# case study

*This case presents a scenario with a hypothetical challenge.*

*By participating in this activity/competition/etc. you are confirming understanding that this case study topic is a hypothetical situation that may or may not be part of Target's previous, current or future business endeavors.  Your personal ideas, or those of your team are used for educational and developmental purposes surrounding this University project/activity.   You are also confirming understanding that any similarities in Target's future business practices nationwide are purely coincidental.*

# Technology and Supply Chain Innovation.

## Situation Analysis.

The retail industry is experiencing a crucial change to the way guests shop. People are constantly consuming data through the latest technologies and are leveraging various platforms to stay informed, purchase, and acquire their products. With the increase in technology, consumers have many different ways to shop for whatever they may want. As they are becoming more technology savvy, they are expecting products and services at a faster rate and through an easier experience. Companies need to implement the right strategies to help enhance the supply chain and improve the way they move products to consumers to better suit their demand. Choosing the right technologies and supply chain to invest in will be essential to Target staying ahead of the competition.

Retailers are constantly trying to stay ahead of technology trends and find creative solutions to move product faster. How should Target think differently about its current supply chain assets while assessing new technologies to improve the overall speed and reliability of efficiently delivering product to consumer?

## The Company.

Target Corporation (NYSE:TGT) is an upscale discount retailer that provides high-quality, on-trend merchandise at attractive prices in clean, spacious and guest-friendly stores. With total 2018 revenue of $74.4 billion, Target has over 1,800 stores and 39 distribution centers in the United States, and over 320,000 team members worldwide. Its online business can be found at www.target.com.

The first Target store opened in 1962 in the Minneapolis suburb of Roseville with a focus on convenient shopping at competitive discount prices. Target currently is the second largest general merchandise retailer in America, with Target.com consistently ranked as one of the most-visited retail websites. The company continues to deliver on its brand promise of "Expect More. Pay Less." Since 1946, established with the Dayton Company, Target has given five percent of its profit to communities, which today equals millions of dollars a week. Corporate Responsibility magazine has named Target on its "100 Best Corporate Citizens List."

Target is recognized as a leader in innovation across the retail industry. From pioneering the concept of designer partnerships to consistently being best in class in store design, Target remains focused on not only meeting, but exceeding its guests' needs. To remain relevant to its guests over time, Target continually reinvents its stores, including layout, presentation and merchandise assortment, to create an engaging shopping experience and fulfill the Expect More. Pay Less. brand promise.

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## The Guest [Consumer].

Target's core guests are incredibly diverse, and no one segmentation can describe them fully. We learn a lot about them from spending time getting to know them as people, not data points. Typical guests have kids in the household and lots of demands on their time. Guests actively shop in-store and online and use technology while shopping, with one hand on their cart and one hand on their smartphone. They enjoy shopping and want to tell their friends, remaining engaged with social media while shopping and sharing their feedback and experiences online. They are often influenced by others and share their findings to influence others.

Today's consumers demand great value, which is much more than price – value is a combination of price + assortment + experience, and it's a unique equation for each person. It's feeling like you gave more than you got. Consumers have a wide range of retail choices, and

are willing to hunt to take advantage of the best value. But, with so many demands on their time, consumers are also looking for convenience.  Retailers have answered this trend by partnering with mobile payment applications and shortening the number of steps required from browse to checkout, both digitally and physically. In terms of obtaining the purchased product, free shipping and in-store pick up are becoming increasingly important for online transactions, as well as length of time until product is received.

For Target, the guest is at the center of everything. The company is continually developing new ways to serve the guest anytime, anywhere. Target today remains committed to providing a one-stop shopping experience for guests by delivering differentiated merchandise and outstanding value with its Expect More. Pay Less® brand promise.

## The Competitive Landscape.

The use of technology in retail is no longer simply a competitive advantage; the competitive landscape demands an innovative and comprehensive use of technology to remain relevant *and* create distinction among competitors.

Traditional consumer engagement and the brick-and-mortar shopping experience is not what all of our guests are looking for. Weekly newspaper inserts, coupons and "blue-light specials" are hallmarks of retailers who are struggling to remain relevant with the increasingly important millennial segment. As the internet is widely and consistently available, and logistics channels have become more convenient and efficient, online retailers continue to leverage technology to take away market share from brick-and-mortar retailers. In evaluating how new, cutting edge technologies might fit within Target's strategic portfolio, students should consider the following segments of market players as well as changes to the competitive environment:

- **Brick-and-mortar retailers**: Specifically in the big box discount retailer segment, Walmart has leveraged effective enterprise use of technology to remain a low-cost leader, while keeping their consumer-facing technology up-to-date. Applications such as Savings Catcher fit well within Walmart's overall emphasis on value and cost savings, and their acquisition of Jet.com allowed them to make quick improvements in their online business model. Other brick-and-mortar retailers continue to invest in both their online presence as well as their use of mobile apps and in-store technology to drive brand affinity and customer loyalty. What role does consumer-facing technology play in Target's traditional in-store operations, and how can innovations continue to advance and enhance that experience?

