

Target posts strong Q1 earnings despite slowdown in digital sales

Article

Target's total comparable sales jumped 22.9% year over year (YoY) to \$23.88 billion in its [fiscal Q1](#) 2021 (ended May 1, 2021)—accelerating from the [prior quarter](#) and the same period last year, when the metric grew [10.8%](#) YoY. Meanwhile, the retailer's digital comparable sales climbed 50% annually to \$4.37 billion, a major slowdown from [Q4 2020](#) (peak holiday shopping season) as well as Q1 2020, when digital sales skyrocketed [141%](#) YoY as consumers

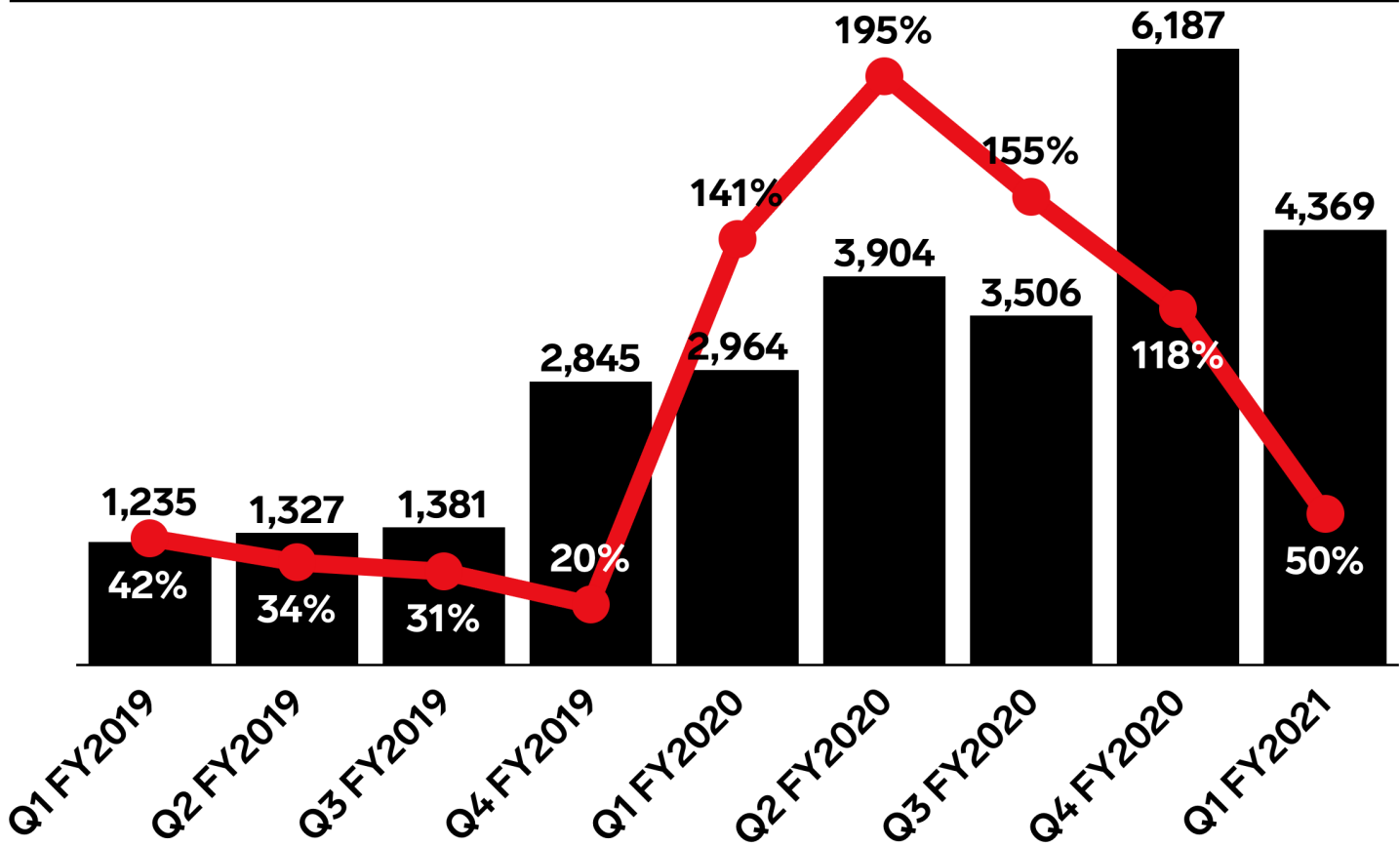
flocked online at the pandemic's onset. Pandemic conditions also improved during this period compared with last year, which may account for the deceleration in Target's same-day digital services (order pickup, Shipt, and curbside pickup): The metric grew 90% YoY in Q1 2021, down from the 278% surge it posted last year.

The retailer is seeing more optimistic consumers who are eager to return to their pre-pandemic lives, according to Target CEO Brian Cornell. His remarks coincide with a recent McKinsey [survey](#), which found that 40% of consumers report being consistently optimistic about an economic recovery post-pandemic. These sentiments might've helped fuel Target's growth in Q1. [Rising](#) COVID-19 vaccinations—which have reduced caseloads, making it safer to shop in-store again—along with the cash injection from March [stimulus payments](#) may have also supported growth. Improving pandemic conditions could also explain Target's digital sales growth deceleration in the period, since consumers' reliance on ecommerce may have lessened as they started leaving home more.

Looking ahead, Target's recent innovations can help spur more sales growth.

- **The retailer just [launched](#) a new alcohol delivery and pickup service.** Beer, wine, and spirits are now available for curbside and in-store pickup, as well as same-day delivery via Shipt, at select Target stores throughout the US. Extending its same-day services to include alcohol may be profitable for Target by making alcohol purchases more convenient and adding more value to its same-day services. The service could be especially useful now that consumers are [gearing up](#) for summer festivities.
- **And it expanded its private-label offerings.** Target just added new plant-based products to its Good & Gather grocery brand, helping beef up its overall grocery business and allowing it to capture more market share in the sector, which is expected to reach a value of \$1.328 trillion in the US this year, [per](#) eMarketer forecasts from Insider Intelligence. Other recent private-label launches, including its new arts and crafts [brand](#), can help diversify Target's product offerings and pull in more sales.

Target Digital Sales



Digitally originated sales (millions)
 Comparable year-over-year digital sales growth

Note: Target's fiscal Q1 2020 ended May 1, 2021

Source: Target, 2021

Methodology: These figures are based on data released in Target's quarterly earnings reports.

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