



Searching for a Home-run

Situational Analysis

Discount retailers competing in the U.S. home industry have faced declining sales since 2000; sales have decreased by 1.2% annually for the past five years. In order to remain competitive and gain market share in this tough environment, Target has tried with mixed success to upgrade its merchandise assortments to perpetuate growth. Experts are now predicting that a slow-down in the housing market, historically high gas prices, and increased competition from home improvement and warehouse retailers will continue to fuel the intense competitive pressures in the industry. More than ever, discount retailers are being challenged to deliver a clear home merchandise strategy that includes the right mix of core and fashion merchandise at competitive value-driven prices.

Project Question

How can Target improve its merchandise and value statements to remain competitive in the home industry? What product, price, promotion, and presentation strategies will support Target's brand promise of "Expect More, Pay Less" and give the company a competitive advantage?

Project Parameters

Develop a clear strategic plan that will position Target as a leader in the home industry (including furniture, décor, domestics, and accessories) and in the eyes of its core guest. Focus on defining this position 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 the home industry as well as a second SWOT analysis based upon implementation of the proposal.

Suggested Topics

- **Product:** What merchandise categories should Target stand for? What is the right balance of core and fashion merchandise?
- **Price:** What factors drive price the most? How does the guest assess value? What is the right balance of low/med/high priced merchandise?
- **Presentation:** How can Target more clearly present its items and collections? How does presentation drive sales? How can Target offer a distinct, yet consistent, presentation across all home categories?
- **Promotion:** How can Target better leverage itself through the use of promotions? What sort of promotion vehicles should be employed?



Target Case Study Program

- Guests: How does the home guest shop (color, material, size, style)? How can Target make its home shopping experience easier? How can Target better educate the guest on home merchandise and value?
- Competitors: Who are the competitors in the home industry? How are these competitors positioned? Who should Target benchmark?
- Brands: Do brands matter in the home industry? Do brands matter in all categories? Which external brands complement Target's brand image?
- Trends: What are some current and emerging trends in the home industry? Which trends complement Target's brand image?
- Economy: What factors will drive change in the home 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](https://www.target.com/community).

Competitor Overview

A recent industry report by Retail Forward identified the following actions by retailers to address industry conditions and competitive pressures:

- Wal-Mart: Adding more fashion to its home mix; testing new merchandise presentation strategies in order to convey good-better-best strategy
- JCPenney: Building on private and exclusive brand offerings (i.e. Colin Cowie, CM Hotel Luxury); expressing interest in pursuing more urban market based strategies
- Kohl's: Expanding apparel private label brands into home offerings; seeking to establish a more distinct good-better-best strategy
- Linens 'n Things: Merchandising with a shop-in-shop concept through its exclusive Nate Berkus collection; exploring e-commerce buzz with an online wine boutique
- Bed, Bath & Beyond: Testing multiple formats under a single roof to perpetuate growth; integrating Harmon health and beauty stores to create shop-in-shop experiences
- Pier 1 Imports: Shifting focus from furniture to home décor and accessories; reducing number of stocked products and streamlining furniture collections
- Lowe's: Expanding offering of home decorating products; installing new merchandising displays to better showcase home furnishing offerings