Kmart’s Ten Deadly Sins

How Incompetence Tainted
An American Icon

MARCIA LAYTON TURNER

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Finally, I will always be indebted to my husband, Charlie, for taking over many of the day-to-day responsibilities within our family so that I could bring this story to light.
Where did Kmart go wrong? That is the central question I try to answer in *Kmart’s Ten Deadly Sins*, for myself and others seeking to understand how an industry pioneer became a laggard.

The answers I found are varied. Some reasons for the company’s poor financial health are due to troubles decades ago, while others are very recent. Some can be traced to a particular CEO’s misstep, while others appear to be related more to miscommunication throughout the organization. Some reasons are due to pure stupidity, while others might have made perfect sense at the time.

In the end, Kmart went wrong in a number of areas. I’ve identified ten that I believe account for a large portion of the company’s challenges, but those ten are not all-encompassing. They are a framework, however, for evaluating other decisions, initiatives, and moves the company has made.

Through interviews with industry veterans, retail gurus, financial analysts, thought leaders, professors, former employees, supplemented with thousands of pages of reports from newspaper articles, magazine articles, books, websites, news-
letters, case studies, and reports, I’ve tried to dig for the real answers—the real reasons Kmart is struggling for its survival.

By reading Kmart’s story, you’ll learn about greed and corruption, as well as the dangers of empire-building, arrogance, and poor decision-making. You’ll hear about the major players throughout Kmart’s history, as well as the minor ones that could have had an even bigger impact if given the chance. It’s an interesting tale that I hope you’ll both enjoy and find instructive.
### Discount Retail Timeline*

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>1879</td>
<td>F.W. Woolworth opens its first five-and-dime.</td>
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<td>1899</td>
<td>S.S. Kresge Company founded by Sebastian S. Kresge.</td>
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<td>1912</td>
<td>S.S. Kresge incorporates with 85 stores and sales of more than $10 million.</td>
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<td>1918</td>
<td>S.S. Kresge Company becomes a publicly traded company on the NYSE.</td>
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<td>1962</td>
<td>The first Kmart discount department store opens in a Detroit suburb, followed by 17 more that same year; Sam Walton opens first Wal-Mart store in Rogers, Arkansas.</td>
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<td>1966</td>
<td>Sebastian Kresge dies at age 99; Kmart has 162 stores.</td>
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<td>1968</td>
<td>Wal-Mart begins opening stores outside of Arkansas.</td>
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<tr>
<td>1970</td>
<td>Wal-Mart opens first distribution center and headquarters in Bentonville, Arkansas; chain has 38 stores.</td>
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*Adapted from Kmart corporate web site, Wal-Mart corporate web site, CNN/Money timeline from January 22, 2002.*
1972  Robert Dewar named chairman and CEO, following Harry Cunningham, Kmart’s chief architect; Wal-Mart added to NYSE.
1975  Wal-Mart has 125 stores in operation generating $340 million in sales.
1976  271 Kmart stores opened this year alone; total stores = 1,206.
1977  Company name changed from S.S. Kresge Company to Kmart Corporation to reflect that 94.5 percent of sales from the company in 1976 came from Kmart units; Wal-Mart acquires 16 Mohr-Value stores.
1978  Wal-Mart acquires Hutcheson Shoe Company and introduces its pharmacy, auto service, and jewelry divisions.
1979  Wal-Mart has 276 stores with more than $1 billion in sales.
1980  Bernard Fauber elected chairman and CEO.
1981  By year end, there were 2,055 Kmart stores in the U.S., Canada, and Puerto Rico; Wal-Mart buys 92 Kuhn’s Big K stores.
1983  Wal-Mart acquires Woolco stores in U.S.; opens first Sam’s Club.
1984  Kmart buys Walden Book Company and Builders Square; David Glass named president at Wal-Mart.
1985  Jaclyn Smith apparel collection debuts at Kmart; Wal-Mart has 882 stores with sales of $8.4 billion.
1986  Joseph Antonini succeeds Fauber as chairman, president, and CEO; Martha Stewart brand introduced.
1987  Wal-Mart has 1,198 stores with $15.9 billion; completes satellite network linking all of company’s operating units.
1988  David Glass named CEO of Wal-Mart; first Wal-Mart Supercenter opened; 90 percent of Wal-Mart stores use bar-code scanning.
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<th>Year</th>
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<td>1990</td>
<td>Kmart purchases The Sports Authority; Kmart's logo changed from red and turquoise to red and white; company buys 22 percent interest in OfficeMax; Wal-Mart becomes nation’s top retailer; Wal-Mart acquires McLane Company.</td>
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<td>1991</td>
<td>Kmart raises $1 billion in equity through convertible preferred stock offering; company raises its stake in OfficeMax to 90 percent; Wal-Mart’s Sam’s American Choice brand products introduced.</td>
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<td>1992</td>
<td>Kmart acquires Borders, Inc., a chain of bookstores; Kmart enters the European market; Sam Walton passes away.</td>
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<td>1993</td>
<td>Kathy Ireland apparel line introduced; Wal-Mart acquires 91 Pace Warehouse Clubs.</td>
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<td>1994</td>
<td>Kmart opens stores in Mexico and Singapore; a portion of The Sports Authority and OfficeMax sold off; Wal-Mart acquires 122 Canadian Woolco stores.</td>
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<td>1995</td>
<td>Floyd Hall named chairman, president, and CEO; spins off Borders and sells remaining stake in The Sports Authority and OfficeMax; Wal-Mart has 1,995 Wal-Mart stores, 239 Supercenters, 433 Sam’s Clubs, and 276 international stores with sales of $93.6 billion.</td>
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<td>1996</td>
<td>Kmart completes $4.7 billion in new financing; Route 66 brand introduced.</td>
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<td>1997</td>
<td>Big Kmart store format introduced; Martha Stewart Everyday line introduced; Builders Square and Kmart Canada sold off; Sesame Street brand introduced; Wal-Mart acquires OneSource nutrition centers.</td>
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<td>1999</td>
<td>Martha Stewart brand expands into garden and patio products and Martha Stewart Baby Baby for infants; BlueLight.com web site debuts; Wal-Mart has 1,140,000 associates, becoming the largest private employer in the world.</td>
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