

## CHAPTER 1

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# The Target Difference

When I go into a competitor's store,  
I have this uncontrollable urge to get what  
I need and get the heck out. With Target,  
it's more like, "Stick around for a  
while, relax."

—Curtis Chan, Target customer

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The grand ballroom of the Waldorf Astoria in midtown Manhattan is overflowing with proper Chanel suits, pearls, coiffed hair and the tight smiles characteristic of expensive plastic surgery. Several hundred women gather to hear Libby Pataki, the then-first lady of New York, discuss the state's efforts to fight ovarian and breast cancer. The event, which includes a fashion show, will raise \$650,000 for a center that provides mammograms to low-income women. The tables are teeming with white linen, pearly china adorned with cold pink salmon and asparagus in light vinaigrette, crystal stemware filled with mellow chardonnay. The crowd is sprinkled with younger, hipper attendees as well, including Charla Krupp, a longtime magazine editor and regular contributor to "The Today Show." She is seated across from Pia Lieb, a Madison Avenue celebrity dentist who has catered to her clientele's unique desires in pioneering ways, including bonding "healing crystals" into their teeth. When I mention the Target Corporation, the two women launch into heated declarations of their devotion with the enthusiasm of apostles encountering the risen messiah. "I went to the Target in Setauket (New York)," Krupp said. "I came out with two shopping carts full of stuff. They had to help me out the door. It's so cheap! It's amazing!" Realizing she hadn't gotten everything she needed as she drove back to Manhattan, Krupp said she called Target on her cell phone to get directions to the store nearest to the Long Island Expressway—in Westbury, where she filled another cart. Lieb tells Krupp she should check out the two-story Target in Queens, because it is geographically the closest to Manhattan (she measured on a map). "I take the subway out there," Lieb gushed. "Then if I buy too much stuff, I call a car service to pick me up at the store." The two are rapturous as they extol the virtues of Target's trendy housewares.

## THE NEW DISCOUNT DESIGNER

Inside a nondescript brick building on the west side of Manhattan, more than a dozen crewmembers are scurrying around a cavernous dark space. This moving mass of headphones, wires, and cameras prepares to shoot an episode of “Everyday Elegance with Colin Cowie,” the signature style show on the Women’s Entertainment Network. Host Cowie, a lifestyle guru who has planned parties for Tom Cruise and Jerry Seinfeld, looks for all the world like he’s just stepped out of a James Bond movie—a buff, youthful Sean Connery, in black turtleneck and slim-cut trousers, dazzling white smile. Cowie, a native of Zambia schooled in South Africa, designed the show’s spare, contemporary set. It is stripped of the usual talk show clichés—the overstuffed couch, flowers, bookcases with pewter candlesticks. Instead, warm colors are projected on muted gray walls, an austere staircase adorned only with three dress forms curves up to a platform, and guests lounge in 1960s swivel club chairs, upholstered in a soft black velvet on a stark aluminum base.

Cowie has edged away from his bread-and-butter business—event planning—and into media and product design, including an exclusive line of china for Lenox. Cowie mentions that he spoke with Target about designing a collection of housewares, but backed away when the retailer proposed a one-year deal. “When you’re at this stage in your career, you want more of a commitment,” he said in his clipped South African accent.

Perhaps a dozen years ago, the idea of a well-heeled New Yorker shopping at a discount store would have been ludicrous; even more so, a celebrity designer seeking a long-term commitment. “Mass” retail was a four-letter word. One only had to recall the fate of those who dared to cross the status barrier: the licensing catastrophe that turned couture designer Pierre Cardin into a

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marketer of cheap socks and cologne; Halston's 1982 collection for J.C. Penney that decimated his high-end business. But the 1990s saw a seismic shift in the retail landscape, one so powerful that by the turn of the century, a Midwestern discount store would capture even the imagination of Manhattan's fashionistas—the world's rarified uber-consumers, insatiable and capricious, embracing and abandoning new style like carrion crows. Target's executives are shrewd strategists who have spent decades pursuing the upper-middle class; so when Americans began to focus on value, and fashion became more democratic, Target was prepared to capitalize on the sea change.

