Targeting Cities
Big City Target Research Report

Prepared to
Gregg Steinhafel
Chief Executive Officer
Target Corporation

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April 11, 2012
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Letter of Transmittal

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March 22, 2012

Dear Gregg Steinhafel,

We are currently taking a business communication class at Indiana University Bloomington, which provides us the opportunity to participate in the Target Case Competition. The report below contains our recommendations that will aid Target in their new venture in the urban areas.

Based on our research, we found that Target has several areas of improvement that can be made to fit City Target into the urban market. Since the current Target consumers are different from the urban people, they will have to adapt to the needs of the urban people by providing positive shopping experiences. Also, the current marketing strategy may not be able to attract a lot of potential customers to City Target. Moreover, the regular Target in store presentation and layout will not fit in the City Target due to the limited space and different structure of buildings.

We believe that Target will have a huge opportunity within the urban area, yet with a highly competitive environment. To secure a position in the big cities, City Target must restructure its strategy, and we have came up with three recommendations. First of all, we are focusing on different ethnic groups for our customers. Secondly, with the availability of advanced technology, we recommend Target to create an online application for smartphones, where people can purchase their products at any place, and pick them up at the City Target store. Thus, a new pick-up section within each store should be build. Lastly, we suggest some changes to the customers’ in store shopping experience by redesigning the checking out counters, carts and plastic bags.

We greatly appreciate the discussion led by Alisa Mulhair, because it gave us more information on what Target hopes to achieve on City Target. Also, thank you for your time and consideration in reviewing our report. We hope our ideas can provide further insights to your company.

Sincerely Yours,

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Executive Summary

Background

Target is now expanding its business into the urban areas due to the potential and the growth of the city market. However, City Target is going to face harsh competition because there are a lot of competitors within the cities. Thus, City Target needs to have at least the same strategy, or even better ones, in order to compete with existing competitors. Also, due to the limitations of existing buildings, the in-store presentations will need to be adjusted to still provide a pleasant and convenient shopping experience.

Findings & Conclusions

City Target’s customers are people at the age of around 40, with a median household income of approximately $60,000; 51% have completed college and 33% have children at home. Now, City Target is also focusing on younger generations, such as college students and different ethnic groups. Hispanics market has huge potential to become the largest ethnic consumer group. However, Wal-Mart has also focused on the Hispanics groups.

Our research shows that people own smartphones, and they like to shop online. Target wants to provide a convenient shopping experience, but also to attract people to come to the stores and purchase products that they didn’t initially intend to buy. Target shows interests in taking advantage of the advanced technology nowadays.

Moreover, we found out that people living in city areas are relying more on the Internet and to acquire information, and they will consider the online customer reviews to make purchase or choose the sellers. Thus, the marketing through advertisement with flashing pictures will attract younger people.

Recommendations

To advertise to the multicultural market, Target could develop Hispanic magazines. There should also be a small section of products for ethnic groups in Seattle and California City Target.

To establish an online system, Target could create a smartphone application, which will sell the same products sold at their chosen City Target location. This allows people with busy schedules to order their products online, and simply pick them up on their way home.

In order to prevent overcrowded at such a small place, City Target should cancel the self-checkout kiosk. More staff ran checkout counters will be added. Checkout counters will also locate on each floor.
Introduction

Origin and Purpose

During the 2011 Target Financial Community Meeting, Gregg Steinhafel discussed Target’s plan to launch City Target in 2012. He said that five City Target stores would be open “in dense urban markets”. They will be located in Chicago, Los Angeles, San Francisco and Seattle. When it comes down to making a profit in these City Target stores, with the smaller area, Target needs to wisely decide which products to be stocked. The purposes of these stores are to provide customers with high-quality merchandise at great value, and the exceptional one-stop shopping experience synonymous with the Target brand. Our report basically provide such recommendations on the strategies to ensure most relevant categories are carried out in City Target stores, utilize the surrounding environmental resources, and drive Target to achieve more profitable revenues in the future.

Scope

In order for Target to adjust to the urban market, we would like to recommend our ideas. First, we are focusing on paying more attention to marketing in certain ethnic groups, because there are high percentages of Hispanics in California. In order to provide convenient shopping experience to urban people with busy schedules, we recommend Target to create an online application, where they are able to order their products wherever they are, and pick them up at the City target stores. Lastly, due to the limited space in City Target, we suggest a new design for the in-store presentation, such as the check-out counters and the size of the carts.

