Target's Owned Brand Strategy

Idea In Short

Target built its retail business on a strategy that looks unusual for a big-box chain: it owns the brands on its own shelves. Roughly 30% of what Target sells carries a label the company designed itself, from Good & Gather groceries to Cat & Jack kids' clothing. Combined with a network of stores that double as shipping hubs for online orders, this approach lets Target compete against Walmart's scale and Amazon's speed without matching either directly. This article covers how Target's owned-brand portfolio and store-as-fulfillment-center model work together, who profits from the arrangement and where the strategy runs into trouble.

A one-stop concept born from a department store

Target traces its roots to 1902, when George Dayton opened Goodfellow Dry Goods in Minneapolis, a store that eventually became Dayton's department store chain. The first Target store opened in Roseville, Minnesota, in 1962 as a discount offshoot meant to compete with the era's new wave of low-price retailers. Dayton's parent company merged with the J.L. Hudson Company in 1969 to form Dayton-Hudson Corporation, which kept building department store chains such as Mervyn's and Marshall Field's alongside its growing discount business. The corporation renamed itself Target Corporation in 2000, once the discount stores had eclipsed the department store banners that gave the company its start.1

Betting on brands nobody else can sell

Target's defining strategic choice has been to design and own a large share of what it sells instead of relying only on national brands. The company now manages roughly 48 owned brands spanning apparel, food, home goods and personal care, a portfolio that generates close to a third of total revenue. Good & Gather, the grocery brand launched in 2019, has grown past $3 billion in annual sales, while Cat & Jack, Up & Up and Threshold each clear

$2 billion. Because Walmart or Amazon cannot stock these labels, Target uses them to pull shoppers in for items they cannot price-compare on a phone in the aisle.2

Ten of Target's owned brands now generate more than $1 billion a year in sales.

Turning stores into shipping hubs

Target's other structural bet is treating its roughly 1,900 stores as the backbone of its online business rather than building a separate warehouse network for e-commerce. Same-day services such as Drive Up and Order Pickup, along with the Shipt delivery service Target acquired in 2017, pull inventory straight from nearby store shelves. This store-fulfillment model cuts shipping distances and lets Target avoid the capital cost of standalone distribution centers dedicated purely to online orders. It also means a store's productivity depends on more than foot traffic alone, since the same shelf now serves walk-in customers and digital orders simultaneously.3

A leadership change after a rough stretch

Target named Michael Fiddelke as chief executive effective February 2026, ending Brian Cornell's decade-long run in the role. Cornell, who took over in 2014 and helped grow the business by more than $30 billion, moved into the position of executive chair. Fiddelke, a 20-year Target veteran who previously served as chief operating officer and chief financial officer, inherited a company coming off several quarters of soft comparable sales and cautious shopper spending. His early priorities have centered on sharpening merchandising and reinvesting in the in-store experience that Target's model depends on.4

Credit cards and advertising fill in the margins

Beyond merchandise sales, Target runs a co-branded credit card program with TD Bank that issues the RedCard, giving Target a share of the profit generated through card spending along with the loyalty data that comes with it. RedCard holders receive a discount on purchases, an incentive that Target uses to build repeat visits and gather purchasing patterns it can act on. Target also operates Roundel, its retail media business, selling advertising space on its website and app to consumer brands seeking access to its shopper base. These streams are small next to merchandise sales, which still account for the vast majority of revenue, but they carry higher margins than physical product sales.

Groceries as the anchor category

Food and beverage sales make up roughly a quarter of Target's revenue, a category the company built deliberately to drive the weekly visits that discount and general merchandise alone could not guarantee. Archer Farms launched in the 1990s as Target's first grocery-focused private brand, later giving way to Good & Gather as the company consolidated its food offerings under one label. Target operates a dedicated food laboratory to develop and test private-label grocery products before they reach shelves, a step meant to keep quality consistent with what shoppers expect from named brands.5 Groceries also serve a strategic purpose beyond their own margin: they give shoppers a reason to visit a Target store more often than they would for clothing or home goods alone.

Failed international expansion left a mark

Target's attempt to expand into Canada between 2013 and 2015 ended in the closure of all 133 stores it had opened, a failure widely attributed to supply chain problems and empty shelves at launch. The company took a write-down exceeding $2 billion related to the exit, a reminder that its store-fulfillment model depends on tight logistics that are difficult to replicate quickly in a new market.6 The episode has kept Target focused on its home market since, with growth coming from new store formats and small-format urban locations rather than geographic expansion abroad.

Key Partners

Target relies on a network of consumer goods manufacturers and suppliers to stock its shelves alongside its own private-label production partners, who manufacture goods to Target's specifications rather than their own branding. TD Bank issues and services the RedCard credit card program under a long-standing agreement that shares profit with Target. Shipt, now a Target subsidiary, still functions somewhat independently to manage the network of personal shoppers who handle delivery orders. CVS Health operates pharmacy and clinic services inside Target stores under a partnership formed in 2015, giving shoppers access to healthcare services without Target managing that regulated business directly.

