

# Can Target's paid membership program compete with Amazon, Walmart?

Article

Target announced it will launch a paid membership program April 7, following Amazon and Walmart's lead. The move comes as Target struggles to keep up with competitors.

- Target's sales fell for the first time in seven years in 2023, partially from customers pulling back on discretionary goods like home decor, electronics, and non-essential clothing, per CNN.
- We forecast Target's retail ecommerce sales will only grow 2.7% this year, compared to the double-digit growth we expect for competitors Amazon (10.5%) and Walmart (13.6%).

**The details:** The new program, Target Circle 360, combines three existing Target programs—Target's free loyalty program Target Circle, the Target Circle Card, and Target's same-day delivery service via Shipt.

- For \$49, members' benefits include free shipping on all orders, unlimited free same-day delivery on orders over \$35, extended return windows, and instant 5% savings.
- The program also includes access to exclusive deals automatically applied at checkout and personalized bonuses, two new features of the revamped Target Circle.

“Reimagining Target Circle is one of the biggest initiatives for us as a company in the next year and really accelerates the company's next phase of growth,” Cara Sylvester, executive vice president, chief guest experience officer at Target, said in an earnings call. “So bringing together [these programs] simplifies and expands how we deliver value to our guests, [giving them] flexibility and control in how they shop.”

**The challenge:** Target is entering a highly competitive market with many retail membership programs, from Costco and Best Buy to Instacart and Uber.

- Amazon Prime is the leader, with 97.2 million US households holding a membership in 2024, per our forecast.
- Walmart has been making a serious **push to bulk up its Walmart+ membership**, though it still comes in a distant second, with 16.0 million households belonging to its Walmart+ membership program.

“Target has been notoriously slow in responding to digital trends and the launch of its paid retail membership, something nearly all its competitions have offered for years, is yet another example,” said our analyst Blake Droesch. “While they have taken the right approach by including benefits that will appeal to both online and in-store shoppers, it will be difficult to grow its membership base in an already crowded subscription market.”

**Will it work?** It all depends on how Target differentiates itself.

- Target has focused on bringing its customers value and variety via its private label brands like the relaunched and expanded up&up brand of everyday essentials and its new brand, dealworthy, which offers most products for under \$10.
- It's also partnering with Diane von Furstenberg on a collection spanning apparel, accessories, beauty, and home categories, with most items will be under \$50.

**The bottom line:** If Target can convince shoppers they can find the best deals and assortment on non-grocery categories (like health and wellness and beauty), it has a chance to carve out an audience for its newly launched membership program and boost sales in turn.

- Target Circle's personalized deals and bonus offers drove \$1.5 billion in incremental sales last year, per Sylvester.
- Target loyalty members shop five times more often and spend five times more money than non-members, she said.

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