Limitations and Assumptions

The report is comprehensive in term of its quality and quantity of research and idea generated. However, the report will not take the cost of the production of the new check-out lines; specific quantity of revenue generated by new check-counter and quantified customer’s utility of new shopping bag in to consideration since the limited access to quantitative analysis. We assumed that the current competition environment is going to remain practically the same. Those current competitors will still keep operating in similar fashion with little significant change. While competitors might pursue similar strategies, main customers of the cities, the young and restless are abandoning cities for suburbs, which may result in loss of revenue.

Sources

We acquired all of our sources from the Target annual report, Target Web Site, the business source premier and the Academic search premier. The types of our sources are financial reports, business journals, books, academic research, newspapers and demographic reports.
Preliminary SWOT Analysis

STRENGTHS

- Strong Brand Value and brand recognition to prospective customers
  - Target Corporation earns a reputation which provides a reliable place for customers to shop high quality products.
  - The idea of “Expect More-Pay Less” is well known by customers, and customers will be able to have a “one-stop-shopping” experience easily.
  - Target stores are known as close to customers’ neighborhood.
  - Great merchandise assortment differentiation, especially the well-known designer apparel line which are attractions to urban customers.
  - Mature and successful customer loyalty program to reward frequent customers such as the “Target Red Card”.

- Mature Online Shopping Platform
  - The powerful online shopping tools provide customers with alternative ways to shop at City Target.
  - Target’s mature and successful online shopping platform provides a potential for future extension and development of high-technology application.

- Great Reputation of Generosity
  - Community giving through “Here For Good” which creates a socially responsible image to customers
  - Environment sustainability at Target is integrated throughout the business
  - Give donation for educational purposes which enhanced the company’s public profile

WEAKNESSES

- New to the urban market

  - City Target is new to the urban customers and the store set up and strategies implementation will take time
  - Urban customers need time to be aware of the existence of City Target Stores and adapt to shop at the stores.

- Higher Price compared to its Competitors

  - Consumers have the perception that prices of generic products at Target are slightly higher than that of its competitors

- Less interior space to provide “Target Experience”
- City Target Stores have much less interior space to accommodate urban customers with convenient and fast shopping experience.

**OPPORTUNITIES**
- Growing Urban Demand
  - Target Corporation will benefit from expanding into the urban market, due to the increasing demand of urban consumers
  - Continuously build a positive brand image within the city areas and provide urban customers with high quality and convenient shopping experience.
- Accessible Technology Resources
  - The frequently used advanced technology in urban area is a good resource to increase online sales.
  - Provide more convenient shopping experience using the technology as people are becoming busy and they want to save their time by shopping at one place.

**THREAT**
- Competitive Environment in Retail Industry
  - Target’s main competitor is Wal-Mart, which is known by its lower prices
  - The existing convenient store and other city chain store will be competing with Target, and it will be hard to attract their customers to the new City Target stores.
- Volatile U.S. Economy Condition
  - The overall condition of the U.S. Economy will affect the urban customers’ willingness and ability to purchase.
- Rising difficulty to maintain in-store security
  - Excessive amount customer flow in the stores will not only harm the shopping experience but also cause security concerns.
Analysis and Recommendations

1. City Target should specifically target on Hispanic customers

It’s no secret that the Hispanic population in the US has grown rapidly over the past few years. From the 1990 to the 2000 Census, the Hispanic population had grown by 58%, reaching a total of 35,305,818 people\(^1\). In 2003, Hispanics represented over 13.9% of the overall US population and were the largest minority group in America. The Census also forecasted that the Hispanic-American population will represent over 20% of the overall US population by 2020\(^2\). Upon release of the 2000 Census, the business world quickly took notice of the opportunities presented by this surging demographic, but are still developing strategies to reach the market more effectively. As the Census data reveals, the Hispanic market is deeply stratified and the “one-size-fits-all”\(^3\) efforts used to reach this population do not work. To properly assess the promotions, it is important to understand the distinctions in the overall market. Following graph shows the Hispanic age distribution.

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**Figure 1: Age comparison. Pew Hispanic center.**

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\(^1\) “Target Research Report”, Barron’s  
\(^2\) “United States Government Census 2000”, census.gov  
\(^3\) “Target Annual Report”, target.com
The Hispanic population is much younger than the non-Hispanic white population. The ACS reports that about 1 out of 3 Hispanics is a child (under 18 years of age), compared with 1 out of 5 non-Hispanic whites. Also, there are fewer Hispanics 65 years of age and older (about 5%), compared with about 15% of non-Hispanic whites. The consuming habits of Hispanics are different from those of the U.S. consumers. Cotton Incorporated’s Lifestyle Monitor™ is a national research study that assesses consumers' attitudes and behaviors toward apparel and home fabrics. Studies found that even though consumer’s favorable attitudes toward shopping are declining; expenditures on apparel continue to grow.

