

Operation: Red Spot

Enhancing Target's Superstar Status



BEM 106 Final Report
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Executive Summary

Target Corporation has grown to a position of ubiquity in America with retail locations in 47 of the 50 United States. Target stores compete with established rivals such as Wal-Mart, Sears, Best Buy, and The Home Depot, and are still able to hold on to their niche in the discount retailing market. However, the retail market and global economy are evolving, and Target will have to adapt to these changes in order to maintain its dominant position.

A business investigation was conducted on Target Corporation to assess its strengths and areas of improvement in the near future. A Porter analysis and competitive analysis examining customer identification, product range, marketing strategy, and organization were performed to fully understand this company.

This research helped in the formation of a series of recommendations that can help Target develop a sustainable future. Chief upon these suggestions is the development of a three-part-marketing plan consisting of the development of *Target Magazine*, creation of in-store demonstrations, and television cross-promotion. In addition, development of in-store ordering kiosks, prepared meals, and children's activities will help this firm satisfy the needs of its customer base. These recommendations should allow Target to keep up with its changing environment.

Introduction

Target Corporation is one of the most popular and successful American retailers of the 21st century. Starting in 1962 with one store in Roseville, Minnesota, the corporation has grown through the years and currently operates more than a thousand stores in 47 states. Although it has kept its store model the same from the start, Target Corporation has demonstrated its ability to adapt to changing customer needs by introducing designer brands and a line of college furnishings.

In an industry with very low margins, Target Corporation (heretofore Target) has significant rivals in this market, including the notable retail giant, Wal-Mart Stores, Inc., as well as Best Buy Co., Inc., The Home Depot, and Sears Holdings Corporation. We aim to analyze the retail market from Target's perspective and propose a business strategy to maintain growth and maximize profits. Specifically, we seek to answer the question, "Can Target maintain or improve its current position while expanding into as rivalrous a market as the discount retail industry? And, if so, what should its next move be?"

We began our investigation by analyzing the industry, reviewing Target's current practices and comparing those practices to those of some of their main competitors. The analysis covers four different characteristics of the retail industry: First, we examined how to service current and potential customers in the retail industry and the importance of employee relations. Second, we studied the range of products that are stocked by retailers and, in particular, how Target can strategically adjust its inventory. Next, we analyzed the marketing methods employed by different corporations within the industry. Finally, we mapped the structure and organization

within these corporations. This competitive analysis showed us how Target fits into the larger retail market picture.

Through our industrial analysis, we developed a set of recommendations that we feel would improve Target's already impressive status amongst retailers. The most exciting recommendation is the creation of *Target Magazine*, a home and lifestyle publication that seeks to promote Target as more than a brand, but as a lifestyle. This recommendation stems from our goal to appeal to more of Target's ideal demographic, young, educated women with families. Other recommendations include in-store demonstrations and workshops, television cross-promotion, in-store kiosks, prepared meals, and children's activities. In blending their existing strategy with advised changes to accommodate shifting customer demands, Target can continue to prosper for the foreseeable future.

Porter analysis

Target competes in the already-mature American retail industry. Before analyzing the company, we had to firmly understand the industry in which it operates. For the purposes of this analysis, we restricted our market to national retailers selling non-specialty goods.

Customer Bargaining Power

Target does not hold any monopolies the products sold in its stores. Any product that can be bought in Target, in fact, can be bought from a competitor a short distance down the road. Thus the customer has very strong bargaining power, since suppliers are easily substitutable.

Substitute Availability

Every single product in the Target store is also sold by another retailer, whether it be Wal-Mart, Sears, Costco, Bed Bath and Beyond, Home Depot, Office Depot, or any number of other retail companies. Thus all of Target's products are easily substitutable.

Complements

Target is a master at implementing complements. In particular, they have had incredible success selling Target GiftCards™, issuing and redeeming over \$1 billion.¹ Along similar lines the Target wedding registry, ClubWedd™ has become the most popular in the industry, surpassing Macy's previously dominating wedding registry.^{1a11} Target's excellent use of complements has helped to decrease the inherently high rivalry with other sellers.

Supplier Bargaining Power

Since most of the products sold by Target are supplied from many different suppliers, suppliers have very little bargaining power.

New Entrants

The large scale of retailing means that it is a tough market to enter on the national scale. If any company is going to enter it will either be a small company that grows across the nation, or a different type of company that redefines itself to compete with Target. Target and Wal-Mart have the competitive advantage of being the first retailers in their respective markets, so any small company attempting to break into the industry will have to battle both Target and Wal-

Mart's national brand recognition and market experience. Target currently has one of the most recognized brands in the United States, with a 96% recognition rate; higher than that of Nike and Apple.^{III} Any realistically viable competitor requires a massive infrastructure to be effective rivals to Target and Wal-Mart, so the largest threat will be from another national company redefining itself to compete with Target directly.

Competitive Analysis

Customer Identification

- The average “guest” is approximately 46 years old, with a household income of approximately \$55K, and female. About a third of Target's guests have children at home, and a little less than half are college graduates.^{IV}
- To prepare for the new Todd Oldham Dorm Room product line in 2002^V, Target conducted several focus groups with the goal to understand college students' needs and wants. The focus groups gave Target an insider's look into college dorm life, resulting in a 12% increase in revenues during the back-to-school season (as compared to only 1% for its competitors).
- Comparison: Best Buy
 - Addresses five particular groups, specifically “affluent professional males, young entertainment enthusiasts who appreciate a digital lifestyle, upscale suburban moms, families who are practical technology adopters and small businesses with fewer than 20 employees.”^{VI}
 - Has adopted a new, customer-centered marketing tactic in the hopes that it will improve its customer base and loyalty.

