

To survive, change

K mart chairman gives advice after receiving award

Bernard M. Fauber, chairman and chief executive officer of K mart corporation, believes that the athletic slogan "no pain, no gain" suits his Troy-based company.

"All retailers are masochists," Fauber said, in a lecture following his acceptance of the 1986 business leadership award at the University of Michigan's School of Business Administration.

The head of America's second largest retailer said his business has changed, particularly since 1980 when "the whole orientation to our competitive environment had to be redirected."

UNTIL THEN, traditional discount department store competitors were primarily clones of K mart, selling essentially the same merchandise, he said.

"Competing on price alone was not enough. One now had to deal with specialty retailers offering category dominance as well as price competition," he said.

Recognizing the need to change is the first and most important step a compa-

'Change is the one absolute in the retail business environment.'

—Bernard Fauber
K mart chairman, CEO



ny must make in order to survive, Fauber noted.

"Once the need to change has been generally recognized, then you can fall back on the strength of the corporate culture to expedite and effect the change. It is interesting to note that change can be achieved in a fairly rapid and orderly basis under the strong notion that your very survival depends on it."

GENERALLY, Fauber said, initial changes are mostly cosmetic, but the decision to change merchandise "is where the real risk comes in. Retailers are all masochists. They never make the right decision. They will buy an item, price it and put it on display, and watch what happens."

"If the item moves very quickly, the retailer made one of two mistakes. Ei-

ther the item was priced too low, or too little was purchased.

"Conversely, if the item fails to move, the item was priced too high or shouldn't have been bought at all. Retailers repeat this experiment daily on thousands of items, in our case 120,000."

Fauber recalled the skate board craze of several years ago when skate boards sold for \$7 to \$15. Today, one of the hottest items on the market is a skate board selling for \$50.

"WHEN WE finally recognized we could sell better-quality products, the fundamental change was accomplished with no magic at all," he noted.

"All that was necessary was three years of Herculean effort. By the end of 1982 we were on our way, obviously more willing to experiment with new ideas, take some risk, and live with the results."

In a market with limited resources, Fauber said, "change is the one absolute in the retail business environment. Managing change is the only way to achieve superior performance."

"Superior performance is the only way to survive, and it is the threat of not surviving that ultimately triggers the change. A completely closed loop, but in managing change there really is no magic formula."

Bus ridership up in Oakland

Ridership on regular bus service operated by the Southeastern Michigan Transportation Authority (SEMTA) increased nearly 4 percent in the last six months of 1985, compared with the same period in 1984.

Between July 1 and Dec. 31, 1985, SEMTA carried nearly 4.3 million passengers on its linehaul buses. The largest gains were reported in Oakland County, with an 11-percent increase in ridership. Macomb County ridership showed a modest increase,

while in Wayne County, figures indicated a decline of less than 1 percent from 1984.

SEMTA SMALL-BUS service also experienced notable gains in ridership during this period. Total small-bus ridership, including those privatized services under contract to SEMTA in the outer counties, increased more than 7 percent from the previous year.

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Monday, February 10, 1986 O&E

(O17A)

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A new class, "Me and My Potential," is being offered at Schoolcraft College for 12- to 14-year-old boys and girls.

The class will be Saturday morn-

ings 9-11 a.m. starting Feb. 15. For registration details, call Robert Burnside, Schoolcraft's admissions and financial aids coordinator, at 591-6400 Ext. 345. Cost is \$30.25 with \$3 registration fee.

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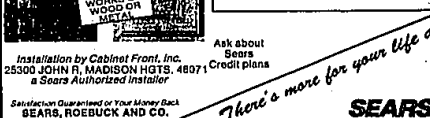
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