



Merchandising

► by Keith Evans

It happened to Kmart; it could happen to you

Kmart, the company that introduced the world to discount stores, is now in Chapter 11 bankruptcy. Even if the company survives, it is unlikely ever to regain its supremacy in retail marketing.

What happened? Basically the company lost its position as “Your Savings Place” to Wal-Mart, which through word and deed convinced the public that it provided “Always the low price — Always.” Even though Wal-Mart was eventually forced to amend its slogan to “Always a low price ...,” the company became the world’s largest retailer.

Left with no position

During this battle, Target moved to establish itself as the place to buy more upscale goods at discount prices, which left Kmart in the middle with no real market position of its own. Kmart tried a price war, but it found that there was no way to win this battle given Wal-Mart’s resources and determination to hold its position. Kmart added brand names of its own, like Martha Stewart products, and made deals with Walt Disney and Sesame Street. But it has never been able to capitalize fully on these connections and cut into Target’s market.

Kevin Murphy, research director at the research firm of GartnerG2 is reported to have said that what Kmart needs is “... to find some point of focus.” In other words, it needs to find a new position in the retail business.

Cattle breeders can learn from Kmart’s woes.

Competition in the seedstock business is tough. Breed associations like to brag about the number of new members they get each year, and that is one sign of growth. However

each new member means new competition. Each upstart is looking to carve out sales from established breeders. It is possible that some of these new breeders could become the Wal-Mart or the Target to your Kmart business — if you allow it to happen.

Same guiding principles

You may find it odd to think of your business as having any similarity to large retail chains. The fact is, however, that the principles that govern big businesses govern yours as well. Though your business may never be as well-known nationwide as any of the retailing giants, it is imperative that you be as well-known as these retailers to the potential customers within your designated market area.

Assuming that your potential customers are the commercial cow-calf producers within an eight-county area, you must have a program that achieves top-of-mind awareness with a very high percentage of this target audience. Furthermore, you want these people to think very favorably of you and the cattle

you produce. You must know the problems that producers in your targeted market area face — and what they want and need to solve them. Then your marketing program must convince producers that you can deliver the goods. If you don’t, someone else will.

You may have done a great job of defining your seedstock business and explaining your position in the market only to see a competitor cut into your sales. If so, then other breeders are appropriating your position in the seedstock market. They may be doing it by taking your ideas and improving upon them.

Many breeders may still be doing as well as ever, only to find that’s not good enough anymore and that demand for their bulls is declining. For example, weaning weight expected progeny differences (EPDs) that once made your bulls attractive may now be available from another breeder who also offers other important benefits. The way registered cattle were marketed 15 years ago may have worked great then, but not today.

Stay ahead

Things change, and one key to success is to stay ahead of the curve by identifying potential problems early and making necessary changes. Kmart’s bluelight specials were a great promotional tool. But when Wal-Mart offered more, different kinds of products and services to its customers at lower prices, the dynamics shifted away from the one-time leader to the innovative newcomer.

Never consider your position in the market to be permanent. Someone is always out to unseat you. Back when I was in charge of advertising for the American Angus Association, I was scolded soundly by a college professor. He didn’t think that there should be any competition among beef breeds or individual breeders. “We should all work together,” he said.

The man was out of touch with reality. There are many things that all registered cattle producers and their associations can work on together, but that doesn’t overshadow the fact that competition drives business improvement and innovation. If you produce a superior product and market it effectively, your business will increase. If your neighbor does, then his business will increase at the expense of your business.

Remember, it is always easier to stay on top than to try to regain that position once you have lost it to a competitor down the road or in the next county.

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