### **CAPTURING THE UPSCALE BARGAIN HUNTER**

To shoppers in major cities in the Northeast, Target is a startling new phenomenon that appeared out of nowhere in the mid-1990s. But the store's virtues have been appreciated for years in the Midwest, where the chain was born. Target is just over four decades old—but its roots sink deep into the soil of the 1900s, the era of the great merchants in a pioneering and optimistic America—including an energetic entrepreneur named George Draper Dayton. He founded Dayton's department store in Minneapolis and built a reputation for quality goods, low prices, excellent service—including a liberal return policy—and scrupulous honesty (a customer who could find an inaccurate advertisement was awarded a dollar). Dayton's grandsons founded Target in 1962, consciously crafting a culture infused with the parent company's values—but wisely freeing the chain to innovate in its own way. In 1969, Dayton's merged with J.L. Hudson Company, a Detroit-based department store, and became Dayton Hudson—but its future lay in

discounting. By 2000, Dayton Hudson operated three main divisions: discount stores, upscale department stores, and a mid-range department store called Mervyn's. That year, Target stores contributed a whopping 83 percent of the company's pretax profits, and on January 30, 2000, Dayton Hudson finally acknowledged its crown jewel: It changed its name to Target Corporation. Over four decades, through its edgy products, innovative store design, memorable image campaigns, and remarkably generous philanthropy, the discount chain with the trademark bull's-eye has developed a cult-like following among American shoppers. "Tar-zhay"—in the faux French pronunciation preferred by

### Target Corporation: Divisions

Name of division	Description	Percentage of pretax profit
<b>Target</b>	Discount store in three formats: a standard store; Target Greatland, a larger version with a pharmacy, one-hour photo and other features; SuperTarget, a larger store containing a 50,000-sq.-ft. supermarket	85.86
<b>Marshall Field's</b>	Upscale Department Stores, including former Dayton's and Hudson's stores	4.49
<b>Mervyn's</b>	Mid-range department store, primarily in the Midwest and West	9.65
<b>Target.direct</b>	Websites and catalogs	0

Source: 2001 Annual Report

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middle- and-upper-income clients—sells bargains *and* cachet. Target made it hip to be spare.

### THE TARGET EXPERIENCE

To understand why Target is so different from its rivals, consider the dark lesson taught by the worst mass retailers in the United States: You can save money in a discount store as long as you can endure the misery—pushy crowds, overhead noise, dirt and clutter, offensive lighting, racks jammed with a single size, labyrinth-like layouts, insolent salespeople, and excruciating checkout lines. Come inside, save a few dimes, just don't forget who you are: the Rodney Dangerfield of consumers. You get no respect here. Discount shopping can make you feel genuinely inferior. In your heart you know the truth: Real consumers shop at Bloomingdale's.

Then you stumble into a Target. The experience is remarkable mainly for what is missing. First, the noise: There is no Muzak, no loudspeaker static. It is the mystical feeling of being alone in your own head, without the greatest hits of the '80s evoking bad prom memories. The lighting is bright, inviting—no garish industrial fluorescents. Grab a cherry red shopping cart and begin tooling around the store. There is no obstacle course: No dump bins on wheels to block the way; no merchandise spilled on the floor; no intimidating pallets of product towering twenty feet high, threatening serious head injuries. You've got your basic optical, pharmacy, and photofinishing departments, and if you're in a SuperTarget, there is a Starbucks boutique and an E\*TRADE financial zone, where you can sip a latte while you do banking or trade stocks. When another customer heads your way, there is no shopping-cart jousting match because the aisles are wide enough to accommodate at least two carts. To your surprise, you are not disoriented. Overhead signs in

a gigantic typeface and strong primary colors designate the various departments. In every section there is a bright red phone, your very own Batphone. Can't find the eyeliner? There's a live superhero on the line to guide you safely to cosmetics.

"Before I was a professor, I worked at a housewares distribution company which sold to Target," said Michael Levy, a professor of retailing at Babson College in Massachusetts and co-editor of the *Journal of Retailing*. "They were always very clean, very well-lit, very spacious. You know the saying, 'retail is detail'? They always paid a lot of attention to detail. Their stores always looked a lot better than the discount store competition. Even though the shelves were stacked a little higher and the displays were not as slick as department stores, they looked more like department stores in those days than the sort of dark, dingy look of a discount store."

Dina Brachman, a marketing executive for a global pharmaceutical firm, spends \$400 a month on everything from cat food to laundry detergent at a Target in New Jersey. "Target has intimacy, great merchandising, I can actually find what I need and it's priced," she said. "It's like a mix between a true discounter and a regular department store. We never had Wal-Mart, so when they [Wal-Mart] came here, I thought, oh good, maybe they have better prices. It was dreadful. I've been there twice and hated every minute of it. It's dirty, it's big, it's disorganized, it's a warehouse. And it's horribly merchandised."

