



Optimizing our Guest-Focused Supply Chain

Situational Analysis

An important part of delivering a Target brand experience to every guest is being in stock. Over the years, the Target supply chain has become increasingly guest-focused, using leading-edge technology and sales data to ensure that we have what our guests want, when they want it.

This guest-focused approach is particularly important when it comes to our top-selling items, such as paper towels, laundry detergent and diapers. These are the items our guests need on a regular basis and our ability to consistently stock them drives loyalty.

In order to keep these products in stock at our stores, we strategically maintain a large volume of this inventory in our distribution centers. While holding this product at our distribution centers makes it readily available when needed, it also drives increased labor costs because the product must be handled multiple times before it reaches the store.

Project Question

How can Target drive better in-stocks in our stores while reducing inventory levels at the distribution centers?

Project Parameters

Develop a strategy for our guest-focused supply chain that will 1) reduce inventory levels in our distribution centers, 2) increase in-stock levels in our stores, and 3) keep labor costs at current levels or lower.

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 within the gift card market, as well as a second SWOT analysis based upon implementation of the proposal.

Suggested Topics

- Store Locations: How does the location of a store affect the supply chain? Are there different considerations for rural vs. urban locations?
- Technology: Are there opportunities to leverage new technology to reduce labor costs and/or speed up the supply chain?



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- Competitors: How are competitors optimizing their supply chains to better serve their customers? Who should Target benchmark?
- Product: How does the mix of merchandise affect the supply chain? Do different products have different shipping needs?
- Vendors: What role do our vendor partners play in helping us optimize our supply chain? How does the location and performance of our vendors impact our supply chain?
- Trends: Are there trends in the retail industry that Target should be leveraging to optimize its supply chain?
- Economy: What economic factors could impact the efficiency of our supply chain? How can Target prepare for those possibilities?

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.
- 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



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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).