Product Range

Target's current offerings range from clothes to furniture to electronics.

- Clothing is offered for men, women, children, and babies.
 - Offerings are stylish, designed for wide appeal, and reasonably priced.
 - As with the rest of its product line, the selection within the clothing department is rather limited.
 - Provides complements such as accessories to enhance the purchase of a complete outfit.
 - The baby department is organized to provide complements despite a limited selection among baby clothing, baby furniture, bedding, toys, bottles, strollers, car seats, and nursery supplies. Everything needed for babies is in one place.
 - Target has a similar approach to children's products.
- Electronics
 - Target sells many more DVDs and video games than DVD players, TV, and home audio systems combined, but the complimentary nature of these products allows more overall electronic sales to be produced.
- Basic inexpensive furniture is also stocked.
 - Strong emphasis on organizational products.

- Offer essential products for all parts of the home.
 - Kitchen, bathroom, bedroom, garden, patio, and dining room.
- Target has broad product line compared to almost all of its retail counterparts.
 - Allows Target to compete with many different companies for different segments of its product line, as can be seen in Appendix 4.
 - Can also coordinate these products to form complements and develop a one-stop shop experience.
 - This strategy creates space between Target's market and any specialized retailer with a smaller product range but greater variety
 - Target's diverse range of products can still be adjusted slightly to provide its ideal customer, young educated women, with everything they need on a day-to-day basis.
- ***Suggestions for Improvement***
 - Young women are most likely to visit Target on day-to-day errands. Large outdoor products such as lawnmowers and chainsaws are not going to be purchased regularly and have very little appeal amongst female shoppers. Such products should thus be dropped from the product line.
 - Acquiring or pursuing a joint venture with a store like Trader Joe's, which has higher-end food products with slightly higher margins, would decrease the number of different stores needed for many day-to-day errands.

Marketing Strategy

Successfully appealing to a target demographic of shoppers through advertising and promotion is a recipe for triumph in the retail industry, where consumer tendencies determine either a prosperous or a grim destiny. Target Corporation has virtually perfected their marketing strategy, using an effectively edgy ad campaign coupled with unique and highly differentiated products to draw in customers.

Product Differentiation

- Four out of five customers who shop at Target are female, with an average age of 44, average income “approaching \$50,000”, and a college education.^{VII}
- To appeal to this customer base, Target has created a style that is distinctly “cheap-chic”^{VIII}
- Licensed talented designers slightly off the mainstream radar to create unique and exclusive lines of products.
 - Commissioned designers include architect Michael Graves, makeup artist Sonia Kashuk, fashion designers Mossimo Giannulli, Todd Oldham, and Isaac Mizrahi, and interior designer Rachel Ashwell
- Target is unique in that it offers a sensibly priced alternative to the needless markup of designer retail that is still attractive to the modern consumer.
 - Uses a value strategy approach, which is different from the more cost oriented, bottom line strategies of its main competitors.
- Point of success: Although designers have now become associated with the Target name, they do not overshadow it, as happened with K-Mart and the Martha Stewart collection.

Advertising Campaign

- In 1999, Target revamped its advertising to reflect the chic, artsy style that has become synonymous with the company.
- Theme of first set of highly stylized ads, created by Dave Peterson, was “Bull’s Eye World”, because central to the ad series was the iconic symbol of Target, the bull’s-eye^{IX}
- The name “Target” is neither mentioned nor displayed anywhere in the advertisements.
 - Enhances the modern and stylish image the company aims for.
- Point of comparison: “Wal-Mart spends 0.3 percent of its revenue on advertising. Target spends 2.3 percent.”^X
 - The cutting edge design of Target’s ads reach out to the younger, more in tune customers, while Wal-Mart’s focus on “rolling back prices” draws in the more family oriented consumer living on a current paycheck.

Dimensional Advertising

- Involves “using unconventional marketing programs to reinforce its message.”^{XI}
- Two Target programs include Club Wedd™, a bridal registry, and the “Take Charge of Education” program, a credit card based program.
- The bridal registry again targets younger females by enabling them to create a wish list of the most appealing of Target’s offering of stylish products.
 - Club Wedd™ has surpassed Macy’s to become the largest, most successful bridal registry in the world.^{XII}
- With the “Take Charge of Education” program, customers who hold a Target Visa card can “designate a school of their choice to receive a donation of 1 percent of their Target charge card purchases, and 0.5 percent of purchases made elsewhere on the Target Visa.”^{XIII}
 - 38 percent of Target’s female customers are reported to have children, so developing a program with educational incentives really puts emphasis on mothers’ and educated females’ care about education.
 - This program has paid off, for “those using the school program spend four times as much as regular Target customers, according to *Advertising Age*.”^{XIV}

Competitors

- Wal-Mart clearly follows a cost strategy, as opposed to Target’s value strategy.
 - Wal-Mart’s emphasis has always been on “rolling-back prices”, as seen in both its newspaper circulars and television ads.
 - Both circulars and ads are not stylized or edgy, but prominently display both the “Wal-Mart” name and the prices of items.
 - Items in newspaper advertisements are typically image stills, compared to Target whose ads incorporate the product into everyday life situations.
 - Ads cater to its target audience, people (mainly women) with lower incomes who want to save money.
- Sears lies somewhere in between Target and Wal-Mart
 - Sears is primarily known for its tools and appliances. However, in order to cater to the all-important middle-aged female market, Sears launched its “Softer Side” campaign, which encouraged women to “come see the softer side of Sears”.
 - Sears was once a place to take the family on a Sunday, but it has lost its edge with the growing prominence of other discount retailers.