Curtis Chan, who works in public relations for Pennsylvania State University in University Park, remembers buying his first G.I. Joe action figure at a Target in the 1970s. He rediscovered it in the 1990s. "My first impression of the store is that it's very clean and welcoming. When I go into a competitor's store, I don't feel nearly as comfortable and have this uncontrollable urge to get what I need and get the heck out. No browsing. With Target, it's more like, 'Stick around for a while, relax.'"

## A FLAIR FOR DESIGN

But customers obviously don't come just for the environment. They come for the merchandise. This—the stuff on the shelves—is where Target differs most significantly from competitors. It's fun, distinctive, smart, sophisticated, even entertaining. There are a few names you may have heard before—Michael Graves, Mossimo, Calphalon, Todd Oldham, Stride Rite—but even if the names are unfamiliar, you know good design when you see it. And it's grouped, thoughtfully: In housewares, one row displays a collection of lamp bases, and just above, an assortment of lamp shades—hey, someone has confidence in your ability to mix and match. It might be a department store, except everything is so cheap. At checkout, a platoon of cashiers awaits, making your exit swift.

“I'm beyond obsessed with Target,” said Tory Johnson, a well-to-do Manhattan business owner who takes her five-year-old twins to a store every weekend, alternating between suburban New York and New Jersey. “My favorite section is the front of the store where they have the seasonal stuff. I probably spent close to \$5,000 between the two stores—that's not so insignificant in just over three months. My favorite Christmas item was the faux mercury-style candlesticks. I wiped out the Edgewater (New Jersey) store and then drove all the way to Long Island and bought all of their stock, too. They were the best presents for under \$10. I sent them with pillar candles to 60 people who would never have gotten a gift from me if I didn't flip over how great and inexpensive these were.” Right after the holidays, Valentine's goodies replaced the Christmas stock. “I went wild!” said Johnson, who estimates she brings home more bags from Target each week than from grocery stores. “I bought just about all of the decorations for my kids' class and our home. In fact, I had a Valentine's Social for 15 five-year-olds just so I had an excuse to buy all this fabulous

pink and red stuff. Now I'm into all the St. Patrick's and Easter things—never mind that I'm Jewish.”

Brachman, a mother of two, is also a big fan of Target's playful seasonal wares. “Everything we got for Halloween was Target—pumpkins, purple skeletons—it's great stuff,” she said. “I bought a great set of picnic dishes because they were so much fun, so bright and zippy-looking. I have lots of picnics in my backyard. I made myself very happy for \$35.”

Target's seasonal housewares are emblematic of the corporation's strategy: It has invested in technology and warehouse facilities to manage the supply chain and shorten inventory lead times, so the shelves look fresh and remain in-stock. At the same time, merchandise turns over frequently, creating in shoppers an urgency to buy now, and come back often to see what's new. “When you see something cute you better grab it—because you won't see it again,” said Dallas Target shopper Melodie Layman. “I'm more prone to go ahead and purchase even if I think I may not need it, because I'll go back and it's gone. I almost always keep it.”

Moreover, Target is also one of the first retailers to use real-time Customer Relationship Management systems to improve service. If Tory Johnson or Melodie Layman make purchases in the store, on the Internet and from a catalog, and then call customer service, the representative on the phone will have an immediate record of all their transactions. Moreover, Target's website is strongly focused on deepening the customer relationship and building the brand, rather than simply driving sales. (See Chapter 5.)

To get upscale shoppers to notice in the store in the first place, Target had to make a splash with its advertising. The chain announced its arrival in the competitive Northeast with a series of award-winning ads that focused on the red bull's-eye logo, and mixed substance with style. (See Chapter 4.) In addition, the chain spends millions on promotions that associate it with the nation's

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style makers. Bob Dzienis, a 30-year-old advertising executive, said Target's ads lured him into a New Jersey store, where he became a true believer. "Target's image campaign is unbelievable. I love their ads. You see these ads, and go into the store, and think, 'Hey there's cool stuff in here.' And you just want to stay there. I could stay there for two hours." Dzienis also praises the customer service. "These [Target] people seem knowledgeable about the products, or if not they'll go find somebody who is," he noted. "They have a more positive attitude in interactions I've seen with customers." Target monitors staff responsiveness to its "guests" electronically and through surveys. In the early 1990s, Target adopted some of Walt Disney's staff training and customer service initiatives. It has since developed a variety of methods—from hiring to coaching to grading performance—to ensure "team members" embody the motto "fast, fun and friendly." (See Chapter 5.)

