

TARGET COMES TO CANADA

BRANDING

The logo

Target's bulls-eye logo was unveiled with its first store in Roseville, Minn., in 1962. "As a marksman's goal is to hit the centre bulls-eye, the new store would do much the same in terms of retail, goods, services, commitment to the community, price, value and overall experience," the company's website says. In 1968, Target changed the logo to the one currently in use.



THE TWO-STORE STRATEGY

126,000

The size in square feet of **general merchandise stores**. Typically one-level stores within community or regional shopping area.

174,000

The size in square feet of **Super-Targets**. Billed as a one-stop shopping mix of merchandise and grocery.

222,420,000

Target's total store square footage

360,000

Approximate number of employees

CORPORATE CULTURE

'Target knows what they are'

Clean, bright and well-organized, experts say there's a pent-up demand in Canada for the chain's cheap-chic

RITA TRICHUR
MARINA STRAUSS

The secret to Target Corp.'s success is getting consumers to see beyond the bulls eye.

"Tarzhay," as devout fans affectionately call the retailer, has succeeded where Wal-Mart Stores Inc. has fallen short. It has persuaded middle-class America that discount shopping need not be a guilty pleasure.

Essentially, Target is discount shopping without the bargain-basement feel.

Target stores are clean and bright, and the shelves are stocked with trendy items along with everyday basics at good prices. The Target logo is synonymous with cheap-chic.

And experts say there is pent-up demand for its hip cachet here.

Canadians will embrace Target because it evades the stigma of thrift, said Howard Davidowitz, chairman of Davidowitz & Associates, Inc., a New York-based retail consulting firm.

"You've had so many lousy retailers like Zellers and all these crappy guys. You've had all these dumps who acted like retailers but really were cadavers," Mr. Davidowitz said.

"Everything is all messed up, they never got it right, they never knew what they were. Target knows what they are and they execute beautifully."

Over the past 10 years, Target has roughly doubled both its sales and profits. Revenue for the 12 months ended Jan. 30, 2010, totalled \$65.36-billion (U.S.), while net income was \$2.49-billion, according to S&P/Capital IQ.

Target is now set to invest \$1-billion in converting the Zellers stores into Target outlets, said Gregg Steinhafel, Target's chairman and chief executive officer.

Target already generates 50- to 200-per-cent more sales in each of its stores, compared with a Zellers outlet, Mr. Steinhafel said.

He is betting that he can run better stores than Zellers by putting more staff into them. Each Target store has between 50- and 100-per-cent more employees than a Zellers, he said. More staff help, for example, keep the store tidier and easier to shop, he said.

Over the next decade, he envisions more than 200 Target stores in Canada. Some analysts say there is room for as many as 250. "We want to be the preferred shopping destination for the Canadian consumers," he said.



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Target stores — on average about 125,000 square feet — are larger than Zellers stores, which are closer to 100,000 square feet or less.

Still, while many Canadians have heard about the success of Target, they may never have never visited one. Lakeshore Group retail consultant Rick Pennycooke said.

"Target must make certain that they do not disappoint the

Canadian consumer when they do arrive," he said. "They will have to be different and better than Zellers."

Target and Wal-Mart have followed very different business strategies.

Target was founded in Minneapolis in 1902 as the Dayton Dry Goods Co. In 1911, it was renamed the Dayton Co. but was commonly called Dayton's department store.

Its modern-day fashion finesse is rooted in its early history as a department store, Mr. Davidowitz said. From the beginning, Target established itself as "the king of apparel." Matching tops, bottoms and accessories are displayed together on the floor, meaning customers do not need to worry about making an outfit work.

The retailer has also invested heavily in promoting its private labels across a range of merchandise. Their stable of designers has included Isaac Mizrahi, Mossimo Giannulli and Michael Graves.

Additionally, Target employees travel the world, scouring for the latest trends in fashion, accessories and housewares.

With a lower price point in mind, the company then "Targetizes" a potential product for mass consumption. The quality may be less, but the cool factor is conserved.

In contrast, Wal-Mart founder Sam Walton's origins are in the convenience-store business in America's deep south. With price a key priority, Wal-Mart's early focus was on basics like food and other consumables, rather than apparel.

"Here's the key to Target: the fashion is right. And it is presented in an environment for fashion," Mr. Davidowitz said.

"With Wal-Mart, do you think you want to buy fashion surrounded by a giant pile of cookies? I mean, it's ridiculous."

It is unlikely that Target will have to radically alter its business strategy in Canada, said John Williams, a retailer consultant with Toronto-based J.C. Williams Group Ltd.

That's because Target already enjoys a groundswell of goodwill here — much more so than other U.S. retailers like Kohl's or Marshalls.

Most Canadians have already seen Target's slick ads that hold out the promise of simplifying middle-class life with a dash of glam.

"When they go to the States, the first store they go to is Target. That's the baseline for cheap-chic," Mr. Williams said.

Beyond business, Target is also wooing Canadians by promising to extend its popular community outreach programs on this side of the border. Since 1962, it has earmarked 5 per cent of its income to support local communities.

"It is important to people to know these so called impersonal companies care about the community," Mr. Williams added.

“ They will have to be different and better than Zellers. **”**

Rick Pennycooke
Lakeshore Group retail consultant