

Target Case 2018

EXECUTIVE REPORT:

Adapting to the Changing Toy Environment



TARGET[®]

Team 3

Temple University | March 2, 2018

Executive Summary

The future of play is rapidly changing with millennial parents' developing behavioral trends, which necessitates toy manufacturers and retailers to innovate quickly in response to the criticism against gender-based toys.¹ Based on our SWOT analysis of Target's current situation (see Exhibit 1), Target faces increasing competition from online retailers.² Nonetheless, Target could strengthen its brand by positioning itself as a company that caters to customers' changing needs through proactive modernization. As families who are becoming more digitally connected as well as concerned with their children's early development,³ we propose: eliminating gender associations by redefining attractive categories, educating parents and kids as a corporate social responsibility endeavor, and elevating our in-store experience by integrating current technology. As a result, Target will not only deliver, but also exceed its promise of "Expect More. Pay Less."

Eliminate | *Removing Gender Associations by Redefining Attractive Categories*

With the onset of the gender-neutral movement, it is no longer favorable to sell a product that is gender-specific. Although we have announced our changes to remove labels marketing our toys as "boy toys" or "girl toys" on physical shelves and online platforms, Target needs to be a first mover of even greater change. Large department stores are lagging behind the likes of Amazon and online toy retailers, which have successfully escaped customer criticism by effectively de-marketing gender stereotypes from their toy products.⁴ Our first recommendation is to *eliminate* gender associations within our toy section.

First, we must characterize our target customer. In this decade, the customers who are using toys purchased from our stores are the children of millenials. Because of this, we should provide a greater focus on appealing to the desires of millennial parents. Millennial parents have

strong social consciousnesses: they believe that the products that they are buying should be of great integrity. They have been the main pushers of the consumer complaints that the selection of gender-exclusive toys are both offensive and not of their need.⁵ We must appeal to their calls for action. Because consumers are “branded” from a young age on which toys they should buy,⁶ we must be the place that consumers have always bought their toys from. A lack of action will lead to a long-lasting loss of customers.

Our proposed solution to deter gender association is to renovate categories within the toy section as skills that children can develop. In our example, toys will be sorted by positive attributes as such: “teamwork”, “creativity”, “problem-solving”, etc. This will make toys much more attractive for parents to buy because they want their children to gain skills from playing with toys (see Exhibit 3).⁷

Additionally, we must continue eliminating toys that are too gender-specific. Instead, we must monitor our product mix, especially prioritizing toys that are appealing for both genders. Because of the present-day negative association with the use of pink and blue to denote girl and boy,⁸ we should avoid products that use these colors in uniform independence. Instead, we should focus on offering a wider range of colors. Similarly, the colors of the toy section should be decorated in the form of a color scale: ranging from all sorts of colors that do not include pink or blue. In this way, we will neutralize gender associations. Altogether, we will expand our customers’ options when purchasing toys, thereby preserving loyal customers and enabling greater sales.^{9,10}

Educate | *Teaching the Community as a Corporate Social Responsibility Endeavor*

Since de-gendering toys allow children to diverse interests and long-term benefits,¹¹ our second recommendation is to *educate* our customers by raising awareness of the positive influences of gender neutral toys. This can be done through our collaboration with both non-profit organizations and educational institutes as well as social media advertisement.

Target can partner with national, highly-rated non-profit organizations with similar visions as our interests. These collaborations would assist children in need and generate public platforms to promote more neutral approaches to toys. Currently, Target supports educational programs at high schools throughout the country by providing grants.¹² Taking our commitment to youth and education further, Target can partner with schools to create on-campus events with toy donations or even invite disadvantaged students to come into Target to play with new toys. Our team members will love to volunteer and altogether Target will tackle the biased presumptions of gender-specific toys among children and their parents. With these partnerships, Target can benefit from tax deductions, raise positive awareness for gender-neutral toys, and encourage customer loyalty.

Another way to educate customers is to promote gender-neutral toys through marketing plans. By displaying both boys and girls playing with a toy, Target can deter gender stereotype issues. Furthermore, as visual marketing plays a powerful influence on generating revenue, social media has become an optimal tool for trend promoting and reputation boosting.¹³ Target can leverage its social media platforms to market new toy concepts that encourage gender-neutrality using strategic marketing plans, which include advertising coupons, holding

virtual short-term events, enhancing rewards for online check-ins, and hosting post-sharing competitions.

Elevate | *Integrating Current Technology to Improve the In-Store Experience*

Our last recommendation is to *elevate* the experience of our digitally connected customers and their children by focusing on our in-store engagement. Target must capitalize on offering a stellar customer experience by integrating technology to compete with their online counterparts that lack in-store engagement. Specifically, we propose creating a mobile game within Target's Cartwheel app and upgrading our inventory alert system.