Marc Gobé, founder of the New York City branding and design firm Desgrippes Gobé Group, contends that Target delivers a human touch in an impersonal and uncertain world. Gobé, coauthor of *Emotional Branding: The New Paradigm for Connecting Brands to People* (Allworth Press, 2001) explained in the thick accent of his native Paris, "We have evolved from an industrial-based economy to a people economy, where factories are not heroes anymore, but people are the heroes. When Henry Ford said, 'You can have any color [model-T automobile] as long as it's black,' it showed the arrogance of this era. In the modern emotional economy, what's interesting is that people are looking to brands for solutions for their lives. We are living in a time where we are losing control of our own lives—technologies move faster than we do—and globalization is a concept that is very hard to completely embrace. The isolation in which everybody lives is somewhat frightening. The change in demographics—in which the construct of the traditional family represents only 28 percent of the popula-

tion—has been destabilizing to people. People are seeking somehow to be reassured with anything that has some kind of human touch. Brands that deliver this human aspect of communication are being preferred.”

Target delivers on the emotional experience for several reasons: it has a vision for its products that focuses on superior design; the company’s internal culture is geared toward the customer; and it communicates its image in a visual language that reflects its values. In other words, the holy trinity of a winning business model: product, service, image—along with a fourth element that is becoming increasingly important to customers, philanthropy. Since 1946, the corporation has given 5 percent of its pretax profits to charity. In 2002, Target handed out roughly \$2 million a week to communities where it does business, supporting the arts, education, environment, and other causes. Target marries marketing and philanthropy in clever ways—the School Fundraising program, for example, allows Target credit card holders to designate a school to receive 1 percent of their purchases every time they use the card. “I got my charge card just for that,” said customer Dina Brachman. (See Chapter 10.)

Those attributes, which we will explore in this book, have made Target the home of the upscale bargain hunter. Consider the chain’s demographics: At 44, Target’s average client is younger than most discount shoppers and college educated, with a household income approaching \$50,000. She—four of five customers are female—also drops a bigger hunk of wallet at the store than at rivals. When her income crosses \$100,000, she shops almost exclusively at Target for her discount purchases. As Salomon Smith Barney analyst Deborah Weinswig notes: “You will see a person in a pair of Ferragamos in Target—you will not see that in Wal-Mart.”

That’s not to say Wal-Mart hasn’t recognized Target’s success and made a solid effort to lure Ferragamo-shod clients into its big

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boxes. Wal-Mart, in fact, has been a devout student of Target's gospel of affordable flair, and now claims to be a convert, hiring dozens of designers from stores like The Limited to upgrade its apparel offerings, and stocking Godiva white chocolate raspberry ice cream in the freezer next to Sam's Choice in markets such as Alpharetta, Georgia and Plano, Texas. But over four decades, Target has made stylishness a core competency, honing its merchandising expertise, external resources, store design, and service standards—not to mention flashy image campaigns—to support that competency; just as surely as Wal-Mart has developed the logistics and distribution skills to become the most cost-efficient retailer on the planet. Wal-Mart, which is the nation's largest seller of apparel, may have Target in its crosshairs, but for the down-home discounter to actually compete on Target's turf would take a cultural and image revolution—one that would risk alienating its traditional customers, who are far more interested in saving hard-earned money on toilet paper and snack food than seeking a Mossimo tee to pair with Armani slacks, or a Michael Graves toaster to complement a stainless steel Sub-Zero refrigerator. In the next chapter, we'll learn about the products and unique merchandising strategies that have made Target one of the most successful retailers in the United States.

# ● CHECK OUT

## The Target Difference

**“Expect more. Pay less”:** Whimsical, well-designed, affordable products—especially in housewares and apparel—turn over quickly, so customers return frequently.

**“Fast, fun and friendly”:** Smartly uniformed “team members” are trained, monitored, and given feedback on the quality of their service to “guests.”

**Welcoming environment:** Stores have an easy-to-navigate racetrack floorplan, wide, clean aisles, pleasing lighting, no Muzak, unambiguous signage, maps, customer service phones, well-organized displays of complementary merchandise, and numerous check-out lanes.

**Image campaign:** Distinctive advertising combines a sophisticated visual sensibility and humorous execution; sponsorships connect the chain with trendsetters in fashion, sports, and so on.

**Philanthropy:** Target has a long-standing policy of giving away 5 percent of pretax income—roughly \$100 million in 2002. Its “cause marketing” is clever and highly successful; for example, it links school donations to its credit card business.

**Technology:** Sophisticated technology controls the flow of information and inventory so stores stay in-stock on the hottest items; Customer Relationship Management systems give real-time data from all of the company’s sales channels, helping improve service.

**Heritage:** Target was founded by Dayton’s, a department store chain, giving the discounter an upscale sensibility and a legacy of strong values.



