Thanks, John. And good morning, everyone. As we step back and look at our third quarter results and our year-to-date performance, it's clear that our strategy is working and we're delivering on the financial commitments we laid out last March. Following an extended period of declines, traffic has turned positive over the last four quarters and it's been accelerating on a two-year basis.

Sales in signature categories have been growing much faster than our overall sales, and they're clearly exceeding industry benchmarks. So, while consumers continue to spend cautiously, we feel confident as we enter the holiday season. And we're focused on continuing to deliver on both our strategic priorities and our financial goals.

As we mentioned in our last conference call, our third quarter plans were based on the knowledge that we are facing stronger prior year comparisons than we had experienced earlier in the year. Now, with the quarter behind us, I am pleased to report that not only did we meet our forecast we saw continued progress on our strategy. Specifically two-year growth trends in comp sales, traffic and signature category performances each accelerated in the third quarter, following strong performance in the second quarter. Our third quarter adjusted EPS of $0.86 was 8.6% higher than last year and above the midpoint of our guidance range we provided at the beginning of the quarter.

Third quarter comparable sales were up 1.9%, also near the high-end of our guidance, and driven primarily by growth in traffic. We are really pleased that our guests are responding to the investments we're making in our assortment, presentation, and shopping experience. And we're focused on building on this year's traffic increases in both, stores and our digital platforms in the quarters and years ahead.

Our third quarter gross margin rate was down slightly to last year, reflecting the benefits of a favorable merchandising mix and the comparison over last year's intense promotional markdowns. These benefits were offset by reimbursement pressure in pharmacy combined with the impact on investments in quality and innovation on our owned and exclusive brands.

Third quarter SG&A expenses were solid and in line with our expectation, as Cathy will cover in a few minutes. We reported a very healthy after-tax return on invested capital of 13% this quarter, nearly 2 percentage points higher than a year ago as progress on our strategic priorities has driven improved profitability on a relatively stable base of invested capital.

Given the stable performance, we continue to have capacity to invest in our business, while returning a compelling amount of cash to our shareholders.

This quarter, we will return well over $1 billion through a combination of dividends and share repurchases, bringing our total cash return to well over $3 billion so far this year.

Consistent with our guidance, our third quarter comp sales increase was somewhat smaller than the second quarter. From a category perspective, the entire change of pace in sales was attributable to apparel and electronics. In apparel, third quarter comp sales grew just under 3% compared with nearly 5% in the second quarter. This slowdown was correlated with warm weather in September followed by a reacceleration when somewhat cooler temperatures arrived in October.

In the electronics category, we saw a double-digit decline in the third quarter comp sales. This performance reflects the comparison over last year's most intense electronic promotions, which occurred in August and the continued softness in tablets, consistent with industry trends. One standout in electronics was wearable devices, part of the signature Wellness category, where we saw nearly 100% growth in comparable sales. Another standout was our Toy category, part of the signature Kids business, which matched its second quarter growth with another 12% comp sales increase this quarter. Beyond strength in licensed products, growth in toys was broad-based across multiple sub categories including small dolls, LEGO, action toys and board games.

We were also pleased with third quarter results from seasonal programs, beginning with solid performance in back-to-school and back-to-college all the way through Halloween when we saw very strong increases in costumes and décor and solid growth in candy. And to show you why are we so excited about the upcoming Star Wars release, we had the number one market share in Star Wars when we launched it in our store back in September.

Looking through the lens of our category roles, third quarter comp sales growth was led by signature categories which grew more than two and a half times as fast as our overall sales. And as I mentioned, given the tougher prior year comparisons, our two-year stack comps in signature categories were stronger in the third quarter than either of the first two quarters of this year.

Beyond toys and wearable electronics, our third quarter standouts within signature included baby and kids' apparel, women's ready to wear and wellness items and food.

In food overall, for the first time this year, third quarter comp sales growth outpaced comp sales overall as our work to reinvigorate this category is beginning to shape our performance. In key categories like yogurt where we added premium and better-for-you brands, we saw high single digit comp sales increase in the third quarter. We saw similar comp increases in craft beer and wine, reflecting our work to enhance the assortment and bring locally relevant brands to our guests.

Looking forward, we will continue to enhance our food assortment with a focus on wellness, local relevance and seasonally appropriate items. And following the holiday season, we will begin testing changes to food shopping environment in a set of 25 remodels scheduled for the LA market along with a set of SuperTarget remodels scheduled for next year.

Digital sales increased 20% in the third quarter, contributing about 40 basis points to our comp sales increase. While significantly outpacing the industry, this performance was well below our expectation of 30% growth which we outlined in the last call.

As we look at the drivers of this performance, it's clear the third quarter softness in electronics was particularly impactful online. And like our stores, digital sales growth in apparel was slower during much of the quarter, correlating with the relatively warm weather across much of the country. We know that our digital investments drive engagement and sales in all of our channels. And we are pleased that our third quarter sales were near the high end of our expectations. However, we believe we have an opportunity to accelerate digital transactions by enhancing the experience on Target.com.