By utilizing the current technology of Augmented Reality (AR), we can create a simple game called "Go-Cart". The game entails a "Pokemon Go"-like scavenger hunt to engage customers while shopping. As a note, millennial parents are moving away from digital toys due to the increasing concern that children are too sedentary.¹⁴ However, AR technology bridges this digital and physical gap as users can play while engaging in physical activities.¹⁵ Moreover, such technology rarely has gender implications: despite Pokemon's traditional association as a male game, Pokemon Go has 63% female players and 37% male players, and the demographics are predicted to level off.¹⁶ Hence, our digital game, Go-Cart - in addition to other technology-based toys - will address millennial parents' needs to give children toys that do not perpetuate gender stereotypes while being physically active.

Another way to improve in-store engagement with technology is to ensure Target is adequately stocked. Because millennial parents are time-conscious, they prefer to check online to see if a product is available nearby. However, they often find that the product is unavailable

when they arrive at the store. This miscommunication stems from Target's current inventory system that cannot guarantee the accuracy of production information.¹²

To combat this problem, we suggest implementing a real-time application system for our online and in-store inventory. This system can show customers the number of products currently available. This can affect consumer purchasing behavior by creating a sense of urgency to purchase the product.¹⁷ This will also employ team members and suppliers to ensure product availability for our customers. Our main competitors, Walmart and Amazon, are already operating in this efficiency. Walmart uses a private cloud that updates hourly and shares this data with its suppliers to replenish the shelves faster.¹⁸ This system is also exceptionally responsive when identifying inventory issues and helps manage distribution centers. Similarly, Amazon's real-time system analyzes and identifies the closest warehouse and ships the product to their customers, thus reducing shipping costs by 10 to 40%.¹⁹ Operating on real-time data will help Target accurately stock inventory and cut costs while staying competitive with Amazon and Walmart. This contemporary innovation of our technology will improve the in-store experience.

Conclusion | *The Future Outlook*

Target will become a prominent leader of social responsibility by implementing our plan to *eliminate* gender-specific toys, *educate* communities on the benefits of gender-neutral toys, and *elevate* our customers' shopping experiences. Based on a complete SWOT analysis succeeding this proposal (see Exhibit 2), by enriching Target's most important asset - the in-store experience - we will increase sales and loyal customers as we support new customers to expect more and pay less.

Exhibit 1: Current SWOT Analysis of Target

Strengths

- Flourishing environment for team member-shopper engagement
- Corporate social responsibility leader for youth and education

Weaknesses

- Inefficient inventory and shipping management
- Online platform capabilities are underutilized

Opportunities

- Integrate technology to engage children
- Adjust marketing strategies to fit the developing behavioral trend of millennial parents toward children's play options

Threats

- Amazon's fast shipping and ability to adapt quickly
- Walmart's maintenance of low price while enhancing their e-commerce capabilities

Exhibit 2: SWOT Analysis of Target Upon Implementation of Proposal

Strengths

- Front-runner in debunking gender stereotypes
- Public engagement with communities to improve youth and education
- Hub for digitally connected families
- Real-time inventory and improved supply management

Weaknesses

- Unexpected issues that may arise from new technology

Opportunities

- Guaranteed product availability within one day of product request

Threats

- Online retailers' abilities to quickly innovate at a cheaper cost than brick-in-mortar stores

Exhibit 3: Projection on The U.S Market Size for Total Toy Industry²⁰

Traditional Toy Categories	2013	2014	2015	2016	2014 vs 2015 % change	2015 vs 2016 % change
Grand Total	\$17.57	\$18.18	\$19.45	\$20.36	7%	5%
Action Figures & Accessories	\$1.25	\$1.34	\$1.45	\$1.44	9%	-1%
Arts & Crafts	\$1.03	\$1.07	\$1.04	\$0.98	-3%	-5%
Building Sets	\$1.66	\$1.84	\$2.03	\$1.97	10%	-3%
Dolls	\$2.31	\$2.39	\$2.62	\$2.88	9%	10%
Games/Puzzles	\$1.36	\$1.46	\$1.64	\$1.95	13%	18%
Infant/Toddler/Preschool Toys	\$3.06	\$2.92	\$3.11	\$3.19	6%	3%
Youth Electronics	\$0.55	\$0.60	\$0.59	\$0.61	-1%	3%
Outdoor & Sports Toys	\$3.04	\$3.19	\$3.41	\$3.73	7%	10%
Plush	\$0.93	\$1.00	\$1.02	\$1.08	3%	6%
Vehicles	\$1.33	\$1.32	\$1.43	\$1.45	9%	1%
All Other Toys	\$1.06	\$1.05	\$1.10	\$1.09	5%	-1%

From The NPD Group's Retail Tracking Service, this data is representative of approximately 80-percent of the U.S. retail market for toys. From this chart, we can see that games/puzzles category experienced the highest percentage increases over the past four years. Target can capitalize on this trend by sorting toys in skill-related categories to satisfy current customers' demand as well as attract new customers.

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