

EVERYBODY LOVES TARGET

As America's hippest discount retailer prepares to set up shop here, KRISTIN LAIRD explores why Canadians are counting down the days until opening day next spring and how incumbent retailers are bracing for the battle of their lives



It's a brisk morning in February and the sun has just started to peek between the office towers of downtown Toronto. It offers little relief against the wind that serves as a harsh and constant reminder that winter is still here. The city is barely awake but already a group of people sits on the cold pavement outside a temporary Target store on King Street West. While it isn't set to open to the public until noon, the first man in line has been braving the chilly temperatures since 5:30 a.m. for his wife who is out of town.

The pop-up store features a one-time-only collection from famed designer Jason Wu, who is on hand for the event. The fashion line was so well-received in the U.S. that it sold out just hours after it went on sale on Super Bowl Sunday.

Waiting in line is a small price to pay for a limited-edition Wu design that few others will own. It's like being part of an exclusive club and items from Wu's line are badges of honour.

The man wasn't alone for long. The woman beside him arrived at 7 a.m. Despite the early morning, both are bright-eyed and ready to shop when the doors finally open. The excitement of what awaits them on the other side of the building's large glass doors is enough to keep them warm. Cups of hot chocolate served by Target ambassadors don't hurt either.

The retail space fits perfectly with the cheap and cheerful Target brand and Wu's ultra-feminine designs. One section of the store is a sea of navy and red and pops nicely against the white shabby-chic facades holding the garments. This is the Minneapolis-based retailer's killer app: selling high-fashion, quality goods at a reasonable price. While a Wu-designed cocktail dress can sell for as much as \$5,000 at the Bay, the Target event allows his fans to purchase more affordable designs. Prices for the collection, which include T-shirts, dresses, skirts, raincoats and blouses, range from \$10 to \$45.

"To bring such a great collaboration here and to just be a part of the legacy of Target collaborations is really special," Wu tells the crowd.

The store sells out within five hours, with all proceeds benefiting the United Way of Toronto.

Days before the pop-up, John Morioka, senior vice-president of merchandising for Target Canada told *Marketing* that the idea behind it was to give "guests" (what Target calls its customers) a good idea of what to expect when the retailer first opens its doors in Canada next year. It's also a good indication of what retailers can expect: customers defecting to the new competition in droves.

While U.S. retailers such as Victoria's Secret, J. Crew and Marshall's have recently set up shop north of the border, Target is the one causing the biggest stir. Each of the aforementioned retailers cater to a specific consumer group. J. Crew for instance, with its high price points and stylish staples, attracts a preppier, more affluent shopper. Target, on the other hand, appeals to the

price-conscious but also fashion-forward trend seekers.

At Target, the two aren't mutually exclusive. This is why shoppers stand outside in the cold for five hours. And it's one of the reasons Canadian retailers are already bracing for Target's arrival. Sears, for instance, has slashed prices on more than 5,000 items and has an increased focus on private-label fashions. Walmart is spending \$750 million to open, relocate and remodel dozens of its stores. But large retail chains aren't the only ones that should prepare for Target. Niche boutiques selling housewares or clothes also have targets on their backs, says David Gray, retail consultant and founder of Dig360 in Vancouver. In general, consumers will come to expect a higher quality product at a more reasonable price point, which will "affect all players" in the retail landscape, he says.

"Target's leadership in retail exclusivity is what's really driving a lot of people into their doors," says Jason Dubroy, VP shopper marketing, DDB Canada. Because Target matches its competitors on price, the retailer's focus on designers, and more specifically, collaborations with designers like Wu, Missoni, Anna Sui and the late Alexander McQueen is what really sets it apart.