Beyond our efforts to streamline the guest experience on our site, our team is rolling out multiple initiatives that we expect to drive digital traffic and sales over time. And once again, this holiday season, we expect to be offering free shipping on all digital orders. We are very pleased with the guest response to this offer a year ago and we expect it to be a key differentiator for Target again this holiday season.

Regardless of where our guest demand is ultimately fulfilled, in a store or in a guest front porch, we know the vast majority of our sales in all of our channels are digitally enabled. For example, our guests access our brands through a digital device, both in advanced hub and during their trip to one of our stores. As a result, we don't think that digital is simply a selling channel, but a critical enabler of the shopping experience in all of our channels. This has significant strategic implications, both in terms of organizational structured and the way we reward our team.

Since I arrived last year, we have been evolving our approach to focus first on our core guests and build a total Target assortment that best serves the needs and expectations of our guest. Only after we have determined the appropriate assortment, do we plan on how to offer it to each of our selling channels. Consider efforts in signature categories. For more than a year now, we've been investing in these categories with the expectation that they will grow most rapidly and we've seen this play out in all of our channels. In fact, even while our digital footprint remains relatively small, we're approaching $1 billion of annual sales in our home category, making us one of the leading digital retailers in the states.

As we look ahead to the holidays, we are excited about our merchandising and marketing plans, and we believe we'll further differentiate Target during a critical retail season. In hardlines, Toys has already turned in a terrific performance so far this year. And we expect this strength to continue throughout the fourth quarter, when we simply generate half of our annual toy sales. This year more than 15% of our toy assortment is exclusive to Target, including the exclusive BB-8 Droid from the upcoming Star Wars movie which we expect to be a top seller. We're also bringing back our Kids' Wish List back, this year with enhanced features to make it easy and fun for family and friends to shop for the perfect gift for every kid in their life. Our gift catalog featuring more than 700 items was distributed to 40 million guests this year through direct mail, newspaper and distribution in our stores.

On Cartwheel, we're seeing great results from our daily toy deal, which is featuring a different toy at 50% off every day through December 24th. And finally, we're bringing everything together on our kids gifting hub on Target.com, which is designed to make shopping easy for parents and gift givers while create a destination as fun and inspirational for kids.

In electronics, we're excited to be one of the few retailers offering the Apple Watch in stores this season. And we expect this item to be a top gift item in wearable categories. Also in wearables, we partnered with UNICEF to offer their kids our band, which encourages kids to get more active, and based on the point they accumulate, improve the lives of kids around the world. We also expect drones [ph] to be a big hit this season. So, we're featuring nearly 20 in-store, and about four times as many online.

We're planning for a big season in video games, a key gifting category where hardware prices continue to moderate and software libraries continue to grow. And in entertainment, where we're very excited to be featuring a Target exclusive version of Adele's new 25 release that features three bonus tacks available, only at Target.

As we enter the holiday season, about 1,400 of our stores are featuring mannequins in apparel, which is around double the number we had a year ago. Also this year we've enhanced the shopping experience by updating presentations in home and electronics, in more than 200 additional stores for each group. So, we feel great about the ability of our stores to showcase our assortment. And this year when our guests shop at Target for the holidays, they'll find assortment focused on three key things, entertaining; decorating; and gifting.

To support each of these themes, we've invested in quality and differentiation, featuring real marble, hand carved wood, copper accent and genuine leather. In fact, more than 20% of our holiday gifting items are handcrafted this year.

In food, we're highlighting exclusive brands and flavors, including Republic of Wine, our new exclusive brand which features unique discoveries from around the world. We're rolling out classic holiday and flavors in Archer Farms and we're offering exclusive indulgent seasonal flavors from great natural brand partners with M&M's Hershey's, Dove and Ghirardelli. And finally, anticipation's building for Black Friday, which is just over a week away. Once again, this year, we're opening our stores at 6:00 pm on Thanksgiving and our team is already preparing to deliver a combination of great deals and a shopping experience that makes Target different from everyone else. But we're committed to offering compelling savings, value beyond the traditional Black Friday event. Beginning this Sunday, we'll launch 10 days of deals on electronics, kitchenware, toys and more which will run through Tuesday, December 1st. This Sunday's Weekly Ad, we'll also revel special deals from our Black Friday presale, which takes place on Wednesday, November 2015.

For our guests who prefer to shop digitally, all of our Black Friday deals will be offered on Target.com. And finally, guests who spend $75 or more on Friday, November 27th, will receive a voucher for 20% off on future purchases, redeemable from December 4th through the 13th.

Last March, in our meeting with the financial community, we outlined our plan to grow profitably by focusing on a set of key enterprise priorities. And, while we have much more work to do, we remain committed to that plan, and our pleased with our progress so far.

Through the first three quarters of 2015, we have successfully grown traffic, sales and profits, a bit faster than we originally expected by focusing on our core guests and providing them with differentiated assortment and the experience they expect and deserve. But we're not slowing down, because we see enormous opportunity still ahead of us. We are going to continue to focus on elevating the assortment, quality and the presentation in our signature categories. Across every category, we will differentiate Target assortment by providing exclusive items from both our national branded partners and one of a kind items from our outstanding product, design and development team. And while we're encouraged with the recent acceleration in food sales, we are still in a very early stages of our work to provide a unique assortment of fresh, local and healthy items to our guests.

