



Apparel Profitability

Situational Analysis

Based on the steady increases in international labor rates and transportation costs retailers have to find creative ways to satisfy the consumer while maintaining profitability.

Target is committed to delivering profit to its shareholders and accomplishes this through gross margin. Target maintains profitability in Apparel departments through assortment and inventory strategies. For example, they reduce inventory levels and number of impressions (colors) offered in the lower sales volume stores.

Project Question

What additional strategies can Target implement to maintain or increase profitability in Apparel areas?

Project Parameters

Develop a Profitability Model and Strategy for one of the following divisions within the Apparel areas:

- Boy/Girl
- Men's
- Newborn/Infant/Toddler
- Women's

Use the suggested topics section as a guide by:

- Exploring the most relevant topics
- Supporting proposal recommendations with information that addresses the why's behind each explored topic

Suggested Topics

- Price: Are there areas within the country that the guest is willing to pay more? Are there departments within Apparel that the guest is willing to pay more? How does the guest assess value? What drives profitability down?
- Promotion: What promotions should Target have to maintain guest loyalty? What promotions can we leave out that the guest isn't concerned about?
- Timing: How long should Target keep a program on the floor? Could Target update the colors/styles less often while satisfying the fast-fashion savvy guest? Are there departments within Apparel that the guest is less concerned about having the most up-to-date fashion trends?
- Markdowns: How do markdowns affect margin? What is the appropriate percentage off that Target should offer when an item goes on clearance? What is the appropriate percentage off decline for a markdown program (i.e. 30 percent, then 50 percent, then 75 percent)? How much time should the item be at each of these percentages before it moves to a deeper percent off?



- Vendors: What countries should Target source the product and fabric from? What are the duties associated with these countries? How long does it take (lead-time) to get the goods from the country of origin to the US Port? How will lead-times affect Target's ability to react to a sales trend? What contingency plans should Target negotiate with the Vendor?
- Brands: Brands drive profit. Is Target missing a brand? What brands should Target add to its portfolio that can contribute to profitability? Are there brands that Target can take out of its portfolio? Does the Target guest understand the different brands within the Apparel departments at Target?
- Guests: Who is the Apparel guest? What does this guest want in regards to fashion?
- Competitors: What are other retailers doing to maintain and increase their profitability? Who should Target benchmark against?
- Economy: What factors in the economy can and will drive change in how profitable Target is?

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?



Target Case Study Program

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).