



# Technology and the Grocery Guest

## Situation Analysis

Rising food and gas prices have caused consumers to change their shopping habits. They are more often grouping smaller trips together or leaving the car at home entirely. Industry experts predict they will alter their food habits as well, reallocating some food dollars from eating out to buying groceries, choosing to eat less meat and cooking smaller portions to reduce waste, and buying in bulk.

Studies have shown that price is the most important factor for grocery consumers. Even affluent customers (\$100,000-plus annual income) say they patronize club stores like Costco and Sam's Club and upscale mass merchandisers like Target in search of a deal. However, they also gravitate toward national and higher-end grocery chains that meet their needs for fresh produce, meat, poultry, and seafood, along with a great deli section and alcoholic beverage aisle.

Regardless of income, all consumers are time-starved. Technologies are being introduced to speed up nearly every part of the shopping experience from digital grocery lists to payment devices that use biometric scanning to expedite checkout. Additionally, supply chain technologies, such as radio frequency ID tags, can help retailers cut internal costs, which allows them to be more competitive on price.

## Project Question

How can we better utilize technology to innovate our food strategy so our guests think of Target first when it comes to food?

## Project Parameters

Develop a strategy that leverages technology to innovative the way Target sells food. 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 grocery, as well as a second SWOT analysis based upon implementation of the proposal.

## Suggested Topics

- Price: What factors drive price the most in food? How does the grocery guest assess value? How can Target remain competitive on price while upholding its commitment to freshness?
- Product: What food categories drive consumer loyalty? How can Target continue to differentiate its assortment while ensuring guests find the brands they expect? What role should regionalized food preferences or specialties play in each store’s food assortment?



## Target Case Study Program

- Presentation: How can technology enhance the food presentation? How can Target use presentation to better highlight its upscale offerings as well as its commitment to freshness? How does presentation drive sales in food?
- Marketing: How can Target leverage technology to better market its food strategy? What additional marketing tools should be employed?
- Guests: How does the grocery guest shop? What do guests value in a grocery shopping experience? How can Target use technology to improve the shopping experience in food?
- Competitors: Who are the competitors in the grocery industry? How are these competitors leveraging technology? Who should Target benchmark?
- Brands: Do brands matter in all food categories? How can Target better position its owned-brand items alongside national brands? Which external brands complement Target's brand image?
- Trends: What are some current and emerging trends in retail grocery technology? Which trends complement Target's brand image?
- Economy: What economic factors will drive change in the grocery industry?

### 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](http://Target.com/community).

## Industry Notes

Grocery retailers are using technology worldwide. Minneapolis-based Supervalu has designed a new scenario for reaching shoppers that emphasizes in-store electronic media and personalization. Called "avenue," it includes coupon-dispensing kiosks, checkout coupon printers, digital screens and audio broadcasts. It helps the store connect with customers through a welcome kiosk to POS coupons in store (among other technology), and through the Internet at home.

Over the years, high-tech shopping carts in one form or another have been hyped as ways to keep people in stores longer and to spend more money, but more often than not, they have not lived up to the expectation. Technological advances, however, have led grocers to try the carts again. Some companies testing the popularity of the carts include Publix and Wal-Mart.

In parts of Europe, the future of traditional shopping looks set to change dramatically as supermarkets and shops embrace a raft of electronic payment, shelf location and individual goods tagging systems. In the UK, consumers are positively embracing the use of biometrics. In Germany, one of the most popular technologies among customers has been the Personal Shopping Assistant (PSA), a touch-screen computer attached to a shopping cart that provides up-to-the-minute information about special offers and products.



In North America, IHL Consulting Group says shoppers in North America inserted nearly \$111 billion into self-checkout registers in 2005, up 35 percent from 2004. This, however, has led to a drop in impulse purchases. Impulse purchases by women dropped 50 percent if they used self-checkout, while last-minute grabs by men dipped 28 percent, according to the survey.