"We realized years ago that it's not enough to compete on price alone," says Morioka. "We knew our guests expected more so we decided to offer unique, well-designed products while still allowing our guests to pay less." Target pioneered sophisticated design at a mass-market price nearly 13 years ago when it first partnered with American architect Michael Graves to bring pop-art flair to teapots and toasters. Since then, Graves and Target have brought more than 1,800 consumer products to market in nearly every consumer product category except apparel. The Michael Graves Design Collection for Target helped bring to life the brand notion that good design should be accessible to all and launched the retailer into cheap-chic territory. Today, one of Graves' earliest and most popular designs, the Spinner Whistle Teakettle, can be found on Amazon.ca for over \$175, which is \$50 more than what it originally sold for at Target.

Tony Chapman, CEO of Toronto agency Capital C, says Target has established a reputation for being the retailer that provides shoppers with an inexpensive way to dial up the home. "I could get a 19-cent dishrag at Walmart but for only three cents more you could come home excited from your shopping trip because this one has a pattern from a well-known designer," he says.

Designer/retail partnerships are lucrative for both sides. Target can drive traffic and attract new customers to its stores and earn publicity, while high-fashion designers gain a new kind of mass recognition.

"When we talk to some of these designers, they really like the idea of a limited time-only collection and certainly the power of the Target brand is an important part of elevating themselves as well," says Morioka.

Rival retailers have tried to follow in Target's shadow, launching similar, limited-time only collaborations



with some of today's most recognized designers. Sears recently added the Kardashian Kollection to attract younger, hipper buyers, and global retailer H&M recently carried a collection from Versace that was available at select locations throughout Canada. Walmart Canada also made attempts to serve a more fashion conscious consumers with its private clothing label George (named after English designer George Davies) that it acquired in 2004 from U.K.-based food retailer Asda. In 2010, the retailer made improvements to the quality and style of the line. But it's one thing to "objectively have really good

design, it's another to convince customers that it is good quality," says Gray. "Walmart's persistent brand promise is that you're going to get everyday things for less, which doesn't really coincide with the idea that you're going to get something really cool and fashion-forward."

"If anyone wants to buy a product that is completely driven by price, they need to go to Walmart," says Corinne Sandler, founder of Fresh Intelligence, the Toronto agency hired by Target to conduct research around Canadian consumers.

"Not all consumers actually go to a store when the only thing they're being sold on is price," she says. "That's the big criticism of Walmart and I think Walmart has that distinct image whereas Target doesn't."

At the root of it, Target is an organization that allows "creative thinking to emerge," says Gray. Competitors have learned from Target's example and cashed in on the retailer's success. And yet Target still benefits from leading the charge, says Gray. "It almost gives a bigger halo effect to Target, the more people try to emulate it," he says. "And the thing is, Target isn't just about good design and good fashion—they're doing it at an amazing price."

The pop-up store event generated a great deal of buzz that day and only added to the mounting excitement around Target's entry into Canada. Canadians have been anxiously awaiting Target since the retailer announced in January 2011 that it would spend \$1.83 billion to take over the leases for the majority of Zellers stores from its owner, the Hudson's Bay Company. For those already familiar with Target, the event embodied what they love about the retailer—and the reason so many shoppers cross the border to spend a day at "Tar-zhay."

Fast-forward a month to an unseasonably warm day in March and the start of a sunny spell that hits most areas of Southern Ontario. At this time of year, it isn't uncommon to go to bed with spring and wake up with winter—a day like this should be used wisely. So I spend this particular Sunday in a suburb of Western New York walking the aisles of Target. With a quick scan of the parking lot I spot at least a dozen Ontario licence plates. It seems we're all on the same page.

Bright, fluorescent colours are in this season and



The Target pop-up store in Toronto featured limited-edition Jason Wu fashions (above) that sold out fast.

it touches every section of the store. From swimsuits to spatulas and bags to bowls, Target helps shoppers keep on trend with its constant focus and dedication to design—and without breaking the bank. I've been on the hunt for a pair of royal blue slim-fit pants ever since I spotted a pair in *Style Watch* magazine. After a few trips to Toronto malls and price comparisons online, I wonder if it's worth paying \$45-plus for a pair of pants I might only wear for one season. I find a pair at Target for \$24.99.

