



# Choosing the Right Site for a Distribution Center

## Situation Analysis

Target operates 26 Regional Distribution Centers (RDCs), which deliver general merchandise by truck to the more than 1600 Target stores throughout the United States (see attached map). Target merchandise comes to the RDC before it is shipped to our stores. Once the merchandise arrives at the RDC, it is unloaded, inventoried and then either kept in storage for later use or loaded onto another truck to be delivered to one of our stores.

RDCs must be able to respond to inventory needs quickly, keeping our shelves stocked for our guests without cluttering our stores' backrooms with excess product.

Each RDC employs approximately 1200 people (1100 teammates and 100 executives) and serves between 90 and 130 stores. At peak times, an RDC will load almost 300 trailers per day.

As Target continues to build new stores, there will be a need for additional RDCs. In considering locations for an RDC, Target will be seeking to minimize transportation costs, attract a high-quality workforce and drive efficiency for our supply chain.

## Project Question

To continue to meet the needs of our stores in the Northeast region of the United States, Target will need to build another Regional Distribution Center within the next two years. What would be the optimal location for this facility?

## Project Parameters

Select a location for our next Regional Distribution Center and explain how this location would help support continued growth at Target as well as keep our existing stores in stock. Please note: An RDC site must be at least 130 acres and be located within 550 miles of the stores it serves in order to ensure same-day level of service.

Utilize the Suggested Topics section as a guide. Explore the most relevant topics and support all 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 with its supply chain and transportation needs, as well as a second SWOT analysis based upon implementation of the proposal.



## SUGGESTED TOPICS

- **Geography:** What geographic factors might influence the site selection process? How might the projected population increase/decrease in certain regions impact this decision?
- **Staffing:** How will the location of the RDC affect Target's ability to attract a high-quality hourly and executive workforce? What factors must Target consider when evaluating the labor market?
- **Government & Regulations:** What regulations must Target consider when choosing the next RDC location? How could changes in public policy impact transportation costs? How might an area's local government impact the decision-making process?
- **Competitors:** Would building near a competitor be an advantage or disadvantage for Target? Why?
- **Suppliers:** How does the location of Target's suppliers impact site selection? What role do vendors play in reducing transportation costs?
- **Community:** What role does the local community play in selecting a site location? How could Target connect with community members to gauge interest or acceptance?
- **Environment:** What environmental issues could impact the site selection process? Could location choice impact Target's ability to leverage sustainable practices and processes?
- **Economy:** How will rising fuel costs impact the site selection process? What other economic factors could affect the site selection process?

## 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. This includes 218 SuperTarget locations in 21 states. 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](http://Target.com/community).

### Note on Fuel Costs

According to the Energy Information Administration ([www.eia.doe.gov](http://www.eia.doe.gov)), crude oil prices are projected to rise by \$12 per barrel this year, which translates to an average cost of \$3.78 per gallon of regular-grade motor gasoline. Diesel fuel retail prices in 2008 and 2009 are projected to average \$4.32 per gallon, up from \$2.88 per gallon in 2007.



## Distribution Network Map

