



Capturing the Growing Pharmacy Market

Situational Analysis

In 2005, Americans spent \$200.7 billion on prescription drugs. Additionally, the number of prescription drugs purchased increased 71 percent between 1994 and 2005 (from 2.1 billion to 3.6 billion). On average, people over age 60 use about three times as many medications as those under that age.

Today, 13 percent of the U.S. population is over 65. By 2030, when the first baby boomers (born 1946-1964) reach age 84, there will be 69 million Americans over the age of 65, representing 20 percent of the population.

While the aging U.S. population presents an opportunity for retail pharmacies, the industry has become increasingly competitive due to the continued consolidation of the drugstore industry, increased mail order pharmacy business, the Medicare program, and drug importation. In addition, sales of potential generic pharmaceuticals continue to grow as a percentage of total prescription drug sales.

Project Question

At Target Pharmacy we differentiate ourselves to our guests in a variety of ways including Clear RX and outstanding guest service. As the population ages and requires more medication, how will Target Pharmacy continue to differentiate itself and increase market share?

Project Parameters

Develop a strategic differentiation plan that will help Target drive a sustainable competitive advantage in pharmacy.

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 pharmaceutical market, as well as a second SWOT analysis based upon implementation of the proposal.

Suggested Topics

- Price: How can Target Pharmacy remain competitive on price while remaining profitable?



- **Guests:** Do senior citizens require a more intensive guest service experience from their pharmacy? How can Target deliver a more personalized experience within its self-service retail model?
- **Services:** Are there additional services Target could provide to its pharmacy guests? Which services do pharmacy customers value the most?
- **Accessibility:** How can Target make its pharmacy services more accessible to a population with limited mobility?
- **Government & Regulations:** How could changes in public policy impact Target's pharmacy business?
- **Technology:** How can Target leverage technology to increase its market share in pharmacy?
- **Branding:** How can Target Pharmacy effectively deliver the Target brand while speaking to a demographic outside of its core guest segment?
- **Consumer Education:** How can Target leverage the current level of public interest in health and wellness education? What role should a pharmacist play in providing prevention education?
- **Community:** What community organizations are important to this population? Are there opportunities for Target to partner with these organizations?
- **Competitors:** How are other pharmacies catering to older customer? Who should Target benchmark?
- **Trends:** What are emerging trends in retail pharmacy? Should Target be a first mover on these trends?
- **Economy:** What economic factors will influence the retail pharmacy 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:



Target Case Study Program

- **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.

Industry Notes

Research indicates that in the next decade, seniors will drive over \$46 billion in consumer product growth, and that rising traffic from seniors is already driving growth in such categories as heat/ice packs, braces and adult incontinence products. Analysts see that pharmacies can play a huge role in fulfilling the home health care and other over-the-counter needs of seniors. The increased use of prescription drugs by seniors is also being fostered by Medicare Part D, although the benefit's low reimbursement rates have tightened margins. 30 million Americans have signed on to the Medicare Part D program