And finally, while I'm pleased we've already made early progress in our efforts to improve our in-stock performance, I believe we've got a multiyear opportunity to improve our reliability, both in-stores and in digital channels by modernizing way we work and refocusing on retail fundamentals.

Now, I'll turn the call over to John Mulligan, who will discuss this team's early efforts to improve operations as well as John's priorities going forward. John?

John Mulligan

Thanks, Brain. Good morning, everyone.

Today, I'm going to provide an update on our initial efforts to reinforce our retail fundamentals, particularly our in-stock position, and I'll cover our priorities and progress in our work to modernize the supply chain in support of our strategic initiatives.

The good news is that while we have lots of work still ahead of us, we have seen meaningful improvement in key in-stock measures based on changes we've made in the last few months. While we stride to be in-stock on every item, in every store throughout every day, we know that need-based commodity categories are the most critical. If our guests don't believe that they can rely on Target to have their shopping list items available every time they shop, they will begin to skip some trips to Target, even though they enjoy shopping our more discretionary categories. As a result, when in-stock metrics on our core commodity categories began deteriorating this year, we created an out of stock action team to conduct deep dives by category to identify both, short-term and long-term solutions.

When the team identifies solutions within a category, we can quickly test them to confirm they improve our performance and then determine if those solutions can be applied more broadly. This team focused first on our household, personal, baby category and more recently, they've done work on our center store grocery category. In a short amount of time, they've identified opportunities related to the way we generate vendor orders, optimize tradeoffs between order quantities and frequency and our reliance on system generated solutions versus manual processes. In high-volume stores, the team has implemented adjustments to planograms to enhance holding capacity on fast turning SKUs, reducing the need for frequent store replenishment. And in our distribution centers, the team has identified opportunities to reduce lead-time variability, tighten delivery windows, and in some cases increase safety stock on key items. I should note that this increase in safety stock is one of the drivers of the 4% inventory growth we reported at the end of the quarter.

In a very short-time, the results of our efforts have been encouraging. In household, personal, baby, we've been able to reduce overall out of stock measures by approximately 50% in about eight weeks. In centers for grocery, in less than a month, the team was able to reduce out of stock measures by about 25%. And importantly, we've been able to reduce out of stock even further on the items most important to our guests.

Given these encouraging initial results, the team is moving quickly to scale these solutions to a broader set of categories throughout the store, and conducting additional deep dives in categories like health and beauty.

Looking ahead, the team has a number of key priorities, including work to optimize case packs, which will better accommodate variability in store sales volume across our network. In addition, they are implementing technology and process improvement to improve count integrity throughout our stores and distribution network. Included in these efforts will be a test of RFID technology in a few of our apparel categories to gauge the effectiveness of the technology relative to the cost of implementation. This work has been supported by the rollout of an agile technology development in partnership with Mike McNamara, our new Chief Information Officer and our newly hired Senior Vice President of Operational Excellence, Anu Gupta. We are very excited to have Anu on the team. She has more than 20 years of relevant experience in driving operational excellence by leveraging best practices in a variety of operating models including procurement and lean six sigma process redesign across the range of industries including retail. We are confident Anu will accelerate the efforts of the outstanding team we already have in place.

Beyond our work to improve reliability, our store teams are working diligently to support Target's efforts to become more flexible in the way we fulfill guest demand. As a result of last year's rollout of ship-from-store capability, stores have already shipped more than 10 million items directly to guests so far this year. And the percent of digital orders delivered in a three-day window has more than doubled compared with a year ago. To showcase this improvement in our capabilities, last quarter we rolled out new functionality, we call available-to-promise, which offers guests a more precise shipping window. With available-to-promise, we expect nearly two-thirds of our digital orders will offer our guests a delivery window of three business days or fewer compared with our typical window of four to seven business days, prior to the rollout. We recently expanded our ship-from-store capability to more than 300 additional stores, bringing the total to more than a quarter of the chain. This will enable about 40% of digital transactions to be shipped from our stores in the fourth quarter. In addition, two new direct-to-guest fulfillment centers became operational in the third quarter, in advance of the holiday season. With the expanded capacity these changes provide, we expect to continue making progress on shipping speed next year.

As Brian mentioned, most of our store sales are digitally enabled, so we continue to integrate digital experiences into the stores. Guest increasingly use Cartwheel, a digital savings app with more than 20 million authenticated users to plan their store chips in advance and then use the app to search for additional deals while shopping in store. In addition, because 10% to 15% of our digital orders are picked up in stores, we're exploring ways to streamline the pickup process by expanding holding capacity at the service counter and implementing process improvements to reduce wait times. For next year's LA25 remodels, we will feature all of latest merchandising enhancements. We will test changes to the frontend that will make order pickup even more convenient, including dedicated investors to help store guests better understand Target's digital capabilities.

Before I turn the call over to Cathy, I want to thank our store and distribution center teams for their great performance so far this year and for their current efforts to ensure we provide an outstanding guest experience this holiday season. It's an enormous challenge for both our stores and distribution teams to accommodate the surge in volumes we see at Black Friday. But our store teams don't focus only on moving merchandise. They focus first on our guests and do an amazing amount of preparation to ensure guests have a pleasant and safe experience. It's one of the many things that makes Target unique and one of the reasons why guests love our stores and our brand.

