

RETAIL

With tips from the toy aisle, Target ready to launch

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Several years ago, executives at U.S. discounter **Target Corp.** realized they had a problem in the toy aisle.

Its research found that customers had trouble finding the right toys for their children. Parents pick toys for children younger than six based on their play pattern, but they choose toys for older children based on gender, its data showed. Armed with the insights, Target revamped its toy section in traditional blue for boys, pink for girls and yellow for all children under six.

"We did this a number of years ago, back when I was in toys," said Tony Fisher, president of Target Canada and in the critical position of spearheading the retailer's first foray outside the U.S. - its first three Canadian test stores open on Tuesday. "We've helped mom navigate through here."

Some consumers may find Target's solution to its toy challenge rather old-fashioned - modern parents increasingly try to encourage non-gender based toy play - but the retailer's toy makeover underscores its attention to detail in its quest to bolster the business.

From providing "cart wipes" for shoppers at store entrances to new checkouts that allow cashiers to squarely face the customer, Target is betting that its focus on shoppers and their shifting preferences will help it woo them from incumbent rivals here.

Target has a lot at stake. Known for affordable fashions and home decor lines, the company had its worst U.S. holiday-season store sales performance in four years amid cautious consumers and concerns about higher U.S. taxes.

Its fourth-quarter sales at stores open a year or more - a key measure of retailers' health - rose 0.4 per cent, failing to meet its target



Target Canada president Tony Fisher leads media through the Guelph store Monday. TIM FRASER/FOR THE GLOBE AND MAIL

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of an increase of 2 to 3 per cent.

It posted a fourth-quarter \$148-million (U.S.) operating loss and full-year operating loss of \$369-million tied to its Canadian start-up costs, depreciation and amortization. It reduced Target's overall profit per share by about 48 cents a share in 2012 and a forecast 45 cents a share in 2013.

"The Canadian ramp-up is inherently difficult to model," Colin McGranahan, an analyst at Bernstein Research in New York, warned in a note.

The uncertainties along with an unexpectedly sluggish Canadian economy put more pressure on Mr. Fisher, who turned 38 in January, to execute flawlessly here.

"There's a lot riding on it," said Rick Pennycooke, president at retail real estate advisor Lakeshore Group. "But it's something different. It's trendy department-store goods at cheap prices."

Mr. Fisher said his research found that Canadian consumers want Target stores to be the same as the ones they're familiar with south of the border. They are keen about Target coming - 24 stores will open this month and have their "grand opening" in early April, with 124 by the end of the year - but they're also opinionated. "People are very open and honest," he said. "They're not shy to tell you what they expect."

Target is responding with bright new stores; it's investing \$10- to \$12-million to renovate each of them, with wide aisles and promises of short lineups at the checkout. It will have 150 to 200 staff in each store, almost twice the number as in the Zellers outlets it is replacing after its \$1.8-billion (Canadian) deal in 2011 to acquire that chain's leases. It is expected to cover extra staff costs by ring-ing up as much as 200 per cent

more sales-per-square-foot than Zellers, industry observers have estimated.

His attention to detail leads right to the store shelf. The displays in Canadian stores will be on white "gondolas" rather than the usual almond-hued shelves in Target's U.S. stores. The white shelves help showcase products more prominently, he said.

"It may seem like a small thing but it's a really big thing for Target," Mr. Fisher said, noting the chain is testing the colour switch in a handful of new urban stores south of the border. "It makes the product the star. It makes for a much brighter, much cleaner store."

In U.S. stores, the retailer has grouped all its baby-related items in one section while formerly it scattered them throughout the store, with cribs in the furniture department and infant apparel in clothing sections, for instance.

"Mom had to shop in five or six different spots," Mr. Fisher said. "We realized that just wasn't a convenient experience."

He is also adding Canadian touches here, including a limited-time clothing line by Roots, desserts by baker Dufflet and home goods by Umbra, which already supplies the U.S. stores. In the "fan central" section, he's stocking Toronto Maple Leaf, Calgary Flames and Vancouver Canucks (depending on the city) T-shirts and jerseys, the latter for \$49.99.

The first three stores will launch in Guelph, Milton and Fergus - all in Ontario - because they're close to one of Target's three distribution centres in Canada as well as its head office in Mississauga, Ont.

Mr. Fisher said one of his surprises in Canada is that consumers tend to shop at multiple specialty stores. He's intent on changing their habits and drawing them to his one-stop shop.

Target (TGT)

\$66.44 (U.S.), up \$2.31