- **Online-only Retailers:** Technology and logistics have made it possible for online-only retailers to rapidly gain market share. They rely on website interfaces that are easy for consumers to navigate, and that streamline the shopping and ordering process for consumers who cannot physically interact with the products before purchase. One key innovation that has benefited online-only retailers is the ability for consumers to scan a physical product barcode using their phone's camera to compare prices while standing in the aisle of a traditional brick-and-mortar store. One-click ordering and streaming services have also added to the portfolio of services available through online-only retailers. Free shipping and two day shipping have become the guest's standard

expectation. How can Target emulate key features of online-only retailers while maintaining brand identity, and innovating on those features in a way that surprises and delights guests?

- **Innovations:** Changes in the industry to get goods to consumers are ever important. Order online and pickup in store, ship from store, curbside pickup, local one hour delivery, Uber, and other options are giving guests the ability to shop on their own terms in ways they have never been able to before. Some competitors are starting to leverage robot technology to deliver and assist guests in the purchasing process as well as creating new ways to check out without lifting a finger.

Some of our greatest assets as a company are our stores (location), assortment and brand building capabilities. Target's challenge is to innovate in a way that Guests can relate to, and identify as part of Target's overall brand strategy. In your evaluation of the competitive landscape, address which technologies and strategies are a good strategic fit for Target's brand, which could be integrated into the brand portfolio over time with support from teams responsible for Target's brand perception. Also consider what technologies, while effective for some retail formats, do not fit with Target.

# The Challenge Ahead.

As sales have continued to grow in the digital space, speed and reliability have become increasingly more important. Target must continue making smart investments in cutting-edge technologies that support the supply chain to support growing digital revenue faster than the overall market with offerings and capabilities that guests desire, while leveraging our competitive advantage of 1,800 localized stores. Making sure Target is on the front end of emerging technology is important, but only if it makes sense for its guests. Between the current supply chain network and systems (outlined below), and the technologies, systems, capabilities that exist in the industry, which are the right technologies and capabilities to improve our supply chain effectiveness and set us apart from competitors now and in the future to grow sales?

While creating your proposal, the below details will be helpful to understand the current layout of Target's stores and digital supply chain network and systems.

- **Distribution Centers (DCs)** – Target has 38 DCs that support replenishment product for Target stores to keep the shelves in stock and/or fulfill Target.com orders by shipping products directly to guests or to Target stores for safe and secure order pickup.
- **Ship From Store Locations (SFS)** – Of Target's 1800 stores, more than 1000 have the capability to ship an item to a guest from their store location
- **Order Pick-Up Locations** – All of Target's 1800 stores (with a few exceptions) have the capability for guests to order an item online and retrieve it in a store, whether the item already exist in the store or if the item is shipped to a specific location.

Additionally, it will be important to keep a few things in mind:

- How does your solution fit into Target's existing supply chain and technology portfolio and enhance the guest experience?

- Does it differentiate Target from the competition?

- Does it set Target up for success long-term?

- Will it be intuitive for guests and team members?

- Is it financially justified?  Include financial, business risk, and technology analysis that enhances your case.

- In order to enhance your case, use graphics, images, and mock-ups wherever possible to bring your solution to life and illustrate its benefits.

The time is now to invest in cutting edge technologies and processes that make Target every guest's favorite place to shop.  How will your team address the challenges of the ever-evolving retail landscape to deliver a solution?  How will you change the future of retail?

# Frequently Asked Questions.

Q. What is Target's current mobile application strategy?

A. Currently, Target has guest-facing mobile applications for the following uses:

- Target – the "flagship" application that allows Target guests to shop in-store and online assortments as well as find and locate product in stores
- Cartwheel by Target – application digital savings app released in 2013 that allows guests to find coupons by searching or scanning product
- Target Registry – enables Target guests to be able to use gift registry functions on a mobile device
- Seasonal Target Wish List – gives our little guests the opportunity to tell Mom and Dad what they want around the holidays

Q. What is Target's current shipping guarantee?

A.  Currently, Target does not actually guarantee shipment within a specific amount of time, guests are just given an estimated date of arrival

Q. What percent of Targets shipping is completed in store vs. a fulfillment center?

A. 30% in store

*Interested in learning about what it's like to work at Target?  Read the latest Team Member stories at http://pulse.target.com or visit www.Target.com/careers to view current openings.*