

PR WEEK

Kmart was once synonymous with discount retailing. But the Troy, MI-based chain's days of defining that sector are long gone. John Frank reports

Not so long ago, if you wanted to go to a discount shop, Kmart was easily your first and best option. In recent years, Target and Wal-Mart have dominated and expanded the marketplace Kmart created. Wal-Mart has won consumers by consistently pushing low prices and a value message. Target has carved out a niche as an offbeat, funky discounter that stresses style over price, attracting shoppers who might not otherwise consider a discount store.

Kmart's images, and sales, have suffered by comparison. "They have not really kept up their differentiation in the market," says Sandy Hermanoff, president of Hermanoff & Associates, a Michigan agency that has done PR work for Kmart in the past.

First steps to revival

In fact, Kmart's problems became so bad, the company brought in new CEO Charles Conaway last May to put it back on track. Conaway had been president and COO of CVS, a drug store chain. He's moved to address the store's operational and supply concerns, but is also working to reinvigorate marketing and PR.

That effort has not been entirely successful. Last December, Conaway hired Brent Willis from Coca-Cola to head Kmart's marketing efforts. That appointment was followed by the departure of the company's vice president of corporate affairs, Shawn Kahle, who left in December as Conaway and Willis sought to bring in new blood.

But Willis himself did not last long, leaving after only four months. That hasn't helped Kmart's image or its marketing/PR initiatives. "Obviously there wasn't a meeting of the minds. To me, that's an indication of a bit of internal disarray," says Eric Yaverbaum, founder of Jericho Communications who was approached six months ago by Kmart about possible PR work. He didn't pursue discussions with the retailer because his firm represents IKEA.

Just before Willis' surprising departure, he hired Lori McTavish as Kmart's new VP communications. She had spent 15 years with Chrysler and faces a daunting PR task, say journalists, PR people and industry analysts.

Kmart seems determined to stress a



Kmart... chains like Target and Wal-Mart have recently dominated the discount marketplace that Kmart created

low-price message as the road to revival for the company. It is investing millions in the strategy. But that's the same message Wal-Mart is already successfully conveying. Kmart needs to craft a smarter PR message to convince shoppers it's offering better value than Wal-Mart and other discount rivals.

Hermanoff says one of McTavish's major challenges will be ending internal disagreements over PR strategy and winning over employees to the new image Kmart wants to create as a low-price retailer. "Before the brand can come back strong, they need to eat, drink and sleep the brand internally. They have to believe in it," she says. "They have a lot of internal challenges and I think the public picks up on that."

Mike Duff, a senior editor with *DSNRetailing*, has covered Kmart for 12 years. He says, "They have a very basic marketing challenge. They have to prove to their consumers that they're not the third choice." Right now Kmart is in second place. Sales for the year ended January 31 were \$37 billion, but they were accompanied by a loss of \$244 million. Meanwhile rival Wal-Mart had sales of \$48 billion for the year ended April 30 and net income of \$1.38 billion. Target's income for the year ended May 5 was \$254 million.

How McTavish hopes to address the PR challenge is unclear. She declined requests to be interviewed for this story,

Kmart

Chairman and CEO: Charles Conaway
VP of communications: Lori McTavish
Director, corporate media relations: Mary Lorenz
VP of investor relations: Julie Musch
Agencies: Project basis, MWW (for public affairs); Kekst & Company (IR)

saying through a spokesperson that she wasn't ready to outline PR plans.

Constructing a new image

Observers say that before she can reinvigorate Kmart PR, she'll first need to change how PR is viewed at the retailer. Past Kmart PR efforts centered largely on staging major announcements about new products or new alliances with the likes of design maven Martha Stewart, says Duff and others. Besides such happenings, "they're not very accessible," says Hermanoff. "Management either believes in PR or they don't. I hope the new senior management are believers."

Duff adds that "the PR operation there has been consistently professional" and does a good job handling events such as the April New York City announcement of the return of Kmart's Blue Light Special, a price promotion.

But with the restructuring that's been going on in PR as well as in the company's executive suites, Duff says, "there's not the closest relationship there between the executives and the PR function."

Externally, Kmart's challenge is to carve out a niche as a value retailer without conveying the message that low prices mean cheap or shoddy merchandise. That was the image trap Kmart fell into in the past when it became known more for dingy stores, out-of-stock merchandise and unhelpful store personnel.

"Kmart has to be careful because they don't want people to think of the old Kmart," says Kevin Keller, a marketing professor at the Tuck School of Business Administration at Dartmouth College in Hanover, NH. "Kmart is an American icon. People think of it as a discount brand where discount means cheap. The key to building a strong brand long-term is being innovative and relevant."

Speaking at the company's annual meeting May 15, Conaway listed marketing effectiveness as a top priority. He mentioned such achievements as picking a new ad agency, TBWA/Chiat Day, and launching an ad campaign for the return of the Blue Light Special.

The company also has started the "Blue Light Always" tagline to note value-priced items it sells. "Our goal is

to build the Kmart brand as 'The Authority for Mom, Kids and Home,' says Conaway. "We are reshaping our marketing efforts to be the most integrated and insightful in the industry."

Advice from the outside

Kmart still has high brand recognition with consumers, but needs to actively use PR to update that image, say Adrienne Arleff, an account executive with Magnet Communications. She suggests that Kmart make more use of celebrity connections. "Maybe they should partner with more of the Martha Stewarts of the world," she says. Kmart sells a line of Stewart sheets, towels and other housewares and recently announced a new line of Stewart branded kitchenware.

PR must also continue hammering home the message that Kmart has cleaned up its stores. "They have to focus on retail blocking and tackling cleaning stores, training employees," says Luke Haase, a veteran of the Detroit PR scene who now runs his own agency in Traverse City, MI but once did outside PR work for Kmart.

To distinguish itself as offering good value, Kmart should move beyond talking just about low prices and offer consumers such service as free counseling on how to cut home energy bills, suggests Yaverbaum. "They should be demonstrating value. They've got to make their store a shopping experience," he says. PR's role is to publicize such changes and new services.

"Kmart created a category and others have evolved it," explains Mark Curran, a managing partner in the global marketing practice at Ogilvy Public Relations. "The rules of the game have changed," he says. Shoppers today are looking for more than prices; "there is a need to capture consumer imagination," he says.

Announcing the return of the Blue Light Special, a well-known Kmart marketing ploy from the past, captured positive media attention. Wall Street was relieved with the smaller than expected first-quarter loss in May, which helps convey the fact that the company is making progress.

McTavish's job going forward is to build on such positive press and find more ways to use PR to bring shoppers back into the aisles of Kmart 2,100 stores. It will take more than a Blue Light.