With that, I will turn it over Cathy who will share her insights on our third quarter financial performance, and our outlook for the fourth quarter and full year. Cathy?

Cathy Smith

Thanks, John. And hello, everyone.

As Brian mentioned earlier, we're pleased that this quarter's performance was near the high-end of our guidance for both sales and adjusted EPS. As is often the case, when you get into the detailed P&L, there were some ins and outs within the quarter that generally offset each other, which I'll cover in a few minutes.

This quarter adjusted EPS was $0.86, above the midpoint of our guidance range and 8.6% above last year. GAAP EPS from continuing operations was $0.76, $0.10 lower than adjusted EPS, driven by $0.05 of asset-impairments, $0.03 of data breach expense, and $0.02 related to the corporate restructuring we announced last spring. Third quarter GAAP EPS was $0.87 compared with the $0.55 a year ago, as this year we recognized $0.11 of tax benefits related to our investment losses in Canada, while last year we incurred $0.27 of after-tax losses related to Canadian operations.

Let’s turn to third quarter segment results. Among the drivers of our 1.9% comparable sales growth, we are pleased that traffic grew a very healthy 1.4% in the third quarter. This growth is even more encouraging when we look at performance on a two-year basis, as we faced a tougher comparison in the third quarter than either of the first two quarters of the year. October marked our 12th straight month of traffic growth. And we are laser focused on his metric as a key indicator of the health of our business over time.

Breaking out our sales growth between stores and our digital platforms, the stores accounted for a little over three quarters of our comparable sales growth while digital contributed about 40 basis points to our third quarter comp. Consistent with results from earlier in the year, our digital growth continues to be driven by a meaningful improvement in conversion. And although we have seen an acceleration in the last two months, we haven’t seen a growth in digital traffic we expected to see this year. We believe our biggest opportunity to drive traffic continues to be our work to streamline and enhance the digital experience.

Third quarter REDcard penetration was 22.3%, up about 130 basis points from a year ago. And we remain on track to meet our guidance for an increase of 100 basis points or more for the full-year. As you’ll recall, we tested REDcard rewards in the Kansas City market for a year, before we launched the program nationwide. With the benefit of that head start, penetration in Kansas City continues to run well ahead of the rest of the country, giving us confidence that we have continued room to grow this rewards program in the years ahead.

In addition, we are optimistic that the industry’s move to EMV or Chip-and-PIN technology will help restore confidence in the U.S. payment system and increase the willingness of consumers to add new cards to their wallets. Regarding our move to EMV, we are pleased to be one of only a few large retailers in the United States that are accepting chip cards for both credit and debit transactions in advance of this holiday season. We’ve already reissued chip cards to about half of our Target branded debit and credit card holders. And we expect to complete the rollout early next year, following a pause for the holiday season.

Our third quarter segment EBITDA and EBIT margin rates were both about 20 basis points higher than last year, consistent with our guidance as strong SG&A performance offset the impact of a lower than expected gross margin rate.

On the gross margin line, third quarter performance was about 10 basis points below last year, short of our expectations. While we continue to benefit from the comparison to last year's promotions, the benefit is waning as the intensity of those promotions began to taper in the third quarter of last year. In addition consistent with results from earlier in the year, we are seeing continued margin pressure from quality investments in our owned and exclusive brands. Finally, this quarter, we saw a reimbursement pressure in our pharmacy business which we expect to continue until we complete the sale of this business to CVS.

I want to pause for a moment and comment on the CVS transaction. We continue to work closely with the CVS team to obtain regulatory approval for the transaction. And while we don't have an update on the potential timing for the transaction to close, we are pleased with our progress to-date.

Turning back to the third quarter P&L, on the SG&A expense line, we saw unexpectedly strong performance in the third quarter, about 30 basis points lower than last year. As part of our efforts to control cost, this quarter's expense rate benefitted from the discontinuation of an outdated little used retiree medical plan but we also saw discipline across the organization which drove outstanding underlying performance. Even on the marketing line, where some expenses were retimed into the third quarter from the second quarter last year, we recognized savings in other programs that led to overall favorability compared with last year.

As John mentioned and consistent with last quarter, our inventory position at the end of the third quarter was about 4% above last year. This reflects a significant improvement from the higher year-over-year increases we were seeing earlier this year. And while inventory growth is slightly higher than our pace of sales, it reflects changes in receipt timing compared with last year, combined with the intentional investments we are making in commodity categories to improve our in-stock position. As a result, we feel very good about our inventory position going into the holiday season in relation to both our sales planned and our work to improve in-stock reliability.

Turning back to consolidated metrics, third quarter interest expense was a $151 million, $5 million higher than last year. Our third quarter effective tax rate on continuing operations was 34.3%, up from 30.6% last year when we recognized a $30 million benefit from the resolution of tax matters.

We paid third quarter dividends of $352 million, up about 7% from last year. And given our cash position and continued strong business results, we have the opportunity to invest another $924 million in share repurchase this quarter.

