

Target RedCard for Businesses Marketing Plan

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Abstract

Target is a widely successful American retailer that is known for its high-quality products and affordable prices. Unfortunately, Target is one of the few large retailers that have not opened up a membership for commercial and business use. Our goal is to propose a Commercial RedCard marketing plan that can support a new branch of revenue and clientele while pairing along with the existing consumer RedCard, company infrastructure, and mission statement. We outline the problem as Target's lack of a commercial membership program, and solve it with an endorsed and incentivized RedCard program exclusively for commercial use. Historically, Target struggles with expansion while it excels at innovating and renovating locations and websites while putting customer service at the forefront. The ultimate goal is to expand into the business-to-business market by introducing the Commercial RedCard. Finally, we conclude with our plan to offer 15% off Target brand purchases, 5% off all purchases, free one-day delivery, free in-office assembly, and offering the RedCard to employees at a discounted rate.

Executive Summary

As we move forward with our marketing plan for Target, we hope to address client acquisition challenges, repositioning, and client retention. We plan to acquire new clients by understanding our buyer persona and researching our competition, therefore allowing us to set S.M.A.R.T goals for our digital marketing campaigns. These campaigns will serve as an opportunity to position Target as the new destination for business supplies. We also expect to utilize all of Target's tried and true customer satisfaction methods to ensure annual growth.

Company Analysis

Target is a general merchandiser holding the 37th position on the Fortune 1000 list. With 1,880 stores in the United States, it is in every state. In the last five years, the company has made several initiatives, such as updating its mobile and website experiences. (Corporate Target) The corporation currently offers a benefits card to shoppers called the RedCard. With this card, customers gain additional and exclusive savings with their purchases, similar to other big-box competitors. Target offers a wide variety of products, such as affordable and stylish clothing, electronics, household decorations and necessities, office products, furniture, and a small food market.

They aim to be the middle-class family retailer, having higher costs and higher quality than Walmart, while being more affordable compared to other high-end retailers. Target is family-oriented with its extensive toys/games selections, decorations, furniture, clothing, and accessories. With this, we strive to expand the middle-class demographic to middle-class companies as well, an area in which Target has not yet ventured.

The brand “image” of Target aspires to be simple, warm, and cohesive. Target has made themselves easily recognizable by the red target, white background, and short taglines. The branding and emotions conveyed in their advertisements appeal to the middle and upper-middle class as a trendy, clean, and welcoming store for all ages.

Unlike competitors such as Costco and Walmart’s subsidiary, Sam’s Club, Target does not currently offer a commercial membership. Providing such membership would be a strategic move for Target, as it would allow them into a competitive space they have yet to reach.

Additionally, it would give them further opportunities to promote and sell relevant products from their private brands that cover office goods, groceries, and even furniture.

In agreement with Target’s key crowd as the middle class, their mission statement on their corporate website reads,

To help all families discover the joy of everyday life. *That’s our purpose.* Our mission. The promise of surprises, fun, ease, and inspiration at every turn, no matter when, where, or how you shop. That quest to bring joy is at the center of every business decision we make. It gets our teams excited to come to work each day. And we bring it to life in so many ways (Target Corporate).

The mission statement Target upholds directly agrees with its business model. According to Bloomberg’s article, Target has molded itself to be an ideal picture of the most efficient and consumer-friendly model. Matthew Boyle states four key factors that define their business model: turning stores into destinations, selling products that are in demand, utilizing effective web strategies, and avoiding distractions (Boyle). These are crucial components that they strive

to continually change with demand; while being customer-focused during all changes and store renovations.

Current Marketing Situation

They evolved to be the second-largest discount retailer in the country. As of March 2020, Target Corporation consists of 1,868 discount stores across the U.S. Target is accountable for 42 distribution centers in the U.S, which total 53.2 million square feet. Moreover, this corporation employs approximately 368,000 full-time, part-time, and seasonal employees referred to as “team members.” Additionally, Target has introduced over 25 new owned and exclusive brands. In 2019 digital channel sales increased 29% for Target. Target’s net income increased by 12% at \$3.3 billion in 2019.

When it comes to delivering value, Target Corporation focuses on prices as one of its strategies. They offer essentials and fashionable merchandise at a discounted price to fulfill their slogan, “ Expect More. Pay Less.” They deliver a unique shopping experience preferred by customers who are referred by Target employees as “guests”.