The retailer's attention to detail extends beyond fashion to every touch point in the store. Target locations are designed to be more attractive than other big-box department chains by having bright lights, wider aisles, a more attractive presentation of merchandise and generally cleaner fixtures. Super-sized graphics depicting common household items decorate the walls like works of modern art. The red in-store signage pops and the sales floor is well organized. It's simply a better shopping experience and a far cry from the likes of Walmart, which is an obstacle course of bargain bins and cardboard displays flagged by discount "Rollback" signs.

"There's special attention given to the store environment—everything from the graphics, how they reinforce the brand imagery, the red from top to bottom, the way the shelves are aligned and all the in-store material

either communicating value or fun and irreverence, which is their brand experience," says DDB's Dubroy.

"Their focus on design is not just as a tool but how they use it as an operating philosophy both in and out of store," he adds. "Even in Canada they're not going to allow drop palettes because they want a cleaner look and feel to their store." Target also claims to have the fastest checkout experience in U.S. retail, which they plan to bring to Canada, says Dubroy. "The checkout system is a huge point of difference for them."

Target has the entire shopping experience mapped out, even down to the "specially designed, custom injected molded [shopping] carts," says Dubroy, which are lightweight and easy to steer. Rather than markdown signs, the retailer uses images of its canine mascot Bullseye to indicate sale items. This is a store that makes shoppers feel clever, not broke.

Morioka says Target has spent an enormous amount of time and resources listening to guest feedback to determine what they're looking for. According to the company's research, Target guests tend to be well-educated, earn above-average incomes and lead active lifestyles, says Morioka. "In the United States our median guest is 40, younger than any other major American discount retailer, more than half are university graduates and nearly half have children at home." Morioka expects

Spider Marketing asked Canadians moms to share their first thoughts/feelings about Target coming to Canada. Here's what came to mind...



Canadian guests will look much the same. Dubroy says the Target shopper is part of a “super-coveted demographic. They’re smart, savvy, and they have money to spend.” Not only this, but according to the retailer, nearly 70% of Canadians are already familiar with the Target brand, 11% have shopped its stores in the past year, and more than 30,000 are currently members of its Redcard discount program. “Target doesn’t have much of a job to do with respect to equity building when they arrive,” says Rico DiGiovanni, president and partner at Spider Marketing Solutions. “They can step right into driving traffic by way of their standard practice, as opposed to saying who Target is. We know exactly who Target is.”

It’s the end of March and Target has drawn yet another crowd in downtown Toronto. This time it’s for Morioka, who is giving a talk at the Ted Rogers School of Retail Management. In the hallway, students line up as two recruiters hand out pamphlets explaining the opportunities working at Target provides. Fresh-faced students who were recently selected to participate in the retailer’s intern program fill the first two rows of the nearly full auditorium. Morioka is called

to the stage where he opens with a short video montage of Target’s television commercials and other branded material. During his speech, Morioka speaks of Target’s fun and innovative spirit and how excited the company is to finally share this with Canada. He’s worked with the retailer in the U.S. for more than 17 years and moved to Toronto last August to join the Canadian operation, which is headquartered in Mississauga, Ont.

“The size and speed of our expansion here is simply unprecedented,” he says. “When we open our doors next year it will be one of the biggest retail launches in Canadian history both in terms of the number of stores we’ll operate as well as the sales they expect to generate.” By early 2014 Target will have about 130 stores from coast-to-coast. Currently, Sears has 185 corporate stores nationwide, Walmart has over 330 and The Bay has 92.

But right now the retailer is in the midst of hiring “hundreds of Canadians and developing the appropriate systems and infrastructure to make sure everything goes smoothly when we open our doors,” says Morioka.

While Target has identified many cultural similarities between American and Canadian shoppers, Morioka says the retailer understands that the country’s provinces and communities are unique.

“That’s why we’ll constantly evaluate our product assortment and marketing just like we do with the U.S. to ensure that Target continues to anticipate our Canadian guest’s every want and need,” he says. For instance, Target stocks its shelves with merchandise relevant to individual markets based on climate, culture, and demographics. “Simply put, we’re dedicated to getting the right items in the right stores at the right time,” says Morioka.

