



## Target Campus Grants

# Capturing the Growing Pharmacy Market

### Situational Analysis

In 2005, Americans spent \$200.7 billion on prescription drugs. Additionally, the number of prescription drugs purchased increased 71 percent between 1994 and 2005 (from 2.1 billion to 3.6 billion). On average, people over age 60 use about three times as many medications as those under that age.

Today, 13 percent of the U.S. population is over 65. By 2030, when the first baby boomers (born 1946-1964) reach age 84, there will be 69 million Americans over the age of 65, representing 20 percent of the population.

While the aging U.S. population presents an opportunity for retail pharmacies, the industry has become increasingly competitive due to the continued consolidation of the drugstore industry, increased mail order pharmacy business, the Medicare program, and drug importation. In addition, sales of potential generic pharmaceuticals continue to grow as a percentage of total prescription drug sales.

### Project Question

At Target Pharmacy we differentiate ourselves to our guests in a variety of ways including Clear RX and outstanding guest service. As the population ages and requires more medication, how will Target Pharmacy continue to differentiate itself and increase market share?

### Project Parameters

Develop a strategic differentiation plan that will help Target drive a sustainable competitive advantage in pharmacy. Utilize the Suggested Topics section as a guide by exploring the most relevant topics, and supporting proposal recommendations with information that addresses the why's behind each explored topic. Include in this proposal a SWOT analysis (Internal: Strengths/Weaknesses, External: Opportunities/Threats) of the current situation Target faces in the pharmaceutical market, as well as a second SWOT analysis based upon implementation of the proposal.

### Suggested Topics

- Price: How can Target Pharmacy remain competitive on price while remaining profitable?
- Guests: Do senior citizens require a more intensive guest service experience from their pharmacy? How can Target deliver a more personalized experience within its self-service retail model?

- **Services:** Are there additional services Target could provide to its pharmacy guests? Which services do pharmacy customers value the most?
- **Accessibility:** How can Target make its pharmacy services more accessible to a population with limited mobility?
- **Government & Regulations:** How could changes in public policy impact Target's pharmacy business?
- **Technology:** How can Target leverage technology to increase its market share in pharmacy?
- **Branding:** How can Target Pharmacy effectively deliver the Target brand while speaking to a demographic outside of its core guest segment?
- **Consumer Education:** How can Target leverage the current level of public interest in health and wellness education? What role should a pharmacist play in providing prevention education?
- **Community:** What community organizations are important to this population? Are there opportunities for Target to partner with these organizations?
- **Competitors:** How are other pharmacies catering to older customer? Who should Target benchmark?
- **Trends:** What are emerging trends in retail pharmacy? Should Target be a first mover on these trends?
- **Economy:** What economic factors will influence the retail pharmacy industry?

## Company Information

### Who is Target?

Minneapolis-based Target Corporation (NYSE:TGT) serves guests at more than 1,700 stores in 49 states nationwide and at Target.com. Target is an upscale discounter that provides high-quality, on-trend merchandise at attractive prices in clean, spacious and guest-friendly stores. As a publicly-owned, U.S.-based company, Target has a global presence with a headquarters location in India and sourcing offices around the world. In addition, the company operates a credit card segment that offers branded proprietary credit card products and rewards programs. Since 1946, Target has given 5 percent of its income through community grants and programs; today, that giving equals more than \$3 million a week.

### What is the Merchandising Strategy?

The merchandising mission of Target is to drive profitable market share growth by fulfilling its "Expect More. Pay Less." brand promise. Target is dedicated to providing guests with the right merchandise mix, from everyday commodities and grocery offerings to trend-right home and apparel lines.

To remain relevant to its guests over time, Target merchandising is focused on the following areas:

- **Differentiation** is about the unique and compelling merchandise guests can only find at Target – from exclusive merchandise by top designers, to our industry-leading list of signature national brand, to our exclusive owned-brand portfolio.
- **Value** and low price promise is a balance of design, quality and affordability.
- **Reliability** is about having what our guests' want, when they want it, where they expect to find it.

- **Frequency** is about increasing our guests' visits to our stores by creating a convenient shopping experience that meets their lifestyle needs.

### **Who is the Typical Guest?**

We work to appeal to a range of guest segments, including women, kids, teens, young singles and families. Our guests are young, well-educated, moderate-to-better income families who live active lifestyles. The median age of our guests is 40, the youngest of major discount retailers. They have a median annual income of \$64,000. 57 percent have completed college and 43 percent have children at home.

### **How has Target Grown?**

The first Target store opened in 1962 in the Minneapolis suburb of Roseville, Minn., with a focus on convenient shopping at competitive discount prices. Today, Target currently is the second largest general merchandise retailer in America, with Target.com consistently being ranked as one of the most-visited retail Web sites.

Target provides quality merchandise at attractive prices in clean, spacious and guest-friendly stores. Target opens new stores three different times each year—in March, July and October—to align with the major merchandising themes that set in our stores: Spring, Back-to-School and Holiday.

New stores range in size from approximately 127,000 square feet to approximately 174,000 square feet. Additionally, Target operates 37 distribution facilities nationwide.

### **What is the role of Target in the community?**

Since 1946, the corporation has given 5 percent of its income to communities through grants and a variety of programs like Take Charge of Education®. Today, that giving equals more than \$3 million a week, largely directed towards supporting education. As one of America's largest corporate philanthropists, volunteerism is at the heart of Target. Since Target first opened its doors, team members, retirees, family and friends have volunteered millions of hours to community projects. Additional information regarding Target's commitment to corporate responsibility can be found at [Target.com/HereForGood](https://www.target.com/HereForGood).

### **Industry Notes**

Research indicates that in the next decade, seniors will drive over \$46 billion in consumer product growth, and that rising traffic from seniors is already driving growth in such categories as heat/ice packs, braces and adult incontinence products. Analysts see that pharmacies can play a huge role in fulfilling the home health care and other over-the-counter needs of seniors. The increased use of prescription drugs by seniors is also being fostered by Medicare Part D, although the benefit's low reimbursement rates have tightened margins. 30 million Americans have signed on to the Medicare Part D program.