Given our long ranged plan to generate profitable growth, we believe the continued opportunity to retire shares will prove to be a productive use of cash. To illustrate that point, under our current $10 billion share repurchase program, we have retired more than 77 million shares, representing more than 12% of our current shares outstanding at an average price of less than $69.

As Brian mentioned our after tax return on invested capital or ROIC was a very healthy 13% for the trailing 12 months through the third quarter. This is nearly 2 percentage points higher than last year when our business results were under pressure following the data breach. Given our plan to generate profitable growth on a relatively stable base of invested capital, we expect to continue to grow this metric over time with a goal to reach the mid teens or higher in the next five years.

Now, let's turn to our guidance for the fourth quarter and what that guidance implies for our expected full year performance. As we look ahead to the holiday season, we are mindful that the consumer remains cautious, and there are indications that heavy inventory levels at some competitors. However, we remain focused on the things we can control and what has been working all year. These include our ability to deliver on our expect more, pay less brand promise by offering great products at a compelling value, iconic marketing that guests love, and an outstanding store experience that differentiates Target from everyone else.

With that context, we expect to deliver a fourth quarter comparable sales increase of 1% to 2%, consistent with our third quarter guidance. Underlying that guidance, we expect digital growth of about 20%, consistent with our third quarter performance.

Before I move down -- further down the Q4 P&L, I want to pause and discuss a challenge we hear a lot, which is based on the acceleration in two-year stacked performance we are planning for the fourth quarter.

John answered this question last call but I think it's worth addressing in more detail today. Last year, our fourth quarter comparable sales growth was 3.8% but that was on top of a 2.5% sales decline in the fourth quarter 2013, when we announced the data breach on the weekend before Christmas. So while the analysis of multiyear sales performance isn't always useful, I think in this case, it's important to think about a three-year stack of our comp sales. Specifically, if we hit the midpoint of our fourth quarter sales guidance, the simple three-year stack would be a 2.8% comp, slightly less than the 3%, three-year stack we've delivered year-to-date. So, while there are always risks to every sales forecast, we don't believe the two-year stack provides useful insight in this case.

Moving back to the P&L, we expect our fourth quarter EBITDA margin rate to be flat to down slightly from last year's 9.8% rate. Among the drivers of EBITDA margin, we expect moderate gross margin rate decline to be offset by a similar improvement in our SG&A expense rate, this quarter. We expect our fourth quarter interest expense to be consistent with our third quarter and our tax rate is expected to be approximately 34%, as we annualize over last year's favorable resolution of tax matters. With our current cash position and expected business results, we've planned to continue repurchasing our shares this quarter and we'll continue to manage the magnitude and pace of repurchase activity with the goal of maintaining our current investment grade ratings. Altogether, this performance would lead to fourth quarter adjusted EPS of $1.48 to $1.58 compared with a $1.49 in fourth quarter 2014.

Let's look at what this guidance implies for our expectations for full year 2015 financial performance, which I'll compare to the guidance we provided at our financial community meeting last March. At that meeting, we laid out an expectation for 2015 comparable sales growth in the range of 1.5% to 2%. Given our year-to-date performance and fourth quarter expectations, we expect our full year comps to remain firmly in that range. I would note that the channel mix of our sales has been different than expectations. Specifically with year-to-date digitals sales growth of 29% and our expected 20% growth in the fourth quarter, it's clear that in 2015, we don't expect to attain the longer term 40% goal we laid out in March. However, we've delivered on our overall comparable sales goal every quarter this year and we still expect to deliver industry leading digital sales growth, both important benchmarks for us.

In March, we laid out an expectation to grow our segment EBITDA margin rate by 20 to 30 basis points for the year, and we're on track to outperform that expectation with growth closer to 40 to 50 basis points in 2015. Regarding capital deployment, we are on track to meet our guidance for 5% to 10% dividend growth this year, and we've already met our goal for $2 billion or more in share repurchases through the first three quarters of the year. And finally, we told you in March that we expected to generate $4.45 to $4.65 in adjusted EPS for the year. And despite a challenging backdrop with our updated guidance today, we're positioned to deliver performance at the high end or above that range for the year.

Beyond my love for the brand, I was attracted to Target because of our singular focus on delighting our guests and our tremendous desire to win. It's evidenced across our stores, online team, distribution centers and headquarters. I recently visited one of our stores and had the opportunity to meet Bev who has been with the Company for an amazing 44 years. In her current role, Bev is involved and they ship-from-store process and she says their whole team loves this new capability because it allows our stores to drive sales by serving guests in new ways.

Now that I've been emerged in our business for the past three months, I'm mindful of the opportunity ahead of us and the work we still need to do to accomplish. But I'm encouraged by the progress we've seen already. Traffic has increased for a full year; signature categories are leading our sales every quarter and with a renewed focus on retail fundamentals and the dedication of team members like Bev, we are delivering on our vision to provide shopping on demand while maintaining our focus on everyday in-stock reliability across our store network. The ultimate measure of this year's accomplishment can be seen in our earnings. We've delivered a 16.9% increase in our adjusted earnings per share so far this year. And with our fourth quarter guidance, we're well-positioned to deliver double-digit growth for the year. We're excited about this initial progress and we remain laser focused on building on this momentum over time.