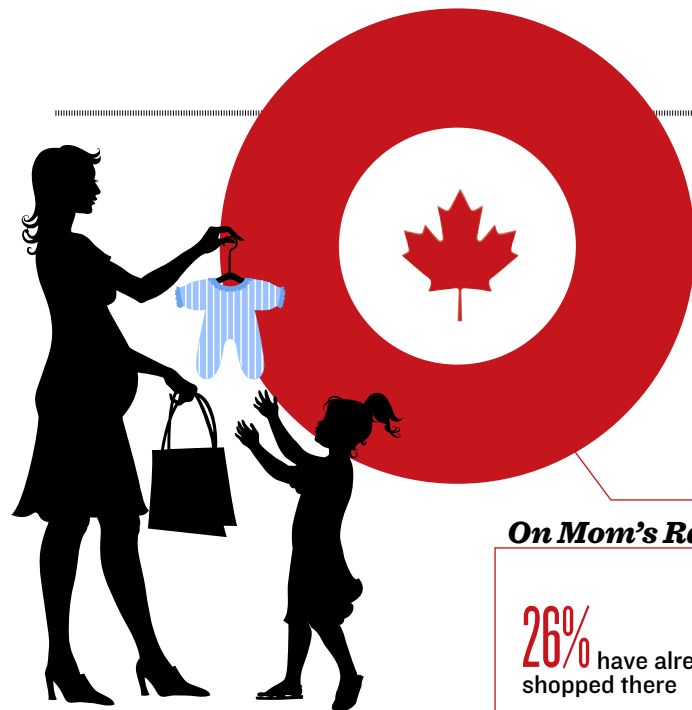
When asked if Target would work with distributors to bring the consumer packaged goods that Canadians love to north of the border, Morioka answers: “It’s too early to tell... We don’t have a supply chain [yet in Canada] and we are actively building that.”

Morioka says he’s often told by Canadian shoppers to make sure Target Canada isn’t a “light version” of what they’ve come to expect from the retailer’s U.S. locations. “Canadians have to understand the Target brand they see when it comes to Canada will be very much the same when they cross the border.”

Audience members flock to the stage once Morioka wraps up his speech. A lucky few exchange words with him before his handler escorts him to a cocktail reception down the hall. The crowd in the hallway parts like the Red Sea as he passes. Everyone whispers and stares. Tonight, Morioka has rock star status. Right now, he’s the frontman of a \$70-billion marketing and merchandising machine and these are his groupies.

The scene continues as faculty, students and other attendees wait to shake Morioka’s hand. He greets every-

one with a smile. One man hands Morioka a business card for what looks like an impromptu product pitch. He, like everyone else, wants a piece of Target as it prepares to mark its territory in Canada.



Target: Moms

Shortly after Target officially announced it was setting up shop in Canada, Spider Marketing Solutions conducted a survey of Canadian moms’ attitudes and behaviour towards the retailer. Here’s what it found:

On Mom’s Radar

88% brand awareness among Canadian moms

26% have already shopped there

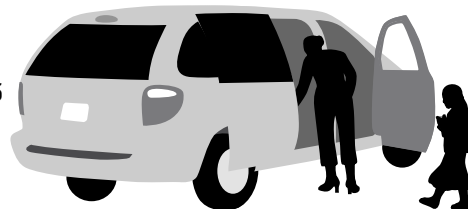
60% are aware that Target is on its way

95% say they are at least ‘somewhat likely’ to shop at Target

Worth The Drive

The majority of moms say they will take the extra time and effort to visit a Target store as soon as it opens here

56% will drive 15 minutes or longer to get there



62% will go as early as the first week it opens

Tapped In

77% of Canadian moms will visit Target’s website versus **68%** of women without children

34% will join Target Canada’s Facebook page compared to **21%** of women without children

19% of Canadian moms will sign up for Target’s mobile app compared to **9%** of women without children