off the main entrance, not hidden in the back as in most department stores.

One example of the quick refund policy in practice took place last fall at the Livonia Kmart on Seven Mile at Farmington Road.

A shopper sheepishly explained to a clerk that a child's digital watch and battery bought six months ago for a birthday present didn't work.

A clerk quickly issued a refund — no questions asked and a minimum of paper work.

TO SHOW how successful the approach worked, Kmart's gross sales first reached \$1 billion 16 years ago. It reached \$14 billion in 1980.

Earnings have multiplied 12-fold, from \$28.5 million in 1969 to \$355 million in 1979.

The following year, at the start of a national recession, earnings dropped 27 percent to \$260 million.

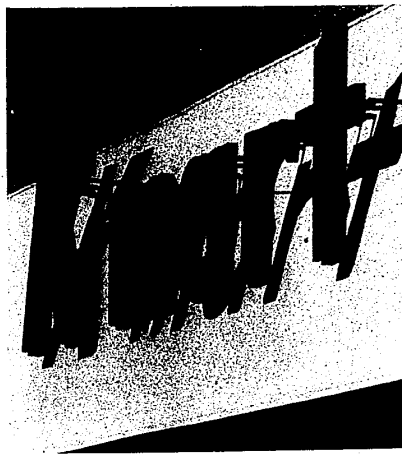
One technique for keeping prices down is to eliminate slow selling articles or specific sizes of items, Ms. McKelvey said.

One company move was to offer only two sizes of a brand-name toothpaste instead of five.

The customers never noticed the absence of the other three sizes, the spokeswoman said.

Another approach is to give store managers the authority and flexibility to cut prices on specific articles because of local competition.

Corporate officers set the maximum prices which store managers can't go over but there is leeway to reduce them to generate sales.



This sign has become familiar across the nation where Kmart has some 2,000 stores.

ONE OF the early Kresge stores was built in 1929 in the Country Club Plaza near Kansas City, the first suburban shopping center.

About 24 years later, the country's first discount store opened when the Ann and Hope Mill Outlet was launched in Rhode Island with women's dresses selling for \$2.19.

"Now when Kmart builds, the company locates on major roads and in free-standing stores or in small plazas where it is the major tenant, Ms. McKelvey said.

Rarely does it locate in a regional shopping center.

One big reason is the time needed for construction. The company can build its own free-standing store in six months, she said.

The company cited the two years needed to construct and open Westland Center at Wayne and Warren Roads in the summer of 1965, just three years after the first Kmart was off and running.

KMART HAS HAD major impacts on shopping habits.

Twenty years ago, few major retailers were open on Sunday, Kmart, was in the vanguard of a move to have Sunday sales hours. Now virtually all retail stores are open Sundays.

Kmart became a fixture in suburban growth areas which were changing from farms and country areas to subdivisions and strip commercial development.

Kmart helped give discounting a good name, company officials believe.

In the last decade, Kmart began selling services as well as clothing, cameras, and appliances.

While shoppers were buying, they could leave their cars for maintenance or repairs.

More recently, prescriptions were filled in expanded drug sections. The expansions were all a part of the company's plan to become a one-stop shopping center without having shoppers opt for a regional mall.



The blue light special is a popular sales promotion used in Kmart stores.

Kmart potential: 1,000 more

Kmart has built nearly 2,000 stores in 20 years. But another 1,000, or a 50 percent increase, is projected by a corporation official in the Troy-based firm.

"We see a potential for 3,000 stores," said Susan McKelvey, corporation spokeswoman.

The company, which opened its first Kmart store 20 years ago today in Garden City, will stay in the United States although it has a financial interest in retail firms in Mexico and Australia.

Nationally, the Kmart stores are balanced with 338 in the central region, which includes Michigan, several Great Lakes states and Kentucky, 373 in the midwest region based in Chicago, 401 in the

east, 413 in the south, and 414 in the west.

But the corporation ultimately plans to "fill in" with stores located in urban or suburban areas where there is a need, the spokeswoman said.

Kmart will continue to build free-standing stores or be in small centers.

Only when there is a need will it located in an enclosed regional shopping center, she said.

One exception to the no-shopping-center practice is the Kmart store in a vacant Ford assembly plant in Massachusetts — called appropriately the Assembly Square Plaza.

Another is a location in Tampa where Kmart located in a center with speciality stores.



Linda Greenwald of Clearwater, Fla., and Judy Burton of Seminole, Fla., visited Kmart's Garden City store.

Staff photos by Bill Bresler

AMERICAN STYLE:

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See Calvin's entire spring and summer collections. Light and airy linens. Sensuous-as-silk suedees. The short and long of this great American designer. All featured in a formal fashion show at Northland, Thursday, March 4, at 11 a.m. in The Woodward Shops.

Meet Carolyn McDonough, Calvin Klein representative, who will be on hand to answer questions and take special orders between 11 a.m. and 3 p.m.

THE WOODWARD SHOPS
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