Target Corporation followed in the steps of Sears and began to refashion its merchandise mix in heavily Hispanic markets in the United States by developing special marketing events and launching its own Hispanic magazine, Familia. In areas with large Hispanic communities, Target increased the number of its petite sizes, carried more small-size shoes, installed bilingual signage, and hired more bilingual workers. All Target stores have also expanded the children’s department and moved it from the back wall corner to front and center. Target continues to show its support of the Hispanic community through funding and sponsoring cultural organizations, programs, scholarships, and other events. Target’s own youth-oriented Xhiliration and casual Utility clothing brands have been popular with Hispanics. Last year, as part of its annual celebration for Hispanic Heritage Month, Target offered a variety of unique Latino-designed merchandise. The exclusive merchandise was designed in collaboration with Mexico’s popular NaCo® brand under the USA-Dos label. Target also carried baby products by Los Pollitos Dicen, accessories by Agatha Ruiz de la Prada, jewelry by 37 Kathy and Patrick Murillo, and handmade handbags by Nahuiollin.

Target has made such investment so far, and do make a huge success indeed. Keeping this part with the opening of the CityTarget is essential in some respective from now on.

Recommendation:

Here our recommendation is continuing in developing multicultural marketing, especially in Hispanic and Asian consumers. In detail, for CityTarget, I suggest to expand in apparel aspect. If producers design products meeting consumer needs, consumers will more often choose those products over those of competitors. Whichever product better fills the void created by the need will be chosen more frequently, thus increasing sales. However, with the development of this competitive market, Target is lack of competitive power in supplying multicultural apparels. Actually, not only Target shows weakness in this area, but also Wal-Mart and similar merchandises need improvements. This fact obviously indicates that if Target could participate in such area as a leader, there would be many benefits exclusive.

Cost-Benefit Analysis:

The Hispanic population continues to grow and change; consequently, it is difficult to keep information current. However, based on our data analysis and a series of multivariate simulation,

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4 “American Community Survey Report”, census.gov/acs
5 “Target Official Website”, target.com
the result implies that Hispanic consumers tend to enjoy shopping, and are confident in their ability to shop for the right clothes. They were also concerned a great deal with price, brand names, and fashion. In order to attract Hispanic consumers, apparel retailers should provide unique products featuring up-to-date fashions while maintaining competitive low prices or frequently offering special savings on clothing items. This might be a little challenge for Target to invest some funds in there.

According to Cotton Incorporated’s Lifestyle Monitor™, Hispanic female respondents spend more time shopping for apparel than Caucasian and African-American female respondents. Hispanic female respondents recorded an average of 135.1 minutes shopping, Caucasian female respond it in 89.4 minutes. However, African-American female respond it in 109.27 minutes. Hispanic consumers spent about 85% as much as the average non-Hispanic or non-Latino consumers. In 2005, the Hispanic average annual expenditure for apparel and services was $2,195 or 18.6% more than that of non-Hispanic consumers. The table shows the consumption of Hispanic compared with Caucasians:

<table>
<thead>
<tr>
<th>Type</th>
<th>2009 Total</th>
<th>2009 White and all other races</th>
<th>2009 Asian</th>
<th>2009 Black or African American</th>
<th>2009 Hispanic</th>
<th>2009 Non-Hispanic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Footage and stationery</td>
<td>151</td>
<td>158</td>
<td>13</td>
<td>81</td>
<td>91</td>
<td>150</td>
</tr>
<tr>
<td>Household furnishings and equipment</td>
<td>1,594</td>
<td>1,551</td>
<td>1,617</td>
<td>854</td>
<td>1,177</td>
<td>1,549</td>
</tr>
<tr>
<td>Household textiles</td>
<td>139</td>
<td>128</td>
<td>187</td>
<td>79</td>
<td>101</td>
<td>127</td>
</tr>
<tr>
<td>Furniture</td>
<td>365</td>
<td>365</td>
<td>309</td>
<td>271</td>
<td>331</td>
<td>365</td>
</tr>
<tr>
<td>Floor coverings</td>
<td>39</td>
<td>34</td>
<td>15</td>
<td>7</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Major appliances</td>
<td>203</td>
<td>204</td>
<td>103</td>
<td>127</td>
<td>146</td>
<td>200</td>
</tr>
<tr>
<td>Small appliances, miscellaneous housewares</td>
<td>99</td>
<td>99</td>
<td>299</td>
<td>91</td>
<td>90</td>
<td>99</td>
</tr>
<tr>
<td>Miscellaneous household equipment</td>
<td>776</td>
<td>777</td>
<td>568</td>
<td>519</td>
<td>513</td>
<td>746</td>
</tr>
</tbody>
</table>

Figure 2: Average Annual Expenditures of all Consumer Units by Race, Hispanic Origin, and Age of Householder: 2009. Government Census.