- Uses both newspaper circulars and television ads, which are not as edgy as Target by far, but are a cut above Wal-Mart's ads in both departments. Price is not the sole focus.
- Once had the Sears-Roebuck catalog, which has diminished in both size and popularity.
- Best Buy's television advertisements focus on the store, and special prices on electronics.
 - Newspaper circulars also display the Best Buy name, and prices of items. It is a straight "catalog" style, no attempts for life integration or fancy design. Artistic qualities are lacking.

Suggestions for Improvement

- Target needs to focus on appealing to its base of customers, women aged 25 to 55, even more than it currently does.
- Survey female Target shoppers for suggestions: what they would like to see, how the stores can be improved, etc.
- Lifestyle magazine sales have been booming among women of this age group. *Better Homes and Gardens*, *Ladies' Home Journal*, *O: The Oprah Magazine*, and *Martha Stewart Living* have all seen enormous success, and there seems to be room in this market.
 - "Marketing the Target Lifestyle" will become important. Launching a magazine that does exactly this has the potential for huge profits. Spin off of the success of their newspaper circulars.
- Along lifestyle lines, women are becoming more health-conscious, continuing a trend over the last decade. Tailoring food options offered in Target stores would appeal to these customers.

Target Organization

Company organization can be analyzed by looking at three traits: the use of differentiated stores, having international presence, and having diversified holdings.

Differentiated Stores

- Differentiated stores allow retailers to target products specifically toward a segment of their customer market.
- Target Corporation has three differentiated stores: normal Targets, Target Greatland, and Target Supercenters.
 - Normal Target stores focus on discount yet trendy merchandise such as clothing and personal care items.
 - Target Greatland features a larger selection of products and a small grocery section.
 - Supercenters, numbering around a hundred, feature elaborate grocery stores with deli, liquor, and a baked goods section along with optical and portrait centers.^{XV 2d}
- Best Buy, Target's rival in the electronics segment also pursues a diversified store strategy.
 - After surveying their customers, they were able to divide them in five main personalities, which were assigned names to identify them such as Jill and Buzz.^{XVI}
- In contrast, it should be noted that rivals, such as The Home Depot, do not differentiate their stores.

International Presence

- International stores offer a corporation more room for growth and often offer access to cheaper manufacturing centers.
- Target has locations in 47 of the United States but has no international locations.
- Rivals Best Buy and The Home Depot have stores outside the U.S.
 - Best Buy is currently exploring the Asian market.^{XVII}
 - The Home Depot moving into Canada and Mexico.^{XVIII}
- Wal-Mart operates a significant number of diversified stores internationally.

Corporate Holdings

- Holdings operate independently under their own names and sales forces and may have different markets and product lines from their parent company.
- Target Corporation owned the Mervyn's and Marshall Field's stores until 2004.^{XIX}
- Rivals Best Buy and The Home Depot also have a set of holdings.
 - Best Buy currently owns Future Shop, in Canada, as well as Magnolia Hi-Fi Audio and Video.^{XX}
 - The Home Depot holds the Expo Design Center, Home Depot Supply, and Home Depot Foundation^{XXI}
- Sears Holding Company defines the use of holdings as a retailer as it controls: Sears, Kmart, Land's End, Orchard Supply Hardware, Sears Hardware, and The Great Indoors. This Sears conglomerate was formed in 2005 and its synergies may threaten Target's established position in the retail market.

Suggestions for Improvement

- This organization analysis shows that Target is matching its rival's practices in terms of diverse store formations, however it is lagging in the development of international stores and holdings.
- Target recently let go of its Mervyn's and Marshall Field's divisions; may be wary of taking on new holdings soon
- To increase its profits and stability in the retail market, Target needs to consider a presence in the international field or the holdings market, otherwise it may find itself displaced by rivals such as Wal-Mart and the Sears Holding Company.

Recommendations

Using the results from our competitive analysis, we developed recommendations, presented below, for Target to continue to maintain its strong position in the retail market.

The Multimedia Blitz

Target Magazine

The purpose of Target Magazine is to display the store's offerings to a wider audience, and to amplify Target's presence throughout America. We found that Target's weekly advertisements already have a magazine like feel, so extending this feature would enable Target to market to its desired female customer. The magazine would offer advice on organizational techniques, articles from designers, recipes, and activities that the whole family can enjoy. Advertisements would be

for Target products and Target outreach programs, serving the purpose of strengthening the Target brand name.

The monthly magazine would be sold in every Target store and on magazine racks at other stores (i.e. supermarkets and bookstores). It would be 96 pages, glossy print, and sell for approximately \$5. An example cover can be found in Appendix 6.

In response to the question of the magazine's viability, *Target Magazine* would require a full magazine staff, but would easily provide enough revenue to justify the expenditure. The magazine would promote the Target lifestyle, creating enough of a niche that retail competitors like Wal-Mart and Sears Holdings would have difficulty following suit. Magazine competitors like *Better Homes & Gardens*, *Good Housekeeping*, and *O, The Oprah Magazine* would only compete at the topical level, so consumers would purchase more than one magazine. In terms of audience, the anticipated reader would remain in the educated, young female category. In particular, *Better Homes & Gardens* sells over 7 million copies a month and *O, The Oprah Magazine* sells approximately 2.3 million copies a month^{xxii}, both to a very similar demographic as anticipated *Target Magazine* readers. With a differentiated product and available demand, we can further entice the expected readership with in-store demonstrations and workshops and television cross-promotions, explained below.