Target appeals to various customer groups, including women, teens, kids, young singles, and families. Typically, Target’s guests are well-educated, have moderate-to-better income, and have an active lifestyle. The average guest is between the ages of 24-51, of which 80% of them are females. They operate all across North America. However, there are five states, California, Texas, Florida, Illinois, and New York, which account for 40% of total store locations and a big part of revenue (D&B Hoovers, 2020).

Overall, Target competes with traditional and internet retailers, including department stores, general merchandise retailers, wholesalers, drug stores, supermarkets, and other forms of

retail commerce. The three major existing competitors are Walmart, Costco, and Kroger. Now that the company will be focusing on selling office essentials, their potential competitors will be Staples, Office Depot, and Best Buy. The only difference between these potential competitors and Target is that unlike them, it sells groceries. When it comes to product substitution, Sam's Club and Costco Wholesale are the other retailers that offer business memberships.

When it comes to Target's customer lifecycle stage, there are four main steps. The first step in their customer lifecycle is the awareness stage. During the awareness stage, the new RedCard for Businesses will be presented to businesses. Moving on will be the research stage, in which potential customers will learn more about this new service and all its benefits. Then comes the comparison stage, in which customers choose Target over their competitors. Lastly is the purchase stage, which will help the company gain lifelong guests. To the business owner, our brand is the merchandiser that saves time and money without losing quality.

SWOT

Strengths

- Product Selection - Target brings in younger demographics and growing families through their trendy designs and high-quality brands. In 2019, apparel and home decor made up 37.26% of sales. Their private brands like Opalhouse, Project 62, and Universal Thread Co. are affordable, durable, and attractive.
- Differentiation - Through not only Target's 45 private brands but national brands the corporation has positioned its offering to be affordable without the loss of quality. This is promoted through the long-running tagline of, "Expect More. Pay Less." Consumers do

not perceive the retailer as a “discount store”. Furthermore, Target often partners with designers and brands on exclusive products.

- Innovative - As modern times have progressed, so has Target. In just the past five years, the corporation has adjusted in-store, online, and app shopping. To assist with keeping up with the benefits of competitors, they even acquired the delivery service Shipt.
- Image - Target is well known for its simple branding and clean, easy-to-read stores. The wide aisles, bright colors, and organized layout encourage shoppers to stay in the store longer as the shopping experience is sold as an experience and not so much as a mundane shopping trip.

Weaknesses

- Customer Data Security - In 2014, Target experienced one of the worst data breach incidents. Important personal data was leaked, which caused nearly 70 million customers' credit/debit card information to be stolen. As a result, Target's reputation was negatively impacted.
- Little Reach Internationally- Target has not been able to expand into the international market. Between 2013-2015 Target had an expansion, opening 133 stores in Canada. However, the expansion to the international market failed, and soon Target was forced to close all its stores in Canada.
- High Prices - People often compare Target and Walmart prices. It is known that Target has higher prices than its biggest competitor, Walmart. However, Target's prices are more attractive to the public due to the store's attractiveness and better quality products.

Opportunities

- Curbside Pickup - To keep up with possible online orders from commercial clients, which are larger than the average shopper, Target will need to update their website to offer a convenient curbside pickup. Every day, consumers will also benefit from this change as it is a common complaint of their customer service offerings in the recent year.
- Same Day Delivery - The ability to offer same-day delivery when a Target store is within 10-15 miles will allow Target to be competitive with brands like Amazon and Walmart, but with the offered free assembly as a more convenient and personalized touch.
- Expand Private Labels - The offered 15% off Target brand purchases will incentivize large companies to buy from direct Target brands at a cost that makes them more affordable than even Great Value. The expansion of private labels will generate a tremendous direct form of profit and a boom in their products' lines versus the brands they carry and make a much smaller profit.
- Store Locations - Now that target offers same-day delivery and provides groceries, the demand for more stores in highly populated suburbs or even new rural areas that lack places like Costco and Sam's Club carries massive discounts that may expand into international territory.

Threats

- Supply Chain Disruptions - As mentioned before, Target operates nationwide with over 1800 stores requiring constant inventory to meet demand. Fortunately for Target, demand has been steadily high for decades. In turn, their supply chain is even more crucial than ever. Target predominantly imports goods from China. This includes global brands and private label products. Because of this reliance on foreign goods, Target is likely to face a

shortage of products in the case of worldwide pandemics, politically motivated tariffs, labor unrest, and climate instability (D&B Hoover, 2020).