With that, we'll conclude today's prepared remarks. Now Brain, John, and I will be happy to respond to your questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question will come from Matt Nemer from Wells Fargo Securities.

Matt Nemer

First, Brain, I'm hoping that we can get a little bit of a pulse of the consumer from you. Clearly there's been some weather impact in September and October but we're hearing negative comments about November from another -- a number of retailers. So, it feels like there's something else happening either from a macro or maybe a competitive standpoint. I'd love to get your sense for what you're hearing from your customers or guests?

Brain Cornell

Matt, I'd tell you, we're feeling really good about the trends we're seeing, the reaction we're getting from the guests. Certainly the growth in traffic for us is really encouraging. So, we're seeing more Target guests come back to our stores and visit our sites. And they are continuing to respond very positively to the work we've done in signature categories. So, sitting here today, we are very confident about our position. We think we are connecting with the consumer and our guest. And I feel fantastic about the plans we have in place for the fourth quarter. So, while obviously still cautious, as we sit here early in November, we feel very good about the way the consumer and the guest is responding to our brand. And I feel as if we are really well-positioned for the fourth quarter.

Matt Nemer

That's great to hear. And then just shifting gears to gross margins. I'm wondering if you can call out the impact of the reimbursement pressure in healthcare and any sense for the total impact or a run rate impact following the closure of your deal with CVS, how that could help you next year? And then secondly on gross margin, you did call out in the press release private brand investments. And I'm just wondering if you could dimensionalize the potential size of that over the next few years? Thanks.

Brian Cornell

Let me talk about the owned brand investments we're making and then let Cathy talk through the RX implications. But, as we have consistently talked about throughout the last year and year and a half now, we think one of the things that differentiates Target is the value; the quality of the innovation we bring to our own brands. So, we're clearly looking to make sure we bring more value to our owned brands. I talked about the number of handcrafted items we are going to have for the fourth quarter. And we're being very surgical with those investments. But we're seeing a great reaction from the guest as we elevate the value we offer in our owned brands. So, we'll be very surgical, very selective but we're certainly seeing a great return through the investments we're making.

Cathy Smith

With regards to the pharmacy reimbursement pressure, as we said when we announced the transaction with CVS that we lack scale and we knew that we are going to continue to see pressure here over time. So, what we're seeing in this quarter is in the range of 15 to 20 basis points of pressure in the quarter and which is why we are excited to be partnering with CVS because they will be able to help with that scale.

Operator

Your next question comes from David Schick from Stifel.

David Schick

Wonder if you could give us any extra color or update on the localization work in Chicago?

Brian Cornell

Right now, we are still very focused on testing localization in Chicago; we're very pleased with the results. And certainly, a lot of the localization's taking place in our food and beverage offerings; we're seeing the guests respond to that. And we are going to take the learning from Chicago and apply it to the 25 stores we're remodeling in Los Angeles. So, we will continue to expand the learning, take it from Chicago to LA. But I'm very pleased with the progress we're making. And we're partnering with John and the store and supply chain teams to make sure over time we can scale the learning from Chicago and Los Angeles to multiple markets around the country.

David Schick

So last time you had updated us, I think you said 100 to 200 basis-point comp lift. Does the very pleased sort of mean it's we're continuing to see that?

Brian Cornell

We are consistently seeing those kinds of returns.

David Schick

Got it. And then quick on the dotcom side of the business. There was some deceleration and still good growth in that line. Can you talk about any other metrics that help us understand the shift; is it time spent on the site, capabilities, what is driving the difference in the growth rate? And it sounds like a growth rate you are comfortable with for next quarter.

Brian Cornell

I think the most important measure to look at is what's happening with online growth overall. And just in last 24 hours, we saw the October e-commerce growth rates in the U.S. and it was up about 8.6%. The outlook that NRF has for e-commerce growth in the fourth quarter is somewhere between 6% and 8%. So, while our 20% growth rate is not in line with our expectations, it's still dramatically outperforming the industry. And I think the most important measure we are looking at is the fact that over 80% of our guests start their shopping journey online, either at home on their desktop or via the mobile device. And that digitally influenced guest is coming into our stores more often.

So, as we've talked about our strategy, our strategy is to make sure we allow our guests to shop anywhere anytime they want with Target. And what we're seeing right now is they're voting with their feet to spend more time in our stores. They are downloading our Cartwheel app; I think 20 million downloads so far to-date. So, I think we're seeing an overall slowdown in digital growth across retail, and we're really pleased that we continue to outpace the industry, dramatically outpace the industry but our digital efforts are driving more traffic into our stores and helping us grow our overall comp. So, while there has been a slowdown broadly across the sector, we continue to outpace the industry and that's our fundamental goal.

Operator

Your next question is from Kate McShane from Citi Research.

Kate McShane

It's encouraging to hear that a lot of the investments especially in the signature categories are panning out well for you. In your merchandising strategies specifically, where do you think you still have the most work to do, and what can we expect year-over-year when we see those categories for holiday?

