

Target pivots to a regional distribution network to speed up deliveries

Article

The trend: Target is the latest retailer to shift away from a nationwide distribution network to a regional model that aims to deliver ecommerce orders faster and speed up store replenishment, per The Wall Street Journal.

- Similar to the regionalization strategy that [Amazon](#) recently deployed, Target's model cuts down the distance goods travel even if it adds some redundancies. In doing so, it saves the retailer time and money by enabling it to optimize its network so that, for example, sunscreen and beach toys are located near Florida in January, but not near Maine.
- **Target's Q2 in-stock inventory rate improved one percentage point over Q1** and over two percentage points compared with last year, thanks to the supply chain changes, said **John Mulligan**, executive vice president and chief operating officer, during the company's earnings call.

Improved efficiency: Over the past few years, Target has opened several flow centers, which are facilities that break down large shipments into smaller amounts to replenish stores.

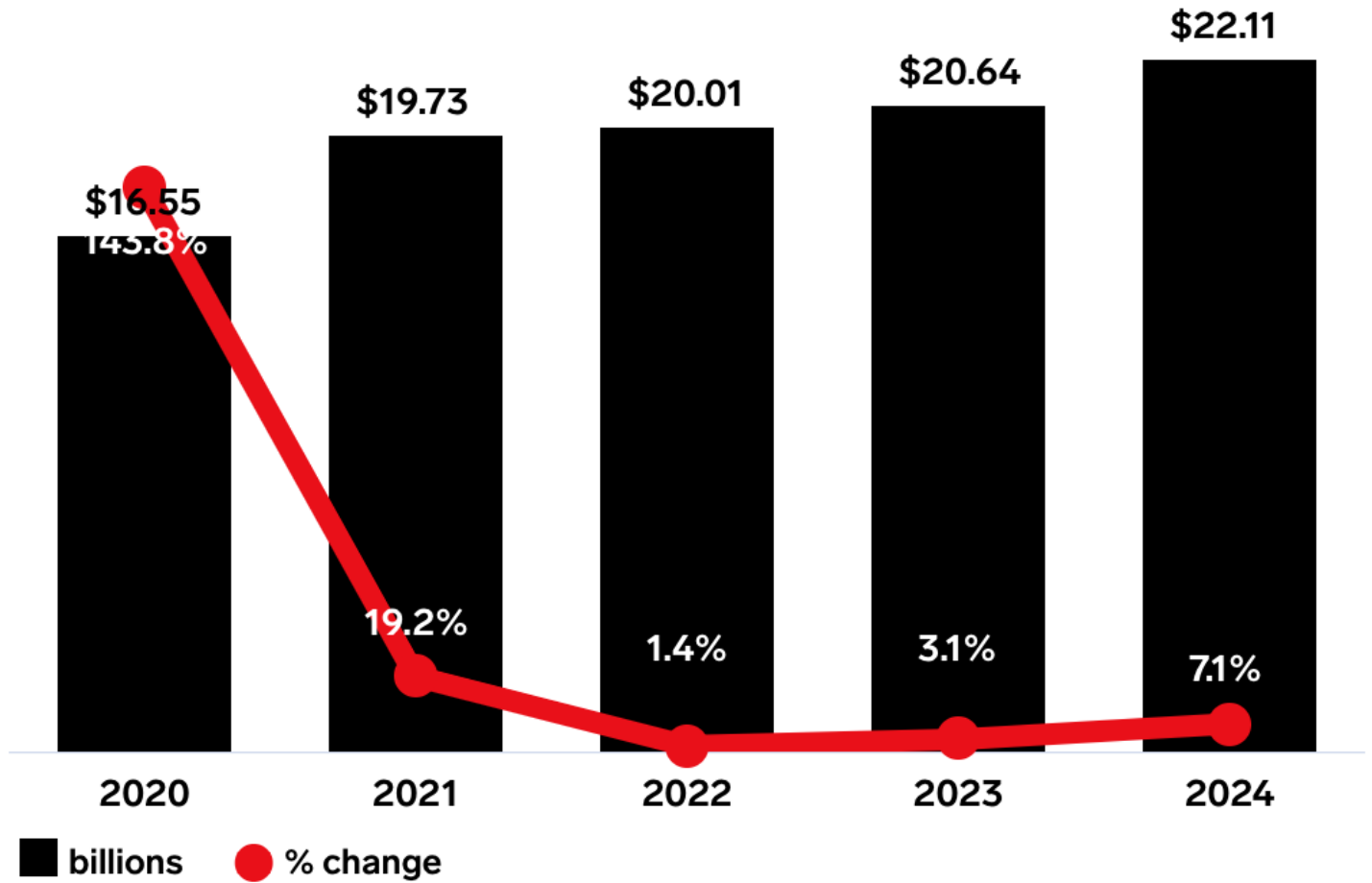
- The retailer then uses its "stores as hubs" strategy in which store employees pick and pack the vast majority of online orders before they send them to [sortation centers](#) that batch them by neighborhood for final delivery to customers. Target fulfilled 97.6% of its online orders in its stores in Q2.
- The retailer's new flow centers have cut lead times for store replenishment by 20%, Mulligan said.

The big takeaway: Despite Target's [short-term challenges](#) due to a slowdown in discretionary consumer spending, Target is taking prudent steps to improve the efficiency of its operations.

- That should pay off over the long run once it pushes past the current headwinds.

Target Retail Ecommerce Sales

US, 2020-2024



Note: represents the gross value of products or services sold on Ttarget.com (browser or app), regardless of the method of payment or fulfillment; excludes travel and event tickets

Source: Insider Intelligence | eMarketer, June 2023

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