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Target said to be looking at new pricing strategy

Target may be looking at new pricing strategy to become more competitive



By Michelle Chapman, AP Business Writer | Associated Press – 21 minutes ago

NEW YORK (AP) -- Target Corp. is reaching out to its vendors as part a potential new pricing strategy to up its competitiveness with both online and brick-and-mortar rivals.

The retailer has sent a letter to some of its vendors with J.C. Penney about unveil a sweeping overhaul of its pricing strategy that will eliminate many of the promotions shoppers see in its stores, according to Citi Investment Research.

Citi's Deborah Weinswig said Friday that Target laid out its thoughts in a letter from Chairman, President and CEO Gregg Steinhafel and Executive Vice President of Merchandising Kathee Tesija.

Target confirmed that the letter was sent but would not discuss its specifics.

Target is being proactive as pricing competition heats up with other competitors such as Wal-Mart Stores Inc. and Amazon.com, Weinswig said.

In excerpts from the letter that Weinswig quoted, Target is trying to develop a strategy to counter the practice in which customers enter its stores to check out products, only to lose some to rivals in fast-shifting pricing battles.

To that end, Weinswig said that she thinks Target is "exercising leverage over its vendors to achieve the same pricing that smaller, online-only retailers receive. This strategy would help Target compete with retailers like Amazon on like-for-like products."

Target also wants set its products apart from competitors, Weinswig said, and she believes the retailer will likely put even more emphasis on exclusive items that aren't available anywhere else.

Just last week, Target announced that it had teamed up with a handful of unique specialty shops that will offer limited edition merchandise on a rotating basis within Target stores in hopes of creating an evolving shopping experience for customers. The products will be sold at all 1,800 Target stores and online. The Minneapolis company also confirmed reports last Thursday that it will expand displays of Apple products in 25 stores as part of a test project.

Target's letter to vendors also looks at the possibility of creating a membership- or subscription-based online pricing, which Weinswig believes might be similar to Amazon's "Subscribe and Save" program. The program gives regular buyers of certain products, such as diapers or coffee, special discounts.

Shares of Target Corp. fell 80 cents to \$50.10 in midday trading.

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