In-store Demonstrations and Workshops

In an effort to prove the practicality of the magazine and improve sales, each magazine contains several articles that can be demonstrated in stores through workshops available to the public. For example, one article may describe appropriate organizational techniques for the home office. Individual stores can then have an office organization demonstration, exhibiting Target-sold products as well as expert advice from a Target team member.

For family-related activities, parents would be invited to participate in a demonstration and then encouraged to take the materials and advice home to the kids. During the holiday season, for example, Target could hold a holiday cookie activity demonstration, teaching parents how to make fun and exciting cookies with their children, thus promoting family values as well as Target products sold in the market section, like plain cookies, icing, sprinkles, and candies. *Target Magazine* could be displayed at the demonstration, with the exact same process as well as recipes for the cookies for more ambitious parents.

These demonstrations can be held in a corner in the store, without having to suffer additional construction or maintenance costs. Demonstrations can be held as often as two or three times a week (to accommodate different customer schedules) and can change in topic as often as once a week. Advertising would simply be a series of posters throughout the store, and for more popular exhibitions, individual stores may need to implement a sign-up process.

Television Cross-Promotion

Finally, to complete Target's full multimedia blitz, Target could try to integrate their products into popular home improvement and organization shows, such as those on HGTV, or into popular shows, as Sears did with *Extreme Makeover: Home Edition*. Another option would be to

have a show centered completely on Target that has the same aims as the in-store demonstrations.

Additional Recommendations

Although the “multimedia blitz” comprises the central focus of our recommendations scheme, we have assembled a brief list of other short-term recommendations that Target should consider implementing in the near future.

In-Store Kiosks

One of the main causes of shopper frustration is when a particular item is sold out, or is not stocked in a certain style and color by the retailer. We recommend placing kiosks in Target stores that will revolve around use of the Internet, and give customers the option of ordering products currently out-of stock or not sold in the store. For instance, say Target happens to be out of the latest and greatest Huffy bicycle. Customers who want to buy the bicycle but were out of luck finding it in the store can go to the kiosks and order one from the Target.com website. Customers are thus saved from having to go to another Target store (if one is even available) to go item-hunting, and provide the convenience of either home delivery or in-store pickup once the product arrives.

The ease and convenience of using kiosks are particularly alluring to female shoppers, Target’s primary demographic, who are traditionally more concerned with the “specifics” of products. Kiosks reduce the stress of not knowing where to locate popular and/or hard to find items. These kiosks could involve a touch-screen method, similar to systems at record stores, where a customer can walk up to the kiosk, touch the screen, search for the product, and order it, without any help from a sales representative. Another aspect of these kiosks would be their capability, through online integration, to arrange pick-ups for online orders in local Target stores, so customers can save on shipping costs. Some stores such as Best Buy have experienced success with this method, and we feel that Target would experience similar victories with such a system.

Prepared Meals

The prevalence of women in the workplace has greatly increased in the past two decades. Women are working longer hours and are breaking the stereotype of the “stay-at-home mom” that was once so conventional. With so many women working and putting in long hours, they do not often have time to cook for the family. Thus, to accommodate the needs of the busy working woman, we recommend that some or all of Target stores offer prepared meals to take home. Target currently offers food options like Pizza Hut Express and/or Starbucks, as well as a snack bar that offers beverages, popcorn, and the like, which may be convenient for shoppers on the go, but are both unhealthy and geared toward the individual, not the family.

Instead, we suggest that Target sell healthy, well-balanced meals that taste good and are ready to eat. Shoppers can place their order as they enter the store, shop for the items they need, and return to the food court to pick up their prepared and packaged meal upon exit. These meals can take on two forms: they are either prepared from cooked ingredients (i.e. sandwiches) and available for immediate pick-up or fully prepared from basic ingredients (i.e. a home-cooked meal), prepared while shoppers are perusing the store. This proposal would require a small

kitchen facility to be installed to ensure success of food preparation. Though renovations in existing stores would be necessary and time-consuming, the popularity of the prepared meals (as exhibited in grocery stores) presents ready profits over the costs of implementing our suggestion. The ideal female shopper will keenly accept the sensible alternative to cooking a full meal, thereby satisfying the desire for a healthy yet “quick and easy” fare.

Children’s Activities

Our final short-term recommendation is to implement a program that focuses on children, providing them with activities to do while their parents or adult guardians shop in the store. Such activities can include story time, coloring, or other arts and crafts projects. As previously noted, a large portion of Target customers has small children. Adult shoppers can conveniently leave their children in a safe environment, thus enjoying their Target shopping experience without the stress of watching over their child. These activities can have an educational element to them, so children are learning and enjoying themselves at the same time.

Since book sales are not Target’s primary focus, the company would not be impeding on major booksellers such as Barnes & Noble and Borders, who have experienced success with story time and similar activities for children. Target’s versions of children-centered activities would create a more favorable store environment, while cultivating a family-friendly image for the company that is sure to attract other family conscious customers.

More recommendations are located in Appendix 8.

Anticipated competitor responses are located in Appendix 9.

Conclusion

In today’s society, it has become popular to be style savvy and on top of the latest trends. More and more shoppers desire current and attractive products without the hassle of high retail prices. By tailoring its strategy to satisfy this expanding base of customers, Target has successfully separated itself from its biggest rivals in the discount retail industry, namely Wal-Mart and Sears. All three companies aim to augment their female customer base, but Target has managed to attract a younger, up-and-coming group that has become a loyal devotee to the chain.