2. Marketing strategy for City Target

Our City Target marketing analysis is based on the fact that City Target as a new enterer into the urban area needs to generate attentions by changing of its current strategies and focusing on

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6 “Lifestyle Monitor”, lifestylemonitor.cottonic.com
small neighborhood area around its each individual store, and also using limiting resources to generate more benefit and attention.

Marketing for Target in cities is much more difficult than that in the suburban area, the competitions is fierce with the existence of more competitors. It is widely agreed that marketers must focus on delivering relevant messages to consumers when they’re most willing to listen to them. Which means that City Target needs to increase the efficiency of its every marketing approach. Researches of a fitness club marketing show that members are more willing to search club information on internet and moving some of their off-line dollars to online because it is easy to acquire information online instead of using traditional media.

Since internet is pretty vital for urban people today, the advertisement and promotion via internet will be more influential. Today, the internet enables consumers to rapidly and widely exchange information about products and services. Due to a 2010 report, there are 146 million blogs worldwide, 66% of US adults have access to broadband service at home (including consumer opinions on retail and aggregator web sites and direct feedback to company web sites). Of 79% of US adults who use internet, 32 present have rated a product, service, or person. The background information has told us that the retail environment has shifted from a one-way channel to a dialogue where consumers are engaging with the sellers and companies within the market. Another research shows that the company websites is the best source of new leads. According to the “2011 Demand base National Marketing and Sales Study”, 23% of marketers cite their websites as their top online source of leads, followed by email(14%), online ads(7%) and social media(3%). And since the environment is so open now, the opinion of consumers is more important for City Target to survive.

<table>
<thead>
<tr>
<th>Subscriber type</th>
<th>Print magazine</th>
<th>Web-only CRO</th>
<th>Joint print and CRO</th>
<th>Cars user reviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender (% male)</td>
<td>74.2</td>
<td>58.9</td>
<td>66.6</td>
<td>81.0</td>
</tr>
<tr>
<td>Age 60 years</td>
<td>53.4</td>
<td>33.6</td>
<td>54.2</td>
<td>29.5</td>
</tr>
<tr>
<td>Education level (% college graduate or higher)</td>
<td>66.4</td>
<td>69.2</td>
<td>71.6</td>
<td>66.2</td>
</tr>
<tr>
<td>Total HH income$80,000 annual (% of those who answered, 26.2% chose not to answer)</td>
<td>54.0</td>
<td>43.8</td>
<td>64.7</td>
<td>50.8</td>
</tr>
</tbody>
</table>

Figure 3: different type of peoples’ reaction with different type of product review.

On the other hand, due to the fact that each individual City Target store is focusing on the small area around the store, the direct mail will be another cost-effective way to reach profitable

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7 “Fitness Business Pro 2008”
8 “Transitioning from Traditional to Digital Content”, Michael Cole
9 Demand base National Marketing and Sales Study 2011
audience segments. Multichannel merchant’s outlook 2011 research found that 50% of respondents had used postcards in the past 12 months, 40% mailed fliers, 28% tried solo mailers and 38% used direct mail. Also research shows that the highly personalized mail piece will get higher response from the target audience.

Besides the type of advertisement, the different layouts will also be crucial of the City Target. A study of the times of recall based on bathroom print ads shows that, the copy dominant ads have a significant higher level of recall than that for the visual dominant ads, and also color advertisement will outperform non-color advertisement.

Recommendations:

To promote the City Target as a whole, based on the research above, our advice for the city target relating to the marketing aspect is build the new section of the City Target within its Web

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10 “Digging into direct mail”, Gina Valentino
site and create a dialogue or forum section for customer to rate and discuss above the service and products that provided by City Target. Also, within the targeting area of each single city Target, post card and City Target magazines will be sent to each apartment directly once a week. The specific descriptions of products listed on magazines and Post cards will be needed.

