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From Roseville to Greatland, Target still hits the mark - Dayton-Hudson Corp. Target Stores - Growth Retailer of the '90s - company profile

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From Roseville to Greatland, Target Still Hits the Mark

Target burst on the American retailing scene in 1962, a pivotal year in the history of the discount store industry, but its origins go back two years earlier.

In 1960, Dayton's, a family-owned Minneapolis-based upper Midwest department store chain, began looking at new retailing concepts as possible growth areas. The company's investigations included a report prepared by one executive, John Geisse, that detailed the strengths and weaknesses of the discount stores then taking the nation by storm.

Geisse's study, based on his own observations, his retailing experience as Dayton's general merchandise manager and a University of Denver business school research paper on retailing formats, triggered the department store's decision to launch a discount operation. Douglas J. Dayton, the youngest family member and a key company executive, headed up the venture. Geisse was named vice president and general manager, responsible for day-to-day operations.

The discount industry in the early '60s was in flux, with the various companies - only a handful of which are in business today - seeking viable marketing roles. Geisse's report insightfully positioned discounters and department stores as complementary merchants; it prognosticated Dayton's using the projected discount operation to target a consumer market the department store chain was missing.

Dayton's proposed venture didn't follow the concept of other discounters that focused on low-priced goods, with seconds and irregulars part of the mix. Instead, Dayton said, "We will offer high-quality merchandise at low margins, because we are cutting expenses. We would much rather do this than trumpet dramatic price cuts on cheap merchandise."

The new store, called Target, offered a broad selection, including higher-priced staples, eschewed seconds and irregulars, and used its low-cost operation to reduce prices to sell goods every day at very competitive prices.

The chain's name was originated by Stewart K. Widdess, then Dayton's publicity director. He noted in a company reminiscence that more than 200 names were considered but didn't include any that involved the word "Dayton's" so that consumers wouldn't associate the new chain with the department store.

Various motifs of "targets" were considered as logos, one artist even drew a design with bullet holes. Another artist finally came up with the original bull's eye logo.

Dayton's married its department store heritage and Geisse's insights to launch Target as the first upscale discounter, featuring an attractive shopping environment, an innovative racetrack layout and a mix that included higher-priced merchandise. With its chain-orientation, Target's merchandising and operating decisions were made at headquarters, rather than at the individual stores as most discounters were then doing.

The first Target opened its doors May 1, 1962, in the St. Paul suburb of Roseville, 60 days after K mart began its operation and a few months prior to Wal-Mart's debut. The launching of these three chains, today the nation's dominant discounters, made 1962 a landmark year in retailing history.

Discounting in 1962 was a turbulent industry, with some founding companies failing while newcomers entered the business. That first Target was a signpost of subsequent events for the chain and the discount industry.

Another discounter had planned to open in Roseville, but when that troubled company called off its expansion, Target took the building. Recycling stores would later play a key role in the development of many discounters, including Target's growth in the Midwest, South and Southwest.

Dayton's launched four Targets in 1962; the move spurred other department stores to consider similar steps. In 1968, Federated Department Stores began Gold Circle, Rich's started Richway, and Strawbridge & Clothier followed in 1970 with Clover.

Dayton's executives were uncertain about Target's viability as the discounter at first lost money at first. They limited its growth to just one more store in 1965, by which time the first group of Targets were showing 30% to 40% sales gains, with volume that year reaching \$39 million.

The next year, Target ventured out of Minneapolis to Denver, with two stores; the seven-store chain's sales passed the \$60 million level in 1966. The chain grew to nine as two more stores were opened in Minnesota in 1967.

1968 marked a key transition stage in Target's history. Dayton moved to the parent Dayton's, to be succeeded as Target president by William A. Hodder, while the discounter expanded into St. Louis with two stores, the 11 units reaching \$130 million in sales. Target also started its own advertising department in 1968 and streamlined its bull's eye trademark to the version currently in use.

The chain's move into St. Louis triggered a reaction by the local department store powerhouse, The May Department Store Co. May signed on Geisse, then Target's senior vp, gmm, to develop its discount chain, Venture. Geisse became president of the new retailer. Venture debuted with two stores in St. Louis in 1970.

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