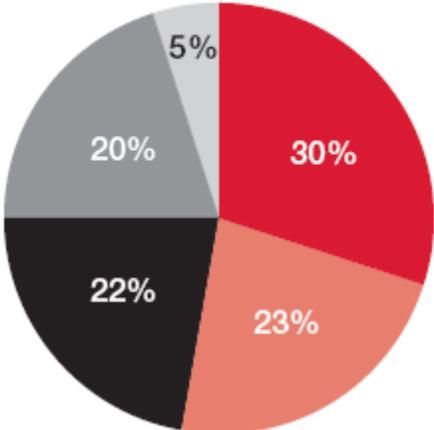
Although certainly not the biggest of the discount retailers, Target has posted impressive sales figures in recent years. Total revenue grew 12.3% in 2005 to reach over \$52 million.^{XXIII} The company, with the aid of brilliant marketing and advertising teams, has created advertisements that perfectly match Target’s aim philosophy. As the ads do their part to bring customers into the stores, the unique, hip, and varied range of products strengthen customer loyalty.

Even with all of the success that Target has seen since its inception, the company still has plenty of room to grow and compete more closely to its rivals. The so-called “multimedia blitz” of *Target Magazine*, in-store demonstrations and workshops, and television cross-promotion is the perfect manifestation of Target’s goals. The lifestyle magazine draws in the female crowd, as exhibited by similar publications such as *Martha Stewart Living* and *O, The Oprah Magazine*. While bringing in revenue from the magazine, the magazine-inspired in-store demonstrations help bring more customers into the store on a regular basis, thus enhancing in-store revenues as

well as customer education and satisfaction. Television cross-promotion helps to attract other desirable customers who may not have been exposed to the Target experience yet. In-store kiosks, prepared meals, and activities for children are all designed to make the Target shopping experience easier and more pleasurable for valuable shoppers.

All of the recommendations in this paper are designed to address this crucial female audience, which has the power to launch Target into an even larger superstar. By heeding some of these suggestions, all while staying true to their values and maintaining their devoted base of customers, Target is sure to experience continued success and hold sway over the retail market for years to come.

Appendix 1- Target Sales by Product Sector



2005 Sales Mix
(\$51.3 billion)

- Consumables & Commodities
- Electronics, Entertainment, Sporting Goods & Toys
- Apparel & Accessories
- Home Furnishings & Décor
- Other

Figure 1: Target's Sales broken down by Product Areas
From Target 2005 Annual Report

Appendix 2 – Hotelling Lines

Hotelling Lines: Target vs. Competitors



Figure 2: Target's position compared to a number of its competitors in the areas of Fashion, Income and Gender of its target customer. Based on experiences and opinions of authors from store visits.