Brian Cornell

I think we're making some very good strides starting in apparel. And while 3% in Q3 was slightly less than the growth rate we saw in the second quarter, compared to many of our peers, we recognized that we're continuing to build traffic and growth in an important apparel category. So, the work we've done with mannequins, with changing the in-store experience clearly paying off. One of the changes that we've announced recently is the addition of 1,400 visual merchandisers to make sure we combine the changes that we're ranking with mannequins and fixtures and layouts with experts in-store that can maintain that great in store merchandising experience. So that's a new venture for us; we're standing it up for the holidays; we expect that to continue to strengthen the in-store experience.

And we know with our signature categories, we're still at the very, very early stages of standing up our wellness position. But we feel like we're in an excellent position with baby and kids, feel very good about our performance in the third quarter with kids apparel, certainly toys has been a highlight throughout the year, and we feel as if we're well-positioned coming off of second and third quarter comps in toys that were up 12%. The reaction we've seen from the guests to our Star Wars assortment where we captured an industry-leading position and expect to be a destination during the holidays. So, while we still have much more work to do, we feel very good about the progress we're making in signature categories. And I think the addition of visual merchandisers, in-store, will help us maintain our merchandising appeal throughout the holidays.

Operator

Your next question is from Scott Mushkin from Wolfe Research.

Scott Mushkin

So, I wanted to get back into the food discussion, if we could, and I think you're testing stuff in Chicago; you're going to roll that into LA. Brian, maybe a lot of people don't know this, maybe they do, but you had a good experience back when you were at Safeway and then onto Sam's, I think you've talked about 200 basis points you were initially seeing. But what can we expect out of the Company? I think Safeway saw more than that as they kind of brought in some kind of refurbishments. And when can we expect to see more from Target, as far as refreshing the décor and maybe doing a fuller rollout; and is 200 basis points a good expectation? It seems to me it could actually be higher than that as you refine your lift, but wanted to get some more details there.

Brian Cornell

Scott, I am glad you asked the question. I do think one of our highlights in Q3 was the improved performance in food. I was actually seeing food comp acceleration throughout the year. And while we haven't made major changes with fixtures and in-store décor, we've been very focused on assortment changes and bringing more natural, organic local items into many of our categories, and we're seeing the guest react very favorably. So, to me, it's getting the basics right. And before we start making fixture changes and décor changes, it has to start with the right assortment, and making sure we have the items, the brands our guest is looking for when they shop food at Target.

So, the acceleration you're seeing right now is driven by section-by-section getting the assortment right, bringing more appealing items to our guests, adding more natural organic gluten-free items that are on trend to those categories. We made some significant changes in yogurt in the third quarter and saw very, very positive responses, high single-digit growth rates in those categories. So, while we're not shouting about it, we're making steady progress in food. We'll learn a lot more in 25 stores in Los Angeles where you will see some changes in fixtures and décor. And as we learn, we will continue to grow. So, I think we do have significant upside. But, Scott, this is about making sure, we get it right. And we're going to take a slow steady approach, solid consistent results every quarter, and continue to deliver what the guest is looking for from an assortment and experience standpoint, when they shop food at Target.

Scott Mushkin

So, I mean obviously key, I think Cathy said you're measuring one of the big things you look at as frequency, and this is obviously a core to that, so we look forward to seeing more. But, my follow-up question is on the investment side. We get it a lot whether it'd be e-commerce, whether we'd be in the food, in the logistics. Can you talk us through why there won't be a massive ramp up in investment, as we go out the next couple years and that you have enough money in the CapEx and then kind of SG&A to kind of handle what the Company needs to do?

Brian Cornell

Scott, we've looked at this very carefully. And I know we've talked about it at a number of times. We feel very confident that the CapEx budgets we've had in place will be very adequate over time to make the changes we need to make from a technology standpoint, a supply chain standpoint, continue to refresh our stores, and maintain our focus on maintenance investments. So, sitting here, Cathy and I spent a lot of time recently. Obviously John has been a great steward of our CapEx spending. And we feel very comfortable that our current spending levels will allow us to modernize the organization, enhance technology, improve supply chain, and make sure we are on the way we are continuing to enhance the in-store experience and match that up with a great online experience for our guest.

Cathy Smith

I would offer just real quickly to add to that, because we have kind of pressure tested this one ourselves a lot. We have not -- Target has not underinvested over the years. And I think that bodes will with the state of where you find our stores as well as our technology and supply chain investments we need. So, I feel very good about where we are. And with that level of investment, we have been pretty consistent.

Operator

Your next question is from Matthew Fassler from Goldman Sachs.

Matthew Fassler

I would like to ask a two-part question, the first relates to the cost cutting initiatives that you discussed at your analyst meeting earlier in the year. You spoke about the $1.5 billion in SG&A and $0.5 billion on cost of goods over two years. If you could talk about the run rate that you are at now against those goals. And I guess another twist on Scott's question, the degree to which you've had investments inside that would offset some of those; I think that was also part of the plan that you set forth?

John Mulligan

So, I will jump in and take that. I think from a tracking perspective what we said, right to your point, $1.5 billion of SG&A, $0.5 billion of margin, and we would deliver in 2015 about $0.5 billion of that. We are running a little bit ahead of that pace and both in the cost of goods and in the SG&A space, both are running perhaps a little bit ahead of what we envisioned going into the year. So we feel really good about that.

