Flywheel
ALTERNATIVE DATA

30th August 2024

Fly on the Call

Target's Price Reset

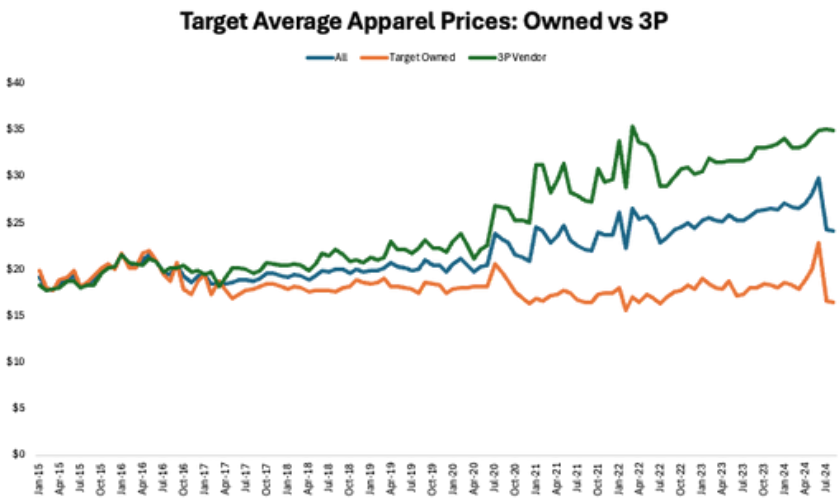
Target (TGT) made a Q1 earnings promise to **reduce prices on 5,000 frequently shopped items** this summer. Flywheel's eCommerce Insights dataset indicated the following:

- Price reductions in the apparel category effectively reversed the cumulative inflation seen over the past three years. This is the steepest 3 month decline in pricing in our data's history.
- The vast majority of the price investment is coming from Target own-brands, with the relative discount between Target owned apparel and 3P vendor brands the largest in the data's history.
- Target appears to be focused on **longer-term value positioning,** as opposed to promotional strategies. In other words, they are actually cutting prices as opposed to ramping up markdowns.

Our data validates the strategy that was implemented by the company. Whatsmore, Target's recent Q2 earnings showed that long-term value positioning has paid off. With smarter inventory management and cost discipline, Target were able to offset margin pressures.

Our Target category-level indicators reveal significant price reductions across the **apparel sector.** Although the company indicated that price adjustments would primarily affect everyday items, the breadth of these reductions was far-reaching.

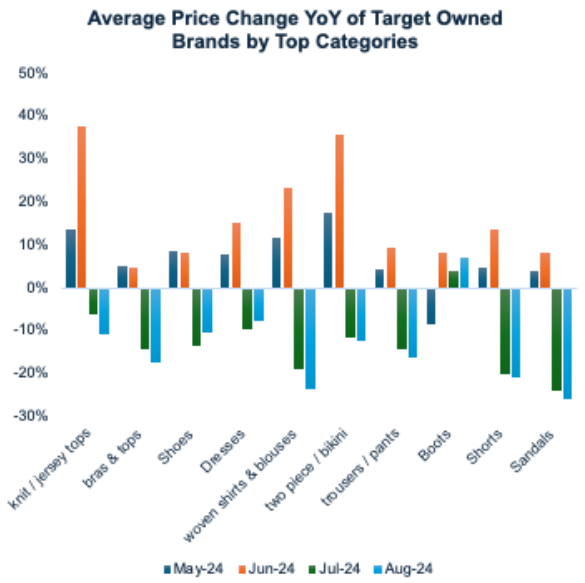
Notably, the apparel category experienced the steepest three-month decline in the history of our pricing data.

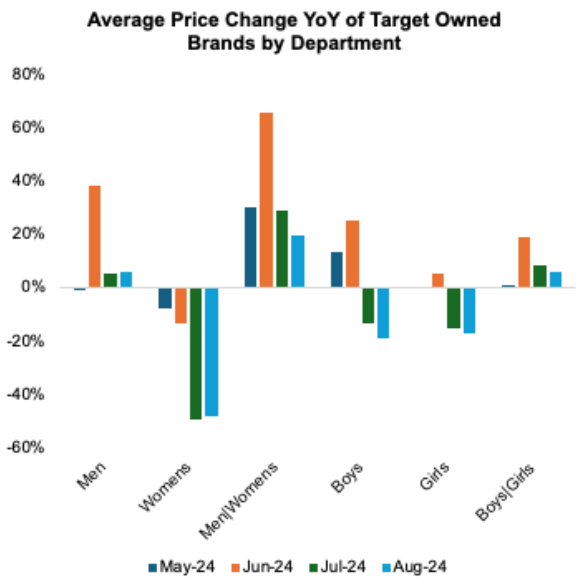


Our data also confirms that the vast majority of Target's price investment is coming from its own-brands. Target-owned apparel brands are now at the lowest average price since August 2021.

While this price leadership was somewhat expected and signaled in the Q1 earnings call, the discount to 3P vendor brands (~53%) is the highest we've seen in our data.

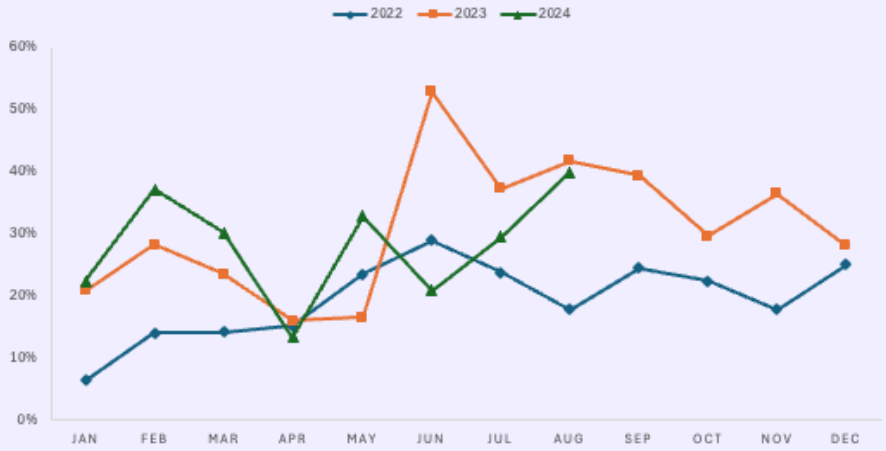
Some of the largest price reductions have been observed in women's tops and footwear—two of the largest subcategories in the fashion space. This might be somewhat surprising, given that the price cuts in other departments seemed to focus more on 'essential' items. In contrast, kids' apparel experienced the smallest price reductions.





Importantly, Target seems to be focusing more on sustainable value rather than relying solely on promotional strategies. Although markdown breadth in its apparel brands is higher than historical averages this summer, the increase is not significant and is actually below last year's levels. This indicates that the company is prioritizing long-term market share gains through favorable value positioning, rather than driving short-term sales through temporary promotions.

Target-Owned Apparel Brands: SKU Markdown Breadth



Flywheel's eCommerce Insights dataset will enable you to track how this has fared in the subsequent quarter. To check other metrics for TGT, or to monitor any other tickers for pricing, discounting, and inventory trends, please get in touch at altdatahelp@flywheeldigital.com.