



## **Insight in mid-1990's Led to Target's Branding Success; Maintaining Brand Requires Constant Innovation**

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During a Yaffe Center lecture on November 14<sup>th</sup> 2008, John Butcher, Vice President of Merchandise Planning for Target, explained to students the insights that drove Target's successful branding strategy and described how Target is responding to the challenge of maintaining brand leadership in discount retailing.

Today the Target bullseye is one of the most recognized corporate logos in the United States. It can draw 98% unaided recall, even higher than the Nike Swoosh. Butcher attributed this success to former CEO Bob Ulrich's branding insight. In the mid-1990's, when Ulrich took the helm at Target, he felt that Target needed to strengthen its brand. Ulrich identified three possible brand strategies: low price leadership, specialty inventory leadership, or design leadership. Because Wal-Mart was so powerful in price leadership and specialty inventory was deemed unlikely to deliver the kind of growth that Ulrich hoped to achieve, he chose to focus on design leadership. Of course, Target also needed to assure consumers that the store would deliver great value along with design; that unique value proposition is captured in Target's brand tag line, "Expect more. Pay less."

Target implemented its design leadership strategy by pursuing partnerships with well-regarded designers, like Michael Graves, and premium brands, like Calphalon. Butcher cited Target's recent partnership with Smith and Hawken, a premium home and garden brand, as an example of a successful and growing partnership. The venture almost did not happen, though, due to the manufacturers concerns about diluting its brand by selling at Target, a common concern for Target's partners. Because of the excellent results, though, today Smith and Hawken is constantly looking for ways to increase its presence at Target stores, a common partnership outcome.

Going forward Target knows that it needs to continually innovate in order to keep its competitive advantage as other discount retailers like Wal-Mart, Kohl's and Penney's attempt to steal share by introducing more design driven products into their stores. One way that Target is maintaining its design leadership is by utilizing its best-in-class supply chain to rotate many innovative designers' products through the store, rather than focusing on long-term partnerships with celebrity designers. Target is also using design as a way to forge a stronger emotional connection with its customers. Butcher noted that Target recently launched an end cap devoted to "parent inventors' products", meant to show solidarity with the many mothers who shop at the store.

Target believes it is in a much better position than its competitors to pursue design driven initiatives, and that when competitors attempt to imitate Target, it does not always make sense to their customers. Butcher recounted that Wal-Mart recently bought a new Jockey underwear line, originally designed for



Target, only to find it roundly rejected at retail because it was not in line with the average Wal-Mart shopper's tastes. The moral is that Target's brand, built on great design, now has a strong marriage with its customer base, allowing for a virtuous cycle that competitors in the discount retailing industry cannot easily replicate.

Butcher allowed that in an economic downturn Wal-Mart is likely to outperform Target on sales. But, he expects that after the economy regains strength, Target will regain market share and continue to beat Wal-Mart on design, in-store experience, and, therefore brand. In the meantime, Target is making sure that its customers don't forget that Target is also a master of delivering low prices on a variety of goods. Demonstrating Target's ability "to play on either side" of the "Expect more. Pay less" tag line, Target revamped its 2008 holiday season marketing campaign to really emphasize paying less. For example, an ad that Butcher showed gave detailed price information for the products that were showcased. Butcher noted that this was a major change in Target's usual marketing messaging and that this deviation from course shows how committed Target is to staying competitive in these challenging times.