I think stepping back and kind of tying this back to Scott's question, the other thing we said at the time was we are taking $2 billion out of the P&L but we didn't expect EBITDA margin expansion. And our view was that we would need this to fuel the investments, exactly some of the expense investments that perhaps Scott was referring to, and this would provide the capacity to do that. And that is in fact what we are seeing. We are seeing greatest discipline across the corporation but where we needed to invest we have had the capacity to do that.

Matthew Fassler

If I could ask a quick follow-up. Can you talk about $0.5 billion this year; is that delivered? I know it's not been delivered to the bottom-line because there are some offsets, but is that annualized run rate achieved, or is that actual cost cuts that would have come out on a gross basis against your cost base offset by some of the investments?

John Mulligan

We will take out $600 million this year.

Cathy Smith

Yes.

John Mulligan

And then the part of next year will be annualization of that and part of it will be incremental.

Matthew Fassler

And then a very quick follow-up, on wages. Obviously Walmart made an incremental announcement since your last call. Any sense as to whether this issue is kind of bring up organically in the field as you think about hiring and you think about intrinsic wage pressure in the marketplace and how you are thinking about that relative to your plan?

Brian Cornell

Yes, we don't see any material change in the marketplace. Again, we have talked a lot in the past about making sure we are investing to have the best retail team. And we look at this very surgically year-after-year, market-by-market, and we think we are in a great position. And we think we are hiring terrific talent. And we are excited that we have got a great team in place as we get ready for the holidays.

Operator

Your next question is from Greg Melich from Evercore ISI.

Greg Melich

I guess my two questions are a bit of a follow-up, one on the last one. If you look at the fourth quarter guidance, if I am getting this right, SG&A dollars are kind of flattish. And, is that basically that cost out with the reinvestment going in? And then the nature of that question is really I think John you mentioned, 40% of digital you thought would be shipped from store in the fourth quarter. What has it been running and what does that due to the labor model?

Cathy Smith

I will take the first part of it. To answer your question, yes, we expected to be essentially flat, and it will be pretty much offset; we will have pluses and minuses. So, the savings we are getting, we will continue to reinvest, as we have planned. John will answer the 40% digital shipment.

John Mulligan

Sure Greg, 40% this quarter and it will peak a little bit higher than that actually, typically running more in the 20% to 25%. But as we peak, this is a great way for us to utilize our store assets.

The labor model, what happens here is, actually it's quite efficient because we have dedicated teams in those stores who do the picking, do the packing, and we are just able to use them, utilize them more efficiently. So, while there is more store labor that we are using, the offset clearly comes in our shipping expense because we are much closer to the guest we are shipping to, and then on the same P&L line but it's an outstanding trade for us.

Brian Cornell

Greg, I think it's important as you tie out the math on the ship from store. Last year at this time, we had just over about 120 stores where we were shipping from store. As we sit here today, we are up to 462. So, we have expanded the base. We are going to leverage and swept the assets I think much more effectively. But importantly that enhanced base allows us to deliver to our guests in a much shorter timeframe. So, we would expect that to grow during the holidays. We have certainly ramped up for it. And we think that's going to provide a much better shopping experience and allow us to deliver products to our guests in a much shorter period of time.

Greg Melich

That's helpful. And if I could follow up, I think earlier you talked about private label penetration little bit. Could you talk about how the stronger dollar or falling raw material costs or lower fuel costs could be impacting gross margin today differently than you would have thought few quarters ago?

Cathy Smith

I'll answer it briefly and then anyone can chime in. We're really not seeing an impact on it in our product cost or in obviously in our margins. So, it's really been kind of non-event for us.

Brian Cornell

And remember, Greg, with many of those items, those are long-lead time items.

Cathy Smith

Yes.

Brian Cornell

So, we'll certainly be watching that over time. But, as we seat here today, many of those orders and deals were placed many, many months ago. So, we'll continue to monitor that over time but we certainly like our position with our own brands as we enter the holidays. And that's an important way that we differentiate.

Well, operator, it looks like we have got time for one more call.

Operator

Okay. Your final question comes from Bob Drbul from Nomura.

Bob Drbul

Just two quick questions, the first one is on the apparel performance. You talked a little bit about margin pressure I think in private label and exclusive -- was that new to the third quarter; and how do you see that playing out in the fourth quarter? And then the second question I have is on the e-commerce business. Just give us an update on like the subscription offerings and how that's going from a fulfillment perspective as well.

Brian Cornell

Bob, first on ANA side, again we think the guest is responding really well to some of the changes we've made with our own brand assortment. And the investments that we talked about today, we've been consistently talking about for over a year now, making sure that we're reinvesting in quality, in innovation, in style, making sure that we deliver that expect more pay less brand promise. So, the guest is reacting really, really well to that. And we're going to continue to make sure that we deliver great value in our own brands. So, it shouldn't be a new phenomena; it's something that we've been very clear and transparent about. And we think it's paying off with increased traffic and growth in those core signature categories.

So, it looks like we've run out of time for today. I do appreciate everyone calling in. And that will conclude our third quarter earnings call. So, thank you everyone for joining us.