Appendix 3 – Quality vs. Selection Chart

Quality vs. Selection: Target and Competitors

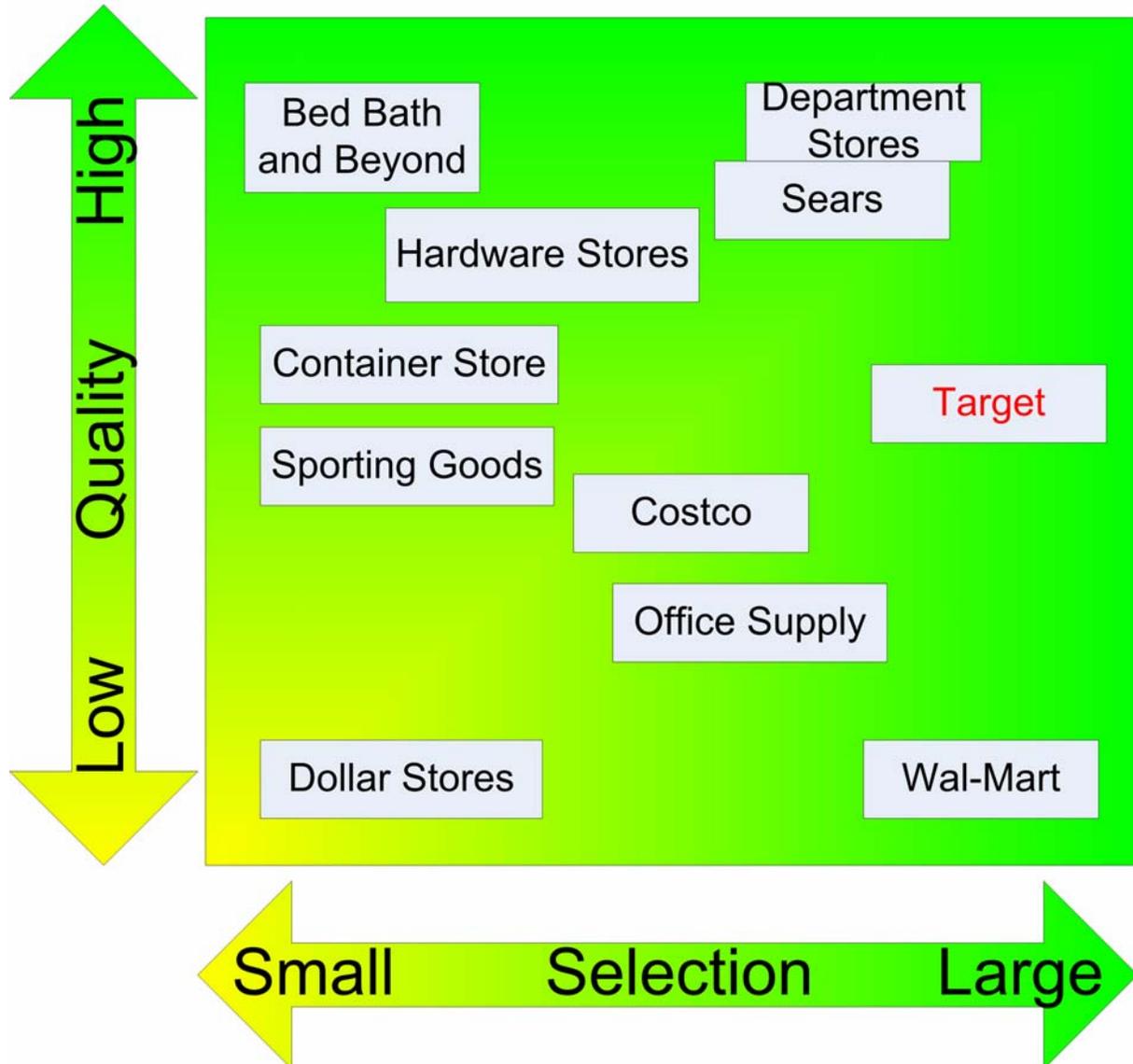


Figure 3: Target in comparison to its competitors in relation to Quality and Selection of its product range. Based on experiences and opinions of authors from store visits.

Appendix 4 – Target Product Line

| Target | Technology Stores: Best Buy, Circuit City | Sporting Goods: Chicks, MVP, Big 5 | Hardware: OSH, Home Depot | Home Products: Bed Bath and Beyond, | Toys: ToysRus | Office Supplies | Sears | Department Stores | Container Stores | Walmart | Clothing: GAP Corp. etc | Drug Stores Rite Aid, Walgreens |
|-----------------------------|---|------------------------------------|---------------------------|-------------------------------------|---------------|-----------------|-------|-------------------|------------------|---------|-------------------------|---------------------------------|
| Women | | | | | | | | | | | | |
| Men | | | | | | | | | | | | |
| Baby | | | | | | | | | | | | |
| Kids | | | | | | | | | | | | |
| Home | | | | | | | | | | | | |
| Bed and Bath | | | | | | | | | | | | |
| Furniture | | | | | | | | | | | | |
| Patio and Garden | | | | | | | | | | | | |
| Sports | | | | | | | | | | | | |
| Toys | | | | | | | | | | | | |
| Electronics | | | | | | | | | | | | |
| Entertainment | | | | | | | | | | | | |
| Food | | | | | | | | | | | | |
| Pharmacy | | | | | | | | | | | | |
| home office/school supplies | | | | | | | | | | | | |

Appendix 5- Target Full Product Range

Target provides a large range of products. Coordination among these products is one of Target's strengths. Generally the products are stylish yet inexpensive. However they have a limited selection over the broad range.

- Women
 - Clothing
 - Dresses
 - Swimware
 - Sleepware and Intimates
 - Shoes
 - Jewlery
 - Health
 - Beauty
 - Fitness
- Men
 - Clothing
 - Swimware
 - Activeware
 - Shoes
 - Personal Care
 - Outdoor Sports
- Baby
 - Nursery
 - Furniture
 - Bedding
 - Clothing
 - Baby Gear
 - Baby Toys
- Kids
 - Boy's Clothing
 - Girl's Clothing
 - Bedding
 - Furniture
 - Kid's Shoes
 - Kid's Toys
- Home
 - Kitchen
 - Dining
 - Living Room
 - Lighting
 - Rugs
 - Home Décor
 - Storage and Organization
 - Furniture
- Home Improvement
- Pets
- Bed Bath
 - Bedding
 - Linins
 - Towels
 - Bedroom Furniture
 - Bathroom Furniture
- Patio and Garden
 - Gazebos
 - Outdoor Lighting
 - Outdoor Décor
 - Wood/Metal/Wicker Furniture
 - Umbrellas
 - Grills
 - Lawn Care
- Sports
 - Outdoor Sports
 - Game Room
 - Camping
 - Water Sports
 - Golf
 - Bikes
 - Fitness
- Toys
 - Toddlers
 - Boys
 - Girls
 - Learning
 - Arts and Crafts
 - Tech
- Electronics and Entertainment
 - Digital Cameras
 - Books
 - DVDs
- TVs
- Music Players
- Video Games
- Home Theater Systems
- Furniture
 - Home Office
 - Living Room
 - Media
 - Patio
 - Storage
 - Dorm
 - Kitchen and Dining
 - Bedroom
 - Kids
 - Accent
 - Upholstered
- Food
 - Dry Goods
 - Snacks
 - Drinks¹

