



Reducing Shortage in Electronics and Entertainment

Situation Analysis

Retail shortage (also called “shrinkage”) is defined as inventory losses occurring from employee theft, shoplifting, organized retail crime, administrative error and vendor fraud. According to a survey by the National Retail Federation, the retail industry lost \$41.6 billion due to shortage in 2006. Nearly half (47%) of these losses were a result of employee theft. Shoplifting was the second biggest factor, accounting for 32 percent of the losses.

The Entertainment Merchants Association says retail theft of entertainment products, including DVDs and video games, accounts for as much as \$400 million in annual losses. Combined with losses sustained due to illegal Internet downloads and the trend toward digital media, consumer electronics retailers are challenged to continue driving sales while simultaneously reducing shortage.

Project Question

How do we continue to reduce shortage in Electronics and Entertainment while at the same time utilizing the same budget?

Project Parameters

Develop a strategy to reduce shortage in Electronics and Entertainment that either 1) does not require additional expenditure, or 2) compensates for additional expenditure by indicating areas where costs can be reduced or eliminated.

Utilize the Suggested Topics section as a guide by exploring the most relevant topics and supporting proposal recommendations with information that addresses the “why’s” behind each explored topic.

Include in this proposal a SWOT analysis (Internal: Strengths/Weaknesses, External: Opportunities/Threats) of the current situation Target faces with shortage in Entertainment and Electronics, as well as a second SWOT analysis based upon implementation of the proposal.

Suggested Topics

- **Product:** What entertainment and electronics categories are most vulnerable to theft? Why?
- **Presentation:** How can Target present electronics and entertainment merchandise in a way that deters theft while remaining guest-friendly?
- **Packaging:** How can product packaging be improved to deter theft? What responsibility do manufacturers have in helping to reduce shortage?



- Process: What retail processes are particularly vulnerable to theft or administrative error? How can Target improve these processes?
- Employees: What factors influence an employee's decision to steal from an employer? What role does employee training play in reducing shortage?
- Competitors: Who are the competitors in Electronics and Entertainment? How are these competitors reducing shortage? Who should Target benchmark?
- Trends: What are some current and emerging trends in retail loss prevention? Which trends complement Target's brand image?
- Economy: What economic factors influence the occurrence of theft?

Company Information

What is Target?

Minneapolis-based Target serves guests at more than 1,600 stores in 47 states nationwide by delivering today's best retail trends at affordable prices. Target is committed to providing guests with great design through innovative products, in-store experiences and community partnerships. Whether visiting a Target store or shopping online at Target.com, guests enjoy a fun and convenient shopping experience with access to thousands of unique and highly differentiated items. Target (NYSE:TGT) gives more than \$3 million a week to its local communities through grants and special programs. Since opening its first store in 1962, Target has partnered with nonprofit organizations, guests and team members to help meet community needs.

What is the Merchandising Strategy?

Target's Merchandising mission is to drive profitable market share growth by fulfilling its "Expect More. Pay Less." brand promise. Specifically, the Merchandising team focuses on the following five areas to remain relevant to guests over time and sustain a competitive advantage:

- Team: Promote continuous learning in a diverse environment where high-performing teams excel.
- Value: Provide outstanding value through price, quality, and great design.
- Differentiation: Create excitement with distinctive, exclusive and innovative offerings.
- Reliability: Drive sales by having what guests want, when they want it, where they shop.
- Frequency: Increase shopping frequency by creating a convenient shopping experience that meets guests' wants and needs.

Who is the Typical Guest?

Our guests are young, well-educated, moderate-to-better income families who live active lifestyles. The median age of our guests is 42, the youngest of major discount retailers. They have a median annual income of \$60,000, 51 percent have completed college and 33 percent have children at home. Also, we have one of the strongest brands in the marketplace. Our Bullseye is recognized by 97 percent of American consumers, even nudging out Apple and the Nike swoosh.



How Quickly Has Target Grown?

Target opened its first store in Roseville, Minnesota, in 1962. More than 100 new Target stores are opened each year during three cycles in March, July and October. New store prototypes, ranging in size from approximately 127,000 square feet to 174,000 square feet utilize advancements in technology and design to better respond to Target guest needs. Total store square footage of Target Stores is more than 210 million. Target currently operates 26 regional distribution centers (RDC), four import warehouses and one Target.com distribution center.

What is Target's Role in the Community?

Since 1946, Target has given five percent of its income to support and enrich the communities we serve. Today that equals over \$3 million every week to support education, the arts, social services and volunteerism. In addition to our financial support, Target team members and retirees, along with their families and friends; have contributed millions of volunteer hours to community-based projects. To learn more about our programs and community partners, visit [Target.com/community](https://www.target.com/community).

Industry Notes

According to the National Retail Federation's National Retail Security Survey, retailers have been investing in new technologies to deter, detect and convict criminals: Most retailers' loss prevention systems include burglar alarms (95.7%), visible closed circuit televisions (87.1%) and digital video (84.9%). Retailers also conduct check screening (60.4%), use armored cars (69.8%), and operate point of sale data mining software (69.1%), and hidden closed circuit televisions (57.6%).

"Retail theft does not only affect the bottom line," said Joe LaRocca, NRF's Vice President of Loss Prevention. "When criminals steal from retailers, consumers pay higher prices, the safety of innocent employees can be compromised, and shoppers looking for popular merchandise often cannot find it. Retailers will continue to invest in new technologies to prevent and prosecute crimes."