Key Activities

Target's core activities include merchandising and buying, which determine what products appear on shelves and at what price point relative to competitors. The company invests heavily in supply chain and inventory management, since its store-fulfillment model requires real-time visibility into what each location has in stock. Marketing and advertising span national campaigns, seasonal promotions and the Roundel retail media business that sells ad space to other brands. Store operations, including training the roughly 400,000 employees who staff Target's locations, remain central given how much of the shopping experience depends on in-store execution.

Key Resources

Target's roughly 1,900 stores across the United States serve double duty as retail floor space and fulfillment nodes for online orders. The company's owned-brand portfolio, spanning close to 50 labels, functions as an asset in its own right since these products cannot be purchased anywhere else. A network of regional distribution centers supports both store restocking and direct-to-consumer shipping for items that stores cannot fulfill locally. Target's brand reputation for design-forward, moderately priced merchandise has built customer loyalty that keeps shoppers returning across categories.

Value Propositions

Target's central pitch is access to design-oriented, private-label products at prices below what comparable branded goods would cost, sold inside stores built for a pleasant shopping experience. Same-day fulfillment options, including Drive Up and Shipt delivery, give customers speed that rivals dedicated online-only retailers without requiring a membership fee. The RedCard program adds an ongoing discount for repeat shoppers, reinforcing loyalty beyond a single transaction. Grocery availability inside general-merchandise stores lets customers combine a weekly food run with other purchases in a single trip, a convenience that keeps visit frequency higher than a pure discount retailer would achieve.

Customer Relationships

Target maintains customer relationships primarily through its mobile app, which houses the Target Circle loyalty program, personalized offers and Drive Up ordering in one place. The

RedCard program builds an ongoing financial relationship with repeat shoppers through discounts tied to card spending. Store associates and customer service channels handle in-person and digital support for returns, order issues and product questions. Social media and email marketing keep shoppers informed of seasonal promotions, new owned-brand launches and designer collaborations that Target uses to generate periodic excitement around its assortment.

Channels

Target sells through roughly 1,900 physical stores across all 50 states, ranging from full-size discount stores to small-format locations in urban centers and college campuses. Target.com serves as the primary digital storefront, supported by the Target mobile app for browsing, ordering and in-store navigation. Shipt handles last-mile delivery for online grocery and general merchandise orders placed through the Target ecosystem. Marketing channels including television, digital advertising and email drive awareness of promotions and new product launches across both physical and digital storefronts.

Customer Segments

Target's core customer segment consists of middle-to-upper-income households seeking design-conscious merchandise at moderate prices, a demographic the company has cultivated since its earliest discount-store days. Families with young children represent a significant segment, drawn by the Cat & Jack apparel line and toy assortment. Urban shoppers without easy access to full-size suburban stores are served by Target's small-format locations near college campuses and dense city centers. Digital-first shoppers who prioritize same-day fulfillment make up a growing segment served through Drive Up and Shipt delivery rather than in-store visits.

Cost Structure

Target's largest costs come from merchandise procurement, including the manufacturing agreements behind its private-label brands, followed by labor costs for its store and distribution center workforce. Occupancy expenses for nearly 1,900 leased and owned store locations represent a substantial fixed cost, alongside the capital investment required to maintain store-based fulfillment infrastructure. Marketing spend supports both national brand campaigns and the Roundel advertising platform, while technology investment funds the digital and supply chain systems that connect online orders to store inventory.

Revenue Streams

Merchandise sales, both in-store and online, account for the large majority of Target's total revenue, split across categories including beauty and household essentials, food and beverage, apparel and home furnishings. Credit card profit sharing from the RedCard program with TD Bank contributes a smaller but higher-margin revenue stream. Roundel, Target's retail media business, generates advertising revenue by selling placement on Target's website, app and in-store digital screens to consumer brands. Membership and subscription fees from services such as Shipt add a recurring revenue component tied to delivery convenience.

- 1Target Corporation company history
- 2All in Motion becomes Target's 10th billion-dollar owned brand
- 3Target's digital fulfillment and Shipt acquisition
- 4Michael Fiddelke named Target CEO
- 5Target's decades-long private-label strategy
- 6Target's Canada exit and financial impact

Summary

Target's owned brands and omnichannel logistics form a strategy built for margin. By designing its own products, Target keeps more of each sale than it would selling other companies' merchandise, and by fulfilling online orders from store shelves, it avoids the cost of a separate warehouse network. Under new chief executive Michael Fiddelke, the company faces pressure to prove the model still works after several quarters of soft traffic. The private-label playbook remains intact, but Target now has to show it can pair distinctive products with a shopping experience that gets people back in stores.