¹ Source www.target.com May 29, 2006

Appendix 6 – Target Magazine Cover

May 2006
\$4.99



*Top 10 Outfits
for Summer*
New fashions from
Isaac Mizrahi

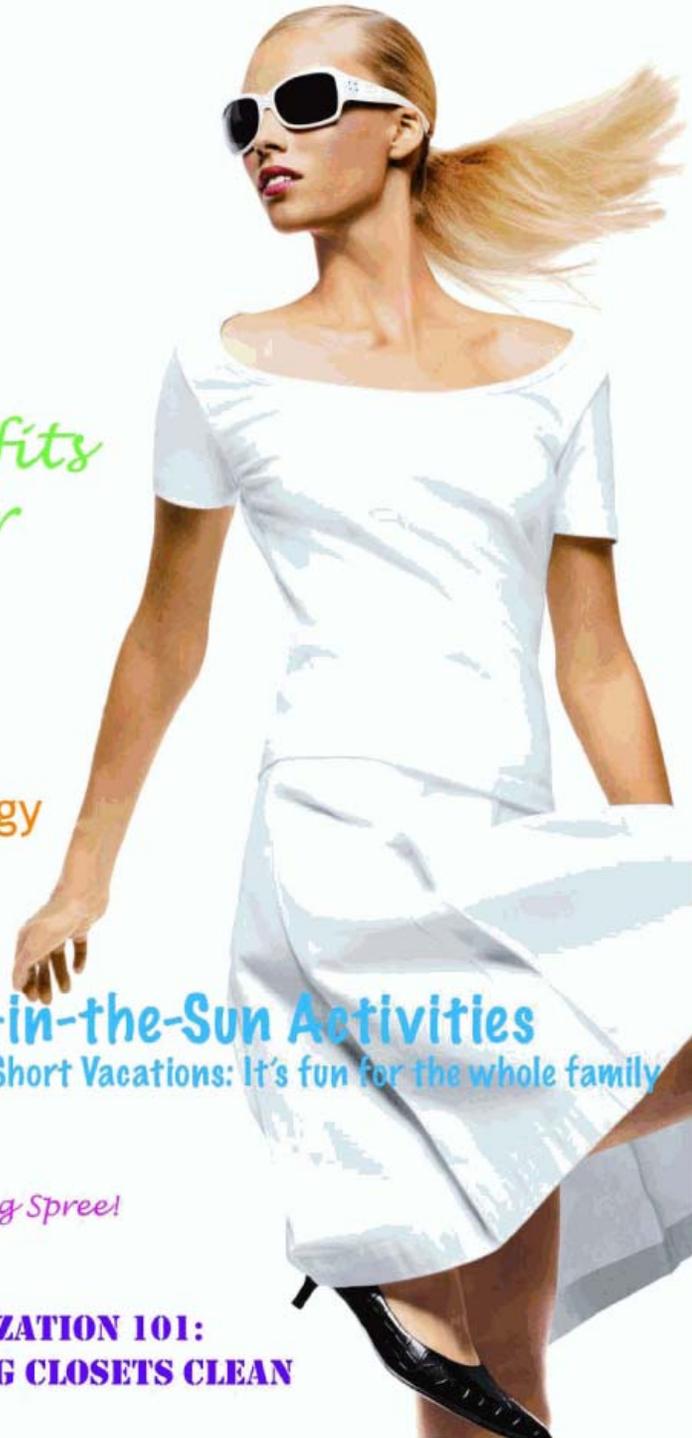
How one village
raised a child prodigy

Kids' Favorite Fun-in-the-Sun Activities
From Sprinklers to Snacks to Short Vacations: It's fun for the whole family

Win a \$500 RedSpot Shopping Spree!
Details inside



**ORGANIZATION 101:
KEEPING CLOSETS CLEAN**



Appendix 7 – Target Employee Relations

- Target pursues a community environment, referring to their employees as “team members” and “team leaders.” Team members and leaders are essential to “Fast, Fun and Friendly service.”^{xxiii}
- Target’s diversity efforts are combined in their “The strength of many. The power of one.” statement.^{xxiv}
- The myTotalCompensation package, which covers all the benefits of being a team member – from medical insurance to financial assistance – is considered to be “one of the best total compensation packages in retail.”^{xxv}
- In an effort to attract the best and brightest college graduates for their executive offices, Target offers an internship geared specifically to college undergraduates and opportunities for hiring upon graduation.^{xxvi}
- Comparison: Wal-Mart
 - The cost-driven discount retailer claims to have a benefits package that provides the same kind of services as that of Target.
 - Yet Wal-Mart has been engaged in quite a few class-action legal suits, ranging from discrimination to unfair wages, and suffers from a turnover rate of almost 50% a year.^{xxvii}

Appendix 8 - Areas of Further Study

Our research revealed long and short-term suggestions for Target to improve its performance. We have presented the short-term suggestions in detail as we feel that these should be implemented as soon as possible. Here the long-term suggestions are presented as areas of further study. These ideas could benefit Target Corporation and we would like the company to conduct feasibility and financial studies on each to see which ones would bring the greatest value in the future.

We would like Target to reexamine the layout of its stores. The location and number of entrances of the store should be considered from the viewpoint of maximizing customer access. The arrangement of different sections in the store should also be studied in order to maximize the synergies between different Target products. In particular, the location of the seasonal section should be considered. In many stores this section is pushed away to a corner; sales of seasonal products could increase if this section were located near the center of the store where all customers could view it after entering.

Since the ideal Target customer is a young female, we would recommend that the company conduct surveys or studies to try to determine, "What do women want?" Focus groups or surveys could help the marketing department track how well Target is addressing the needs of its customers. These studies could help determine a product or service that their customers desire that the company currently does not provide.

One concept that should be examined in these surveys is the creation of a kids' zone at Target. This is an area where parents could leave their kids while they shopped, similar to the ones currently used at Ikea. A Target staff member could be assigned to this area to watch over the children. Activities such as story time or play areas with Target toys could be incorporated into this area. The creation of a kids' zone in most Target stores is a significant investment, so this option should be studied carefully before any development is started.

Finally, we would like Target to consider acquisitions or international expansion to help assure its long-term success. As was described earlier, Target rivals such as Sears and Wal-Mart have explored these options and have either acquired other divisions or expanded their international stores. Target needs to consider these choices in order to keep up with its competition. Target should look into the acquisition of another company that could be run on its own or be brought inside the Target stores. For example, Target could look at a partnership or acquisition of Trader Joes to see if an expanded gourmet line would appeal to customers.

Target should also conduct a study of the international market. The U.S. layout of stores may not succeed in the international market. For example, the "cheap chic" strategy may not work well for clothing in other parts of the world such as Europe. The study could show that international expansion would not be profitable for Target, however the study would ensure that no stones are left unturned in the mission to maximize profits and establish a secure future.