- Competition - According to D&B Hoover, Target faces competition from; “Amazon.com Inc, Best Buy Co Inc, Costco Wholesale Corp, CVS Health Corp, Dollar General Corp, Dollar Tree Inc, The Gap Inc, The Home Depot Inc, Kohl's Corp, The Kroger Co, Lowe's Companies Inc, Macy's Inc, Rite Aid Corp, Sears Holdings Corp, The TJX Companies Inc, Walgreens Boots Alliance Inc, and Walmart Inc.” Many of Target's competitors have more market share, longer operating history, and greater brand positioning. By being in this highly competitive environment, any misstep could be disastrous.
- Third Parties - By using the third party, TD Bank, and others, Target is vulnerable to any issues these separate entities may face from data breaches to financial disasters. Should anything happen with these outside companies Target’s infrastructure would be impacted.

Digital Marketing Efforts

Currently, Target utilizes a multi-channel marketing strategy through online and offline tactics such as social media, email, digital, and print advertising to promote its products and services (Pratap, 2020). Target Corporation (2020) noted, “In 2019, Target offered guests more ease and convenience with Drive Up... and Order Pickup, which saw sales growth of nearly 50 percent.” This initiative promotes the company’s value proposition of “Expect More. Pay Less.” by providing consumers with more shopping options while still getting Target’s same price points. They appear to utilize their store environment as their primary offline strategy. The Small-Format store is their most recent offline marketing strategy. These are stores that are small enough to fit in dense cities. As a new project, their success has been unprecedented.

Small-Format stores have already contributed more than a billion dollars in sales (Target, 2020). As they are opening their hundredth small-format, they are also remodeling one thousand stores. This will hopefully create a more open environment for more opportunities for team members to connect with clients.

The corporation has clear customer relationship management strategies. Target aims to build customer loyalty through its RedCard, Target Red App, and by offering free two-day shipping. Broaden their opportunities by building small-format stores and expanding their private brand variety to position Target as a one-stop-shop to their clients (Pratap, 2020). Target strives to provide the best customer service with new make-up and electronic specialist positions being created in its stores. As well as same-day pick-up in-store or curbside (Target, 2020).

Target has been a long-standing advocate of supporting communities by giving 5% of its profits to the community (Target Corporation, 2020). Most recently, the corporation joined the Consortium to Reinvent the Retail Bag, as a means to continue its role in protecting the planet (Target, 2020).

Digital Marketing Objectives & Strategies

The RedCard Business Membership goal is to increase their revenue while providing quality products for their guests. Additionally, Target will reach a new audience within the business sector and further expand product sales. Through this marketing plan, the RedCard business membership will put Target into a new competitive space within the office essentials and furniture industry. This will allow Target to promote and sell goods from their private brands. The corporate scope can be defined as a multinational corporation because it operates worldwide. Many different hierarchical levels define their corporate organizational structure. Target's

product organizational structure is composed of a corporate governance structure since they have a board of directors, a president, a vice president, and executives. Target operates in five product categories; beauty and household essentials, apparel and accessories, food and beverages, home furnishing and decor, and hardlines.

In overview, the new service that Target will be introducing is the RedCard for Businesses. With this business membership, guests will be able to buy office essentials, furniture, and groceries in bulk at more affordable prices. The annual membership will have a one-time fee of \$60 with the option of giving a RedCard to an employee for an additional \$30. We have created the promotion element of four different tactics; social media, email, digital, and print advertising. This RedCard for Businesses is a service that will be available in every store, Guest-Pick Up, Cartwheel (Target's App), and Website.

Action Plan

This Business RedCard is a debit and credit card line designed to incentivize a business to business shopping. Applying will be made accessible online and in-store. Clients pay an annual membership fee of \$60 and receive exclusive savings on every purchase. Members receive benefits such as a 5% discount on all purchases, a 15% discount on private brands, One-Day Delivery and assembly (select areas), Exclusive email offers, and a \$30 discount on linked employee RedCard accounts. We hope to make this experience as easy as possible for our clients, not only in our application process but in action. This new RedCard extension will function online, in-store, and on mobile app purchases.

The Target Business RedCard will target small to large businesses that are headquartered in the United States. Their annual revenue should exceed \$100k and employ at least fifty people.

Advertising will aim at the admin or executive staff at these companies.

We have created a multi-channel strategy through online and offline tactics that consist of four different elements; social media, email, digital, and print advertising to promote this new service. Each tactic will share a foundation of the same message but be tailored specifically towards the platform used.

