



Courting Cross-Channel Shoppers

Situational Analysis

Online retail sales, which reached just over \$172 billion in 2005, are expected to enjoy a 14% compound annual growth rate over the next five years, reaching \$329 billion by 2010. Although this growth rate is significantly higher than the expected growth of the total US retail industry, it pales in comparison to the recent retail growth that can be attributed to “cross-channel” shoppers. Cross-channel shoppers can be described as consumers that use both the Web and physical retail stores to make convenient and educated purchases. Not only is this group of consumers growing fast, but research by the Forrester Group also suggests that cross-channel shoppers spend more on average than their pure online or offline counterparts. This information is serving notice to brick-and-mortar retailers, who up to this point, have only had moderate success with integrating their online and offline channels to drive additional consumer purchases.

Project Question

How can Target improve the relationship between its retail stores and online presence to drive additional sales? What collaborative strategies between its online and offline channels can be implemented to attract the cross-channel shopper?

Project Parameters

Develop a comprehensive strategy that will improve the integration between Target's retail stores and online presence in order to attract cross-channel shoppers and drive additional sales. Focus on delivering this strategy through the lens of Target's Merchandising Strategy.

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 in cross-channel environment as well as a second SWOT analysis based upon implementation of the proposal.

Suggested Topics

- **Product:** What product categories are important to the cross-channel guest? What product categories represent the biggest opportunity for growth by improving Target's online and offline channel integration?
- **Price:** What factors influence price? How does the guest assess value?
- **Presentation:** How does presentation drive sales? How can Target use in-store presentation to link online and offline shopping experiences?
- **Promotion:** How can Target use the Web to increase store foot traffic? What collaborative promotions will drive online and offline sales?



- **Guests:** Who is the cross-channel guest? How does this guest shop? Does the guest perceive a difference between Target's online and offline assortments?
- **Services:** What online or offline services should be provided to improve this guest's shopping experience? How can services be used to create more loyalty among this guest? What services will increase the purchase conversion rate of online visitors?
- **Competitors:** What are other brick-and-mortar retailers with a strong online presence doing? Who should Target benchmark?
- **Profitability:** How has profitability affected online and integrated retailers? What integrated strategies will support overall company profitability?
- **Economy:** What factors in the economy can and will drive change in how the cross-channel shopper shops?

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



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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.

Consumer Profile

The growth of cross-channel shopping is forcing retailers to pay more attention to the cross-channel shopper, and better understand his/her shopping preferences and household demographics.

According to a report by Forrester Research, cross-channel shoppers are typically wealthier, younger and more experienced online than their pure online or offline counterparts. A majority of cross-channel shoppers surveyed responded that they buy offline because they want to actually see the item before purchase. The survey also indicated that many shoppers want to talk to a salesperson before finalizing their purchase.