**Cost-Benefit Analysis:**

Our basic concept for the promotion of City Target is limiting the cost and generates as much benefit as possible. Based on our recommendation, the cost will only come from the restructuring of Target web site, and the regular every-day maintenance, and the regular printed post card and magazines. But there will be a lot more benefits, first the restructuring web site will generate attention from the regular web site urban users and learn the specific place of each stores around his/her place. Secondly, the direct post card and magazines by the mail will raise the attention of each store’s targeting customers area and. Also the new design of the magazines and post cards will generate more recalls from customers when they are in need of some products that City Target can provide. So all in all we believe that by implement our recommendation, the result will be impressive.

**3. Target’s Smartphone Application**

Our recommendation is to create a smartphone application, which allows customers to buy Target products using their smartphones. The application is targeted at customers who are busy with their daily activities, such as working people and college students, yet they still need to buy daily products. Therefore, we want to provide a more convenient shopping experience to those customers by allowing them to buy products through the smartphone applications.

First of all, we can see that Target’s customers consist of working people according to the Target website. The median age of Target’s customers is around 40, where approximately 43% have children at home, about 57% have completed college, and more than half of Target guests are employed in professional or other managerial positions. As a result, some people prefer to spend little time on shopping for daily needs, such as groceries and other supplies. In addition, the City Target is also targeting college students as their customers as they are located near to the University of California Los Angeles and the University of California San Francisco.

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11 Target Official Website
12 “City Target: What You Can Expect From the Urban Format of 2012”, InStore trend
The data of the chart above was taken from the United States Census Bureau website which shows the average people by age, living in cities such as Chicago, San Francisco, Los Angeles, and Seattle. Thus, the population living in the urban areas is usually people between the age of 18 to 44 years old ($38\%$)\(^{13}\), while older people who are 65 years old and above tend to live in suburban areas.

\(^{13}\) “Metropolitan Statistical Areas With More Than 750,000 Persons in 2010”, Census.gov
Due to the advanced technology we have today, it will be much easier for people to shop online through their smartphones. This will conveniently allow Target customers to purchase products at anywhere they are located. We want to recommend this idea because statistics show that there is increasing usage of smartphones in the United States. According to the article, “US Smartphone Users By Age: Comparison Chart”, nearly half (48.7%) of smartphone owners in the U.S were between the ages of 25 and 44, while one fourth of all smartphone owners (23.8%)\textsuperscript{14} were between the ages of 13 and 24. As I have mentioned earlier, there are high percentage of people between the ages of 18 and 44 who live in urban cities, while people who are above 65 years old live in suburban areas. Thus, most of the smartphone owners live in the cities and the smartphone application will be a great advantage to reach more customers.

At the same time, we also cover the section of customers who like to shop online, as the article “Scan This: Smartphone Shopping On The Rise” stated, “The use of smartphones while shopping is highest among the youngest demographic. Among those under 35, 28% have made purchases with a smartphone, compared with 23% of 35- to-49-year-olds\textsuperscript{15}. Women are also more likely to use their phones to find discounts, while men are more likely to use them to check online reviews.

Next, we chose not to do delivery service due to minimizing expenses and prevent traffic during busy hours. In addition, we have mentioned earlier that the stores are located conveniently near to colleges, and therefore, college students can simply pick them up on their way home from school. In addition, the absence of delivery service causes Target to still operate its strategy of making the customers come to the store. Customers may end up purchasing products more than what they initially want to buy after looking at them in store.

Recommendation:

The smartphone shopping application created will sell the same types of products sold at City Target according to the location chosen by customers. First of all, customers will need to create an account and login using their emails to make a purchase. Before making a purchase, customers will need to choose the location of the City Target stores where they are going to come to pick up their products. Next, payment will be made through online, and they need to provide their estimated arrival time or allow at least 30 minutes for the ordered products to be prepared. In order to provide smooth transactions, they are going to receive a pick up code after they make a payment. Once they have arrived at the City Target store, they need to show the receipt and pick up code sent to their emails when picking up the products. In addition, the smartphone application will track the history purchases, to ease customers when they are going to buy the same type of products. However, since customers might buy perishable food, such as

\begin{itemize}
\item \textsuperscript{14}“US Smartphone Users By Age: Comparison Chart”, Online Market Trends
\item \textsuperscript{15}“Scan This: Smartphone Shopping On The Rise”, Aaron Baar
\end{itemize}
fresh vegetables, milk, or yogurt, employees will keep the ordered products at the fridge or the perishable food section. Once the customers arrived, they will get the food from the fridge. This process will maintain the freshness of the vegetables or milk, and will not cause customers’ dissatisfaction. At the same time, to be more efficient, the pick-up counter will be located near the entrance or exit door.

