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Target's \$4 billion plan aims to build on record-breaking year

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Target plans to invest approximately \$4 billion annually during the next several years to continue scaling capabilities across its retail platform. Building on years of sales growth and a record 2020 financial performance, Target will accelerate new store openings and store remodels, enhance fulfillment services and strengthen its supply chain as it provides guests with a safe, easy and convenient shopping experience.

“2020 was a record-breaking year thanks to the work of our team and their commitment to serving our guests amidst unprecedented demand. As we head into 2021, we are building on the aspects of our differentiated model that make Target the preferred one-stop-shop for millions of guests,” said Michael Fiddelke, chief financial officer of Target. “The bold investments planned for the next few years will scale key capabilities across stores, fulfillment, and supply chain to drive deeper engagement with new and loyal guests, continued market share gains, and long-term, profitable growth.”

Millions of guests took advantage of Target’s same-day services for the first time last year, and these fast-growing fulfillment options will get even easier in 2021. After the enthusiastic response to last year’s addition of fresh, refrigerated and frozen food items to Drive Up and Order Pickup nationwide, Target will increase the total fresh and frozen food pickup assortment. Additionally, following a successful initial trial in hundreds of stores, adult beverage pickup will be offered in 800 more stores in the next few months.

Technology improvements will also offer Drive Up guests a more personalized experience in the Target app. This includes informing team members where to place the order in their vehicle or authorizing a different guest, such as a family member, to pick up the order.

New Store Openings & Remodels

Following 30 store openings in 2020, including adding a record 29 new small-format stores in a single year, Target plans to accelerate the pace and open 30-40 new stores each year to meet community needs in urban centers, college campuses and dense suburban cities across the country.

In urban centers such as New York City, Los Angeles and Portland, Target will open more small-format stores to reach new guests. In dense suburban areas surrounding cities such as Denver or Brooklyn, Target has identified sites for new mid-size stores to serve new guests that fill retail gaps. Across college campuses, including the University of Georgia and University of Michigan, Target will open new small-format stores to introduce its unique shopping experience to new, college-aged guests to form lifelong relationships.

Target expects to accelerate its store remodel program this year and complete approximately 150 in time for the holiday season, with plans to remodel more than 200 stores a year beginning in 2022. The future store design will focus on safety and ease, with additional contactless features, updates that facilitate same-day fulfillment and more room for social distancing.

Last-Mile and Replenishment Capabilities

To add capacity to Target’s fulfillment operation and further scale its stores-as-hubs model, the company is testing a new type of facility in Minneapolis called a sortation center and expects to open five more in 2021.

With this new last-mile capability, the sortation center collects online orders from local stores multiple times a day and sorts them into efficient routes for carrier delivery. This pulls the sorting activity out of store backrooms so it can be consolidated more efficiently at one facility, giving store teams more

time and space to fulfill additional orders, while reducing the load on external carriers. This process increases store fulfillment capacity, reduces last-mile fulfillment costs and speeds delivery to guests.

The company is also making investments in its supply chain replenishment capacity to support stores' continued growth well into the future. This year, Target expects to open two distribution centers, one in Delaware and one in Chicago. Two more are planned in 2022 to support the east and west coastal areas.

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