Appendix 9 - Anticipated Competitor Responses

Upon eventual implementation of the earlier advised short and long term recommendations, Target's main competitors are sure to not sit still. Other discount retailers, such as Wal-Mart, will assuredly attempt to react and respond to such innovations, as will specialty stores such as Best Buy and Bed, Bath, and Beyond.

Magazine

- Best Buy could have success with a magazine centered upon electronics. Magazines such as *Wired* are thriving among their target audience, and provided there is room in the market, a publication of similar type with a focus on Best Buy products could be lucrative
- Similarly, Bed, Bath, and Beyond could see success doing a similar themed magazine, although their range of products is most likely too small to attempt to compete with Target Magazine.
 - Also, Bed, Bath, and Beyond would have a hard time promoting a “lifestyle” as the Target Magazine does, and thus might not hit home with a target audience.
 - The best bet for a company such as Bed, Bath, and Beyond would be to partner with a *Better Homes and Gardens* or *Ladies' Home Journal* type publication, and showcase its products in an issue. Upon ample success and profitability of the special “Bed, Bath, and Beyond” issue of such a magazine, further exploration of a possible joint venture could ensue.
- Wal-Mart is too focused on their cost-strategy to create a magazine. The clientele that Target magazine attracts is not the same as the base of Wal-Mart shoppers, and by and large, Wal-Mart shoppers are not concerned with a lifestyle magazine. The magazine would be too costly for the organization, and would not be successful, as it could not promote the low prices that comprise the core of its business strategy.

In-Store Demonstrations

- Home Depot has incorporated in-store demonstrations into their marketing philosophy with success.
- Again, Best Buy would have the best success with in-store demonstrations, and would be the competitor most likely to contemplate such an idea.
 - Many customers are “electronically challenged”, and thus have problems operating many of the devices sold at Best Buy. In-store demonstrations on how to use the latest gadgets would take away some of the apprehension of (mainly female) buyers, and might increase sales.
 - Demonstrations or competitions involving products just entering the market, i.e. Playstation 3, would be successful because they would expose customers to the new products as well as appeal to die-hard fanatics. Having used such products, customers would then be more likely to pay the often high price tags that accompany such new devices.
- Bed, Bath, and Beyond might react by implementing in-store demonstrations that focus on organization, very similar to Target.
- As with the magazine, Wal-Mart would not attempt to implement in-store demonstrations, as it does not fit with their cost-cutting marketing concept.

Television Cross-Promotion

- Sears already has television cross-promotion through *Extreme Makeover: Home Edition*.
- Bed, Bath, and Beyond would do well with television cross-promotion, although it is a risk scheme for success. If Target is successful with a network such as HGTV, it would be near impossible for another company to have cross-promotion on the same network. Thus, Bed, Bath, and Beyond would have to find another, possibly up and coming, cable network to team up with.
- Wal-Mart attempted television cross-promotion through the reality television program *The Scholar*. This program involved giving several deserving teens the chance at a full scholarship to college. However, the program could not attain the success of such programs as *Extreme Makeover: Home Edition*, and the show was not renewed.
 - Because of the lack of success of this program, it is unlikely that Wal-Mart could experience victory through another television venture.
- Best Buy has had mild success with television cross-promotion, particularly on cable reality shows such as *Real World/Road Rules Challenge* on MTV.
 - Prizes for weekly competitions on these shows are Best Buy gift cards, and cross-promotion through name dropping is prevalent.

Prepared Meals

- It would not be feasible for specialized stores such as Best Buy, Bed, Bath, and Beyond, etc to implement a food section of their stores. Customers do not go to these stores to find food, and thus it would not be a profitable move. The money and renovations that would be required to install a kitchen area is not realistic or practical.
- Wal-Mart has McDonald's fast food restaurants in its stores, and might entertain the thought of providing healthier prepared meals in an attempt to follow the current fad of promoting a healthy lifestyle. McDonald's has incorporated healthier options into their menu, and Wal-Mart in conjunction might try to follow suit.
 - However, Wal-Mart is extremely focused on low prices, and offering such prepared meals might be too costly for the company to implement. Also, Wal-Mart's core base of customers is not necessarily concerned with promoting a healthy lifestyle, and thus might not flock to the idea as fast.
- Grocery stores such as Ralph's and Albertson's, which Target Supercenters mildly compete with, have this on a small scale, but might react by trying to expand their offerings.

In-store kiosks

- Sears should consider installing in-store kiosks for ordering particular products.
 - Already has online integration in terms of in-store pickup from online orders, and it has been highly successful.
 - Sears is known for selling appliances and tools, both of which have a high demand for specialization. Customers are very particular about color and style, as well as quality of these items. Furthermore, a large stock of appliances is not always available in-store. Thus, the in-store kiosks in which shoppers can custom order an appliance not in stock would most likely be highly profitable.
- Best Buy has incorporated online integration and in-store pickup into its stores with success.

- Wal-Mart might also consider implementing this suggestion because it would probably be met with success.
- Best Buy and Home Depot already make use of “experts” in particular departments.

Kids’ Activities

- Best Buy and Bed, Bath, and Beyond would probably not react to implementation of activities for kids in Target stores. Typically shoppers in these stores do not bring their kids along as much.
 - Best Buy, if they did react, should consider activities involving video games, because that is what attracts kids to such a store in the first place.
- Wal-Mart could react with similar arts and crafts and story time activities, because they are not too costly to apply. Wal-Mart aims for a family-friendly atmosphere, so kids’ activities would go over well. Like at Target, shoppers with kids typically bring them along into the store.
- As mentioned earlier, bookstores such as Barnes and Noble and Borders have kids activities such as story time.

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