Cost-Benefit Analysis:

Wal-Mart, which is one of Target’s main competitors, has launched a smartphone application to provide its customers with both in-store and online shopping experience. According to the Wal-Mart website, “ Consumers are using mobile devices in greater numbers this year to enhance their shopping experience. Fifty percent of mobile phone users will have smartphones by the end of 2011, and the National Retail Federation estimates that over 52 percent of smartphone users will use their devices for holiday shopping.”

Moreover, Wal-Mart has been successful in taking advantage of the existing technology by partnering with an application maker, called Small Society. According to the article “Wal-Mart Makes Another Smart Move, Stock Will Continue To Climb”, as of January 5, 2012, Wal-Mart’s share price increased to $59.42, the expected 2013 earnings per share of $4.91, gross profit of $106.56 billion, and a 2.4% dividend yield. The dividend yield will attract more investors to buy shares.16

Thus, as City Target is considered new to the urban market, they will need to compete with existing competitors in the fierce market. As a result, they need to have strategies similar to other competitors, which fulfill customers’ need and satisfaction. The smartphone applications benefit people with busy schedules, as they are able to order products from Target at anywhere they are located, and simply pick them up on their way home. As a result, customers save shopping time and there will be smaller chance of overcrowding in a smaller Target stores. In addition, Target might be able to follow Wal-Mart’s success and generate more revenue.

4. New Check-out Counters Plan

Target Super Stores are known for the “close to home with one stop shopping” according to the Target Annual Report 2010.17 Target earns the reputation of providing great shopping experience by spacious stores and quick service. According to the “Question and Answer” (Q&A) session at Indiana University Bloomington held by Target executive, the company will

16 “Walmart Launches Mobile Apps: Online and In-Store”, Walmart Corporate
17 “Target Annual Report 2010”, target.com
make the best effort to duplicate the shopping experience into the City Target stores\(^\text{18}\). However, the cities that City Target will enter such as Los Angeles, Chicago and Seattle are high densely populated. According the United States Population Census in 2009, the population density of Los Angeles area was 2,750 people per square mile\(^\text{19}\). It is 31.61 times more than the average suburban population density of United States. According to the Target Q&A session, the customers flow in one City Target store is expected to be 5 times than that of one Target Super Store. City Target shoppers are also expected to come 3 to 4 time more frequent because the products sold in City Target are only 1/3 to ¼ to the size of product sold at Target Super Stores. Besides, the area of a City Targets store will be only 40%-60% to that of a super store\(^\text{20}\). Since the City Target stores will use existing build in cities, it is very likely that the stores will have multiple floors than just one. It means that spacious space that Target used to provide will not exist in the new stores. Try to imagine this: a City Target store over load with unhappy customers trying move among different floors. Target’s reputation will be harmed by the inability of accommodating excessive customers. Additionally, customers’ shopping experience will also be discounted because of the fragmentation cause by the separated floors. Based on this situation, it is urgent for Target to develop solutions that drive more customers in the stores to generate more revenue and also make most of the customers happy while they leave the stores.

The biggest problem for City Target is the customers flow. Customer flow is a double edged sword. If Target fails to manage it, the customer flow will cause a catastrophic effect on its reputation. However, Target doesn’t need to be afraid of having more customers in the stores. Instead Target needs to embrace more customer flow. Therefore, the solution will be assisting the customers find what they need quickly and then assisting them to check out quickly if they are ready. Therefore Target needs to redesign its check out process in a systematic approach.

The first step will be cancelling the self-check-out lines in the city stores. Self-checkout machines are proved to be popular since the machines create illusions that they are faster\(^\text{21}\). However, the self-check-out line is actually slower than the check-out line ran by the grocery stores staffs\(^\text{22}\). Many customers are lost when they are trying to figure out the four digit code of certain product since some product’s surface are not practical to have sticker label on it. For example: it is very hard for an onion which its skin can be easily peeled off. Based on my experience at Kroger, vegetables like cabbages do not have labels on them because of the rough surface. Good customers who are like angles worry about if they choose selected a similar item with lower price. This will slow down the process. Customers with malicious faith are like demons that buy organic onion and select the cheapest onion on the kiosk. In another word, any product that Targets sell without a bar code will have a greater risk of being manipulated by demon customers. According to Target Annual Report 2010, 7% of Target’s revenue is

