Merchandising & Product Development Model Transformation
Gretchen McCarthy
Vice President, Inventory Management

Tricia Naden
Director, Product Model, TSS Operations
Merchandising Transformation

Product Development Model
The Ugly (Retail) Truth: Which Stores Will Close Or Survive

Amazon Is Causing Catastrophe by Being the Most Disruptive Force in Retail and Technology Today

Target Dives To 2014 Levels: 'We're Slow And Have Too Much Inventory'

The new shopping behavior that is creating big challenges for the retail industry
“Our forecasts and contingency planning is much more accurate and proactive. The planning analysts don’t have time to dig into their business, so they rely heavily on us.”

“This perfect system is likely to be a double-edged sword for Target as it cannot keep up with the rapidly changing market.”
Merchandising Transformation Update
Unleashing Our Potential…

Talented team

Advanced data & tools

Roles and structure

Strong Merchandising capabilities

GROWTH
Unleashing Our Potential…

Average score by capability

- **Target average**
- **McKinsey assessment**

5 = Best in class  
1 = Minimally capable

Category strategy

- Assortment planning
- Product design and development
- Financial and inventory planning
- Vendor management
- Presentation and Guest experience
- Pricing
- Promotions

1 Assessment based on interviews and knowledge of other retailers’ capabilities; full assessment in appendix.
The New Operating Model Focuses on the Division, with Experts Playing an Important Role
A New Team Creates New Opportunity

We see these two roles as integral to elevating inventory conversations:

**Sourcing Manager**
- Owns Vendor Matrix
- Vendor Strategies & Plans
- Vendor Costing & Negotiations
- Business Award
- Vendor Partnership & Performance

**Planner**
- Maximize Financial Performance
- Strategic Assortment Forecasts
- Monthly Demand Forecasts
- Item-level Unit Plans and Commits
- Contingency Plans

**Inventory Team**
- Positions & Allocates Inventory
- Writes & Tracks POs
- Lead time Management
- Moves product through our Network to Guest/Store

**Global Merchandiser**
- Production Management
- Program Supply Chain
- Vendor Timing & Action
- Seamless Program Execution
- Global Landscape

**FINANCIAL ANALYSIS:**
- End-to-End Financial Impacts
- Integrated Business Planning
- Business Case Development - ROI
- Integrating MFA will elevate our understanding of Total Cost of Ownership

**ITEM MANAGEMENT:**
- Timing & Action
- Accuracy
- Shifting accountability for the Item Set-up Process would elevate current interaction between MP & TSS.
- KEY: OWNED BRAND NUANCES

*MRole Accountabilities from Merch Transformation Wiki*
Product Development Model
Merchandising Product Group:
Product Development Model Vision

Revolutionize the way we bring product to market throughout the product lifecycle, making Target the industry innovator and bringing joy to our guest.
Commercially Relevant Assortments

Speed
Allow more time to make demand-driven final product and manufacturing decisions.

Flexibility
Meaningful partnerships enable inventory flexibility through production visibility and raw materials management.

Profit
Increased profitability through responsibly sourced, market relevant assortments.
Supply chain industry concept that allows more time for demand-driven, final product and manufacturing decisions, to drive **flexibility and profit**

**Postponement**

**Speed**

Quickly deliver what the guest needs. Small production runs, fast decisions, frequent item driven deliveries. Culture of test & iterate.
How It Works…

Target listens to our guest to develop what she’ll love…

Target partners with suppliers to build a flexible production strategy

Disruption!
The market changes quickly

Design and Production adapted to accommodate the disruption

With new incentives, suppliers invest in their workers, communities and sustainability efforts

Target has the product the guest loves at the time she wants it
Raw Materials Management

Target Culture

Production Flexibility
We need to revolutionize our product model, starting with Target Culture.
We are creating an enhanced **Raw Materials Management framework**
We need to focus on **Flexible Production** to enable speed and flexibility.
Timeline of Change

2015
- Enterprise MP & Integrated Inventory
- Men’s Prototype Begins
- Merchandise Transformation Kicks Off
- Supply Chain Transformation Kicks Off

2016
- Enterprise Divisions Announced
- Merch & MP Transformation Team In Place
- New Merch Technology Being Tested
- PPCOCE Pilot Announced

2017
- Leader Training
- New Technology Learning
- Business As Usual
- Product Model Team Established
- Consulting with John Thorbeck

2018
- Team Members in New Roles and Divisions
- Continued Technology Rollout
- Ongoing Training and Communication
- New Commit Process in A&A
- Prototype Kick-Off
- Prototype Learning/Iteration & Expansion

Where have we been?
- Improved forecast accuracy and on-time writing of PO’s
- Faster decisions
- Close relationships between Sourcing and Planning, Merchandising, and IM.
- Reduced development timing
- Meaningful partnerships – vendor, raw material supplier, factories

What will feel different for our business partners?

Owned Brand Launches
What do we need from you

• Patience through role transformation
• Execution oversight in the short term
• Build a flexible supply chain
• Expanded collaboration
• Help us unleash our potential

mpg.op@target.com