



Prospering in Urban Environments

Situational Analysis

Reports released by the Marketing Leadership Council estimate that urban markets in the U.S. encompass approximately 45.3 million people with a combined purchasing power of \$890 billion. These markets represent a significant, but challenging, growth opportunity for big box retailers. Retailers that decide to enter this market have to carefully evaluate the reward of driving superior sales from more densely populated trade areas against the increased investment in real estate, higher operating costs and the heightened complexity of providing a consistent guest shopping experience to a more diverse urban population. In addition, reports suggest that urban shoppers view themselves as trend leaders and expect urban retailers to foster a more localized relationship with them and the community. As a result, experts have identified several critical areas a retailer must address to be successful in an urban market:

1. Understand urban consumer: Properly identify the consumer's values, lifestyle, and desired shopping experience
2. Design store format: Create a store format that conveniently and aesthetically fits the community
3. Customize product mix: Offer products that resonate with the consumer while maintaining the retailer's brand integrity
4. Launch promotional campaign: Use localized, non-traditional techniques to link the store with the community

Project Question

How can Target best capitalize on the U.S. urban market while maintaining its brand image?

What traditional suburban-format product, promotion, and presentation strategies need to be adapted to be successful in the urban market?

Project Parameters

Develop a comprehensive growth strategy that will increase Target's share of the U.S. urban market. Focus on delivering this strategy by understanding the differences between urban and suburban markets, and by leveraging 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 within the urban market as well as a second SWOT analysis based upon implementation of the proposal.



Suggested Topics

- Product: What product categories should be expanded or introduced into the urban market?
- What product categories should be reduced or eliminated?
- Price: What factors influence price the most? What role does price play in urban vs. suburban market? How does the urban guest assess value?
- Presentation: How can Target offer a unique urban experience that supports its brand experience? What presentation strategies are essential across all Target stores?
- Promotion: How can Target better leverage itself through the use of promotions? What sort of promotion vehicles should be employed in the urban market?
- Guests: Who is the urban guest? How does the urban guest shop? How can Target gain a better understanding of the urban guest?
- Competitors: What are competitors doing in the urban market? What successful urban strategies have competitors employed?
- Brands: What are some key brands in the urban market? How can Target leverage partnerships with these brands?
- Trends: What are some of the current trends in the urban market? Which trends complement the Target brand image?
- Economy: What factors in the economy can and will drive change in the urban market?

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.



Target Case Study Program

- 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.

Market Notes

Reports released by the Marketing Leadership Council estimate the U.S. urban market is comprised of approximately 45.3 million people with a combined purchasing power of \$890 billion. The report stated that Caucasians represent nearly 60% of urban residents between 12-34 years of age. Other consumer insights included the following two major values held by the urban consumer: (1) urban retailer delivers the latest trends because this consumer sees themselves as a leaders and/or trendsetters; (2) urban retailer fosters a sense of community and develops a relationship with local consumers.