\(^\text{18}\) “Target Q&A Session”, Bloomington, Indiana
\(^\text{19}\) “U.S Government Census”, census.gov
\(^\text{20}\) “Target Q&A Session”, Bloomington, Indiana
\(^\text{21}\) “Some supermarkets are replacing the self-checkout lanes”, Seattle Times
\(^\text{22}\) “Some supermarkets are replacing the self-checkout lanes”, Seattle Times
generated by fresh food\textsuperscript{23}. The percentage will get slightly bigger since the sporting equipment and renovating supplies section will be absent in the city stores. This means that 7\% of the City Target Stores’ revenue will be at risk. It will be very costly and in-practical to hire the monitor staff to know what exactly that the customers choose and put in their bags. If the store hires more people, then the self-check-out will lose its meaning of self-checking which is to cut labor cost. Besides this, anxious check out staffs would look at everyone suspiciously, which could offend the privacy and shopping experience of good customers. Finally the speed was slowed down or the store revenue is lost. The problems associate with this characteristic could be a hidden cost which will hurt Target Revenue, the profit level and its brand name. Therefore, it will be a better solution to abandon the use of self-check-out counter in the City Target stores.

Since the use of self-check-out counter will be abandoned based on the analysis above. The newer express-check-out counter will be introduced. As mentioned, the prospective Target customers will buy the product or merchandise in smaller package, usually one fourth of the regular size that sold in Target Super Stores in suburban areas. The reason is that it is less practical for customers to carry larger and more quantity of goods on crowded public transportations. Combining the factor of more frequent shoppers, less space in the store, The “Target experience” will be discounted. To solve this problem, Target needs to look at two things. There are customers finish with shopping and want to check out. There are also customers want to get into the stores and shop. Customer inflow is what we can track but can’t control. However, City Target stores have control over the outflow of the customers. Outflow of customers doesn’t mean to chase the customers out. It means controlling the efficiency of helping finished shopping customers to get out. A faster and efficient check out will be necessary. As City Target abandon the self-check in, more staff run check out desks will appear. Since the product package size is only one fourth of the usual size. The check-out counter could be smaller and short. This could save the precious space in City Target and have more counters build. Since most people take transportation and they will not but much, the upper limit for “express check-out line will be lower to 10 items in the City Target (usually 20 items in Target Super Stores)\textsuperscript{24}. This changes above, regard to the --check-out counter will meet the smaller size of the package size which will significantly increase the speed of check out.

Adding more staff-check-out counters will be recommended based on the analysis above. However, the structure or the floor lay out of the City Target is different. Based on the information from the Q&A session, the City Target will use existing building. The stores will have more than one floor. It will be very difficult for Target to move people around to check out since more than five times of people will be in a limited space. Here is a picture that generated

\textsuperscript{23} “Target Annual Report 2010”, target.com
\textsuperscript{24} “Target to Open 'CityTarget' on Chicago's State Street.”, Minneapolis / St. Paul Business Journal.
by the In Store Geographical Intellectual System at an IKEA Super Store.

Figure 7: Geographical Intellectual System of Customer flow at IKEA

(The brighter the area the more the customers.)

If a similar situation happened in a space limited City Target Stores, with 5 times more customer flow who try to move among different floors if will be chaotic. Beside this if customers who are ready to check will not only “stir” the stores but also cause a traffic jam around the check-out desks. If the stores can have check-out counter on each floor instead of duplicating its “one-floor check-out” from Target Super Stores in suburban area\textsuperscript{26}, the traffic will be diluted by the number of floors which have check-out counter. The City Target store will have more than 2 floors in usually 3 floors. This means the traffic will be diluted to one third of the normal traffic if the counters are one floor\textsuperscript{27}.

\textbf{Recommendation:}

If City Target stores can abandon the self-check counter to avoid slow down and revenue lost, have more, smaller size express-check counters, and to have counters on each floor to dilute the customers, then the stores will overcome the problems caused by the limited space and excessive customer flow. More importantly, Target will make least compromise on the shopping experience and image that it has created.

\textsuperscript{25} “IKEA Customer Flow”, GIS System
\textsuperscript{26} “Target Annual Report 2010”, target.com
\textsuperscript{27} “Target Q&A Session”, Bloomington, Indiana
Cost-Benefit Analysis:

The cancellation of the self-checkout kiosks will cost the company more because the Target now needs to hire more staff to run the checkout counters in the city stores. However, the staff ran checkout counters completely cut the risk that generated by the uncertainty of the demons customers or the mistakes made by the good customers. This will keep more than 7% of City Target revenue safe from the misuse of self-check kiosk. Additionally, the staff ran checkout counters operate much faster than self-check kiosk. Based on the At-risk simulation, for every staff ran counter, it will save overall 5.79 hours a day. If the Target store runs 10 hours a day, this will compensate 60% of the cost induced by the increase of the staff ran counters. This is will also significantly increase the outflow of customers. This will reduce the traffic in the store which to ensure a grand “Target Experience”.

