

# Case study

## Distribution Network Designing Partnerships.

### Situation Analysis.

*This case presents a scenario with a hypothetical challenge. Approach it as if you were a Target team member.*

The retail landscape is changing faster than ever before. Consumers have elevated their expectations of retailers, demanding product that is more localized, more accessible and highly curated for their personal tastes. Dominant players in retail must rethink their strategy to stay relevant and attractive. Technology has also completely changed the way consumers interact with retailers, with the ability to browse, learn, be inspired and purchase anywhere and anytime. This presents additional complexities for retailers to build a consistent experience across channels, as well as introduces a completely new set of online-only competitors. The key tenants of merchandising—assortment, pricing and promotions—are becoming more competitive with the transparency that has been enabled by technology. This increased competitiveness drives a greater need for brands to differentiate themselves. Target's design partnerships are a key part of our overall Brand strategy and they pose unique Supply Chain complexities to ensure the right products are in the right area for the right guests. Examples of complexities included the following: the allocation of product across over 1800 stores to maximize sales/profit, ensuring all product is available on launch day and storage of product across the distribution network to ensure fast delivery of product ordered via Target.com anywhere in US.

### The Company.

Founded in 1902, Target Corporation (NYSE:TGT) is an upscale discount retailer that provides high-quality, on-trend merchandise at attractive prices in clean, spacious and guest-friendly stores. With 2016 revenue of \$69.5 billion, Target has over 1,800 stores and 38 distribution centers in the United States, and over 320,000 team members worldwide. Its online business can be found at [www.target.com](http://www.target.com).

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

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

## The Guest [Consumer].

Demanding Enthusiasts are **Target’s core guests, and they’re digitally connected families who enjoy shopping and demand great value.** Typical guests have kids in the household and lots of demands on their time. They are likely to live in urban areas. These guests actively shop in-store and online and are early adopters of new technology, shopping with one hand on their cart and one hand on their smartphone. They enjoy shopping and want to tell their friends, remaining engaged with social media while shopping and sharing their feedback and experiences online. They are often influenced by others and share their findings to influence others. Guests love Target for its newness, its product assortment and its value.

While browsing and making decisions are a large portion of the guest experience, today’s consumers demand great value as well as convenience. They have a wide range of retail choices, and are willing to hunt to take advantage of the best price, and are comfortable making spontaneous purchases. Retailers have answered this trend by partnering with mobile payment applications and shortening the number of steps required from browse to checkout, both digitally and physically. In terms of obtaining the purchased product, free shipping and in-store pick up are becoming increasingly important for online transactions, as well as length of time until product is received.

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

## The Competitive Landscape.

Competitors each have their own methods of driving partnerships and sales that directly affect the ways in which their supply chains are leveraged. Additionally, consumers expect a seamless shopping experience where they can choose the most convenient way to order, receive and return their purchases, and retailers are responding in different ways.

Other players in the market that may be helpful to research on this topic **include Walmart, Amazon and Home Depot.**

## The Challenge Ahead.

**As a Target Supply Chain leader, how would you develop a strategy that solves for the complexities that impact how we manage all products – including those with high demand, like our design partnership collections?**

Things to Consider As You Create the Solution:

**Product:** Select a specific designer partnership you would like to use. Below are some that we have done in the past:

- Victoria Beckham
- TOMS for Target
- Neiman Marcus
- Lilly Pulitzer
- Phillip Lim
- Altuzarra

**Timing:** What is your sequencing strategy from beginning to end to ensure this product partnership is a complete success?

**Technology:** Is there a long term technology solution that will better the overall supply chain capabilities?

**Supply Chain:** What channels would you utilize to move the product? Do they guarantee reliability, speed, and reinforce the Target Brand?

**Cost:** Does your supply chain method keep order processing/shipping cost low so that we can continue to keep our Expect More. Pay Less. brand promise while turning a profit?

**Competition:** What challenges will you face and how will you get in front of or minimize our competitors to gain advantage?

**Collaboration:** What partners would you engage to understand how to implement your strategy?

## Frequently Asked Questions.

**What is the current network of Distribution Centers?** Target has 38 Distribution Centers across the United State. You can view a detailed map at this website:  
<https://corporate.target.com/careers/global-locations/distribution-center-locations>.

**How much volume can a Distribution Center handle?** For the purpose of this case, any network you choose will handle the volume needed. Focus more on the efficient choice of

network. Ex: Do you want all of your products to be handled online? You may choose a blend of Fulfillment Centers (FC) and Ship to Guest Regional Distribution Centers or blend. The key point is for you to pick the mode that reduces cost, time and ensures we service our guests the most efficient way (Time, Cost, Distance, Speed etc.).

**Can we pick just one mode of distribution?** You are free to pick the mode. Research and defend your thought process.

**How long does it take to manufacture goods?** This depends on the type of products, seasonality, global supply chain constraints. The key point is to research and assign enough lead time that you can defend in your proposal. Too much time drives cost up, too little time drives cost up and can create inventory issues.

**What is the fastest way to get products to a Target guest?** It depends on the product and inventory positions across the country.

**Can we suggest not using the Target network?** You are free to be creative with your research and suggestions on distribution.

**Are we able to get actual labor costs, headcounts, current inventory levels, previous sales results to further our research?** No. Stay focused on figuring out what it will take to manufacture, move your product, and sell your product from end to end. Use transportation costs based on research, current fuel prices adjusted for contract discounts.

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