We decided to use the online strategy to promote the RedCard for Businesses on social media through Facebook. However, mainly through LinkedIn, the reason being is that we are specifically targeting business-to-business companies. Facebook is a social media platform in which many business owners share their products and services. Facebook is Target's most popular social media platform, with approximately 23 million followers. Posting about the RedCard for Businesses on these two platforms will help reach the audience we are targeting. The content that will be created will talk about the new service and its benefits for businesses. We will post on LinkedIn and Facebook twice a month for the first six months once the RedCard for Businesses has been introduced. Additionally, we will be doing an email marketing campaign where all the guests enrolled in Target's newsletter will receive an email introducing the RedCard for businesses, known as the "Commercial RedCard."

The offline strategy that we choose to promote this new service is print and television advertising. When it comes to TV advertising, Target earns around 400 million impressions. Advertising the new RedCard for businesses on TV will allow the corporation to deliver its

message to millions of people across the country (“TV Ad Attention Trends: Walmart and Target,” 2019).

Customer acquisition, conversion, retention, and growth are all vital to the future success of the Commercial RedCard. Target currently does well to follow HubSpot’s inbound marketing methodology by attracting customers with the branding and product image, converting them with their product quality, closing with their ease-of-use shopping experience both in-store and online, and delight with their famously impressive customer service.

To gain awareness, an extensive marketing campaign will be needed. Marketing emails to high net worth RedCard holders, and links to a sharp landing page outlining the perks along with strong calls to actions such as “Sign Up Today!”, “Apply Now!”, and “Learn More!” are necessary. Business owners and managers will be incentivized by notices such as saving 15% off all Target brands, 5% off the entire purchase, free assembly, and free one-day delivery. For this methodology to work with commercial businesses, they will need to update a branch of customer service to be large client-based, by expanding their branding, services, and online experience to accommodate the needs of large companies. An additional customer service department may be needed to manage and assist large clients in retaining such business.

As far as technical infrastructure and data go, this corporation would need a larger server with more extensive IT support staff to answer questions, app issues, and ordering questions.

Currently, the RedCard is serviced under Mastercard as a Target debit and credit card. According to Target’s corporate website, “the RedCard credit cards (Target Credit Card and Target Mastercard) are issued by TD Bank USA, N.A. The RedCard Debit Card is issued by Target Corporation. Mastercard is a registered trademark of Mastercard International, Inc. Pat 7,562,048

and 8,117,118” (Target Corporate). Luckily, this allows Target to focus less on the management and servicing of card issuances, card balances, and data protection of consumer finances and information as it is contracted out to TD Bank and Mastercard.

Control/Feedback

Upon launching the RedCard for Businesses, evaluation of the membership will occur through the following metrics to verify the marketing objectives of increased revenue and new customer acquisitions align with the set goals:

- Monthly recurring revenue (MRR) - As Cancilla (2019) notes, this is the most important metric for a subscription business to monitor. Through the MRR, Target will be able to evaluate how much revenue the membership is generating monthly.
- The average revenue per user (ARPU) - With the option for a business’s employees to have a discounted membership, the review of the MRR will not be simple. Cancilla (2019) states, “ARPU will eliminate any skew and provide the needed transparency.”
- Customer lifetime value (CLV) - One of the key, if not most, essential metrics needed for assessing the membership’s success. Recurly (2020) explains that “It helps businesses make key business decisions related to sales, marketing, product development, and other important investments.”
- Customer acquisition cost (CAC) - To assist with calculating the ROI along with analyzing the performance of each marketing tactic.
- Return on Investment (ROI) - This calculation will provide Target with data on how much profit each membership has generated.

- Churn rate - Vital to understanding the permanence of the RedCard for Businesses membership.

These metrics will be collected from the sign-up process, managed by the third-party TD Bank, and internal product sales reports.

Conclusion

Knowing the history of Target, we feel our Commercial RedCard Membership aligns with the company's values. We also feel the new service will position Target as the essential retailer that all businesses need. Our RedCard extension will offer a path to a new and profitable demographic. We know Target has a strong brand position, which will make this membership easier for businesses to trust. Our new membership will not benefit Target exclusively, but members as well. In combination with Target's excellent customer service, our new policies and discounts will provide a new level of value to our clients. We are confident this commercial RedCard membership plan will be an excellent addition to Target's growth.

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