![Figure 8: At-risk Simulation for Checkout Speed](image)

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28 At-risk Simulation
Post SWOT Analysis

Strength

- Target will secure the leading position in the multicultural market especially with Hispanics customers.
- New smartphone application system will provide more convenient service which will increase customers’ loyalty.
- The “Order online and pick up” service will attract more customers and reduce in store customer flow at same time.
- Once Target renews its layout with smaller checkout counters and other equipment, it will give more customer friendly atmosphere for the new city customers.
- Target’s new implementation of Hispanic products in their store will invite more variety of customers and give a new facet of “Target Experience” for their customers. This new installation will also give Target a new image towards the minorities in US, upgrading both its image and revenue.
- Customers will have ways to purchase Target’s merchandise anywhere they want with their new mobile apps.

Weakness

- Hard to supply such quantity in kind as Amazon in online store, and the price might be higher than Amazon as well.
- With lack of storage space, City Target will sometimes be sold-out of certain items more often than suburban Targets.
- Increased cost due to the fact of hiring more cashiers to replace self-checkout.
- Decreased products exposure to customers due to the implementation of placing checkout counters on each floor.
- Limited parking spaces.

Opportunities

- By multicultural elements supplied in stores, Target could expand in global wide.
- With the developing effort made in IT technology, Target is easy to utilize technological products in its merchandising.
- Target Corp, an already well known franchise in the retail market, will have a firms start in the city market where most future customers already buy highly of Target.

Threats

- When other retailers have the awareness of the multicultural market’s potential, competition would be more intensive.
- Invest too much in Hispanic and Asian products might change the existing leverage of the product chain, and might be in crisis.
- Target competitor like Wal-Mart, Sears, and many other retail businesses will still be in...
business. They won’t stop innovating and expanding, which means Target will be continuously push to perform better services in cheaper cost. Price is the number one reason why customers come in. Wal-Mart is going to push the retail market.
Conclusion

1. Expanding the business into urban area where “one-stop shop” and “close to home” retailer stores is needed.
2. City consumers are more sensitive to the information provided by internet. As implementing the technology in World Wide Website, Target needs to keep developing its online shopping platform.
3. Customers’ online shopping Account should enable consumers check their shopping history.
4. Target needs to create a discussion forum to increase the quality of services by taking customers’ feedback and suggestions.
5. Target needs to upgrade its smart phones applications.
6. Establishing a unique shopping system could make Target take a qualitative leap.
7. Urban customers not only consider the products to fulfill fundamental needs but also the products that fulfill their need of higher esteem.
8. Hispanic customers market has great potential to generate more revenue.
9. Posters and magazines need more description and specific explanations of the products.
10. Self-checkout counters need to be replaced by staff-run counters.
11. Checkout counters need to be set on each floor.
Recommendations

- Based on our research, we recommend Target to continue in developing multicultural marketing with Hispanic consumers. Indeed, Target is not only one shows weakness in this area, similar merchandises all need improvements in multicultural market. All in all, Target could participate in such area to gain comparative advantages in the future.

- Based on the research above, our advice for the City Target relating to the marketing aspect is to build the new section of the City Target within its Web site and create a discussion forum section for customer to rate and discuss about the services and products that provided by City Target. Also, within the targeting area of each single City Target store, post card and City Target magazines will be sent to each apartment directly once a week. The description of products listed on magazines and Post cards will be as specific as possible.

- The smartphone shopping application created will sell the same types of products sold at City Target. Customers will need to create an account and login using their emails to make a purchase. Then, they need to choose the location of the City Target stores that they are going to come to pick up their products. To provide smooth transactions, they will need to show the receipt sent to their emails along with a pick up code so that prepared products can be correctly given to customers. In addition, the smartphone application will track the history purchases, to ease customers when they are going to buy the same type of products. This will help save shopping time for urban citizen with busy schedules, and increase customers’ satisfaction.

- City Target stores need to abandon the self-check counter to avoid slow down and revenue lost. Adding more, smaller size express-check counters, and have counters on each floor to dilute the population then the stores will overcome the problems caused by the limited space and excessive customer flow. More importantly, Target will make least compromise on the shopping experience.
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