Target Corp is a publicly traded company founded in 1902. The largest share of Target’s sales is derived from its mass merchandisers, which accounted for 76% of the company’s value sales and 86% of its outlets in 2016.

Target has built a name for itself with a focus on value but with an eye for design. The company now aims to grow by investing in grocery retailing, private labels, and digital platforms. Target’s focus can be seen in its outsourcing of its pharmacy business to CVS at the end of 2015, a major reason it saw sales decline in preceding years.

Known for its cheap yet chic products, Target’s primary customer is upper-middle-class, often fashion forward and very loyal. They have also become more urban. As a result the company introduced a new smaller format in 2011, (formerly known as City Target, but now just a small-format Target). These stores are around 5,100 square meters, and debuted in Chicago, Seattle and Los Angeles. They are intentionally stocked with goods that can easily be carried by shoppers without cars.
TARGET CORP

Strategic objectives and challenges

Increasing its digital presence
- Target is trying to put its poor digital reputation behind it. After years of unfriendly websites and apps, it is actively investing in increasing its cross-channel capabilities. This has led to the development of a well-reviewed savings app in Cartwheel, and the acquisition of a hyperlocal delivery company, Shipt. The former helps make couponing clipping easier, while the latter will help Target launch same-day delivery.

Attempts to innovate in a modern manner
- To innovate, the company has developed an incubator which it has modelled off Silicon Valley and the modern startup process. Target’s Food + Future CoLab has explored agricultural innovations, urban farming and food transparency to better outfit Target stores. While its “The Store of the Future” programme was closed down in 2017, it does plan to reimagine 1,000 stores by 2020, with a plan to open 75 small-format stores by 2019.

Becoming a grocery destination
- Target desperately would like to grow its grocery business as it can drive upsell and traffic. The company intends to do this by expanding and differentiating its private label grocery brands, with an emphasis on healthy, organic options, items for young children. It also has dedicated grocery employees who receive specialised grocery training, work with backroom food inventory and interact more directly with customers.

Avoiding high-profile failures
- Target has been a company of some infamy in recent years. In 2013 it was the source of a large credit card hack. In 2015 it left Canada after assuming that it could scale quickly without getting to know the cultural and geographical differences between Canada and the US. It still has issues with grocery where its shelves have been plagued with stocking issues. Target succeeds with its core competencies, but branching out has been tough.
Target understands that shopping should be seamless across consumer engagement points, and expects that online growth will supplement declining store-based sales in some locations, and replace them in others. To attract more online business, Target offers free shipping to all RED card members, regardless of the order size, providing an advantage over ordering from Amazon. It also expanded its ship-from-store operation to an additional 300 stores in 2016, in an effort to decrease total shipping times for online consumers. In 2017 it bought Shipt, a hyperlocal delivery company, for USD550 million, in order to increase its same day delivery capacity to about 1,000 stores by the end of 2018.

One area in which the company is distinguishing itself is through its Cartwheel platform. Cartwheel started out as an app in 2013, and expanded its reach to target.com in 2014. Users can add coupons from Target and from manufacturers to the app whilst shopping online, in-store or ahead of their trip. The company continues to roll out new features, one of which includes the ability to track how much friends are saving. In 2016 the company announced that it would be piloting a Cartwheel Perks reward programme, which was introduced in four cities. The Perks programme rewards shoppers with 10 points for every dollar spent in stores, and allows them to choose from a list of bonus items when they reach 5,000 points. This is part of a larger strategy to expand the usage of the Cartwheel app, encourage customer loyalty and personalise the offers sent to shoppers. In 2017, the app became the dedicated app as it was merged with the generic Target app. As of the middle of 2017 the app had been downloaded around 40 million times.

In addition, Target makes available to its customers a subscription to order frequently used products. This programme offers an additional 5% discount on online orders. The company expanded the number of products available from 1,000 to 1,500 in the second half of 2014. To further attract consumers, the company offers free shipping to subscription customers, and the products purchased can be returned to the store. Currently, the subscription offers baby products, groceries, home care essentials, health products, beauty and personal care products and pet care.
Target’s private label lines are very well-developed and constitute one of the company’s distinguishing features. The company’s private label products are available in virtually all categories, with particular emphasis on packaged food, apparel and footwear and homewares.

One of Target’s key selling points is its collaboration with outside designers for limited time runs of products to serve as strong branding campaigns. In January 2015 the company partnered with classic American designer Lilly Pulitzer, and in 2016 it introduced a collection with Finnish design house Marimekko, and announced a future partnership with British designer Victoria Beckham.

Target is also reinventing its apparel strategy, with 14 new brands to be launched by 2019. It is phasing out old brands Mossimo and Merona to make room for new targeted brands, such as Goodfellow & Co. and A New Day, for professional men and women, respectively. Cat & Jack, a children’s brand, is an early winner with USD2 billion in sales in its first year.

**Key Private Label Ranges in the US in 2017**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Packaged food</th>
<th>Beauty &amp; Personal Care</th>
<th>Homewares &amp; Home Furnishings</th>
<th>Apparel &amp; Footwear</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>Simply Balanced (healthy/organic)</td>
<td></td>
<td>Project 62 (homewares)</td>
<td>A New Day (women’s)</td>
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<tr>
<td>Mid-priced</td>
<td>Archer Farms</td>
<td>Up &amp; Up</td>
<td>ChefMate (cookware)</td>
<td>Goodfellow &amp; Co. (men’s)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Threshold (homewares)</td>
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<td></td>
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<td></td>
<td></td>
<td>Cat &amp; Jack (children’s)</td>
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<td></td>
<td></td>
<td>Cloud Island (baby)</td>
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<td>Joylab (athleisure)</td>
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<tr>
<td>Economy</td>
<td>Market Pantry</td>
<td></td>
<td>Room Essentials (homewares)</td>
<td></td>
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