A Comparison of Wal-Mart and Target Shoppers

A Complimentary Study from Scarborough Research

December, 2005

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Introduction

- Over the last 15 years, Wal-Mart has emerged as a retail juggernaut, changing forever the retail landscape in the US. Wal-Mart is a national leader in virtually every retail category in which they compete.
- 71% of American adults in the 75 major markets measured by Scarborough report having shopped at Wal-Mart within the past three months.
- At about the same time, Target has also emerged as a major presence in American retailing. In the same 75 markets, 53% of adults report having shopped at Target in the past 3 months.
- From Main Street to Wall Street, these retailers are closely monitored. Their corporate strategy impacts marketing and media professionals locally, regionally and nationally. This complimentary study from Scarborough Research aims to provide a deeper understanding of Wal-Mart and Target shoppers, their other retail interests, buying patterns, and local market indicators.

Overview

- In this analysis, Scarborough profiles Target and Wal-Mart shoppers in four ways:
  1. Those who shopped at both Wal-Mart AND Target (i.e. "Shared Shoppers")
  2. Those who shopped at Wal-Mart BUT NOT Target (i.e., "Wal-Mart Exclusive Shoppers")
  3. Those who shopped at Target BUT NOT Wal-Mart (i.e. "Target Exclusive Shoppers")
  4. Those who shopped at NEITHER Wal-Mart NOR Target
- Since Wal-Mart and Target share many customers, the study focuses on the "exclusive" shopper categories (numbers 2 and 3 above) in order to isolate differences.

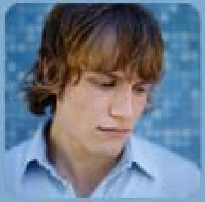
Overview: The Importance of Localism

- Differences between Wal-Mart and Target shoppers may be attributed to varying causes
  - There may be inherent differences in the kinds of shoppers the retailers attract
  - There may be inherent differences in the nature of the local markets in which each retailer is strongest.
- Scarborough continually finds that the local mix of available retail brands is an important driver in consumer retail preferences.

Wal-Mart and Target Shoppers:

Who are they?

Local



Regional

National

SCARBOROUGH research

Background: U.S. Retailers Analyzed in this Study

These are all major retailers at which at least 5% of the population in the 75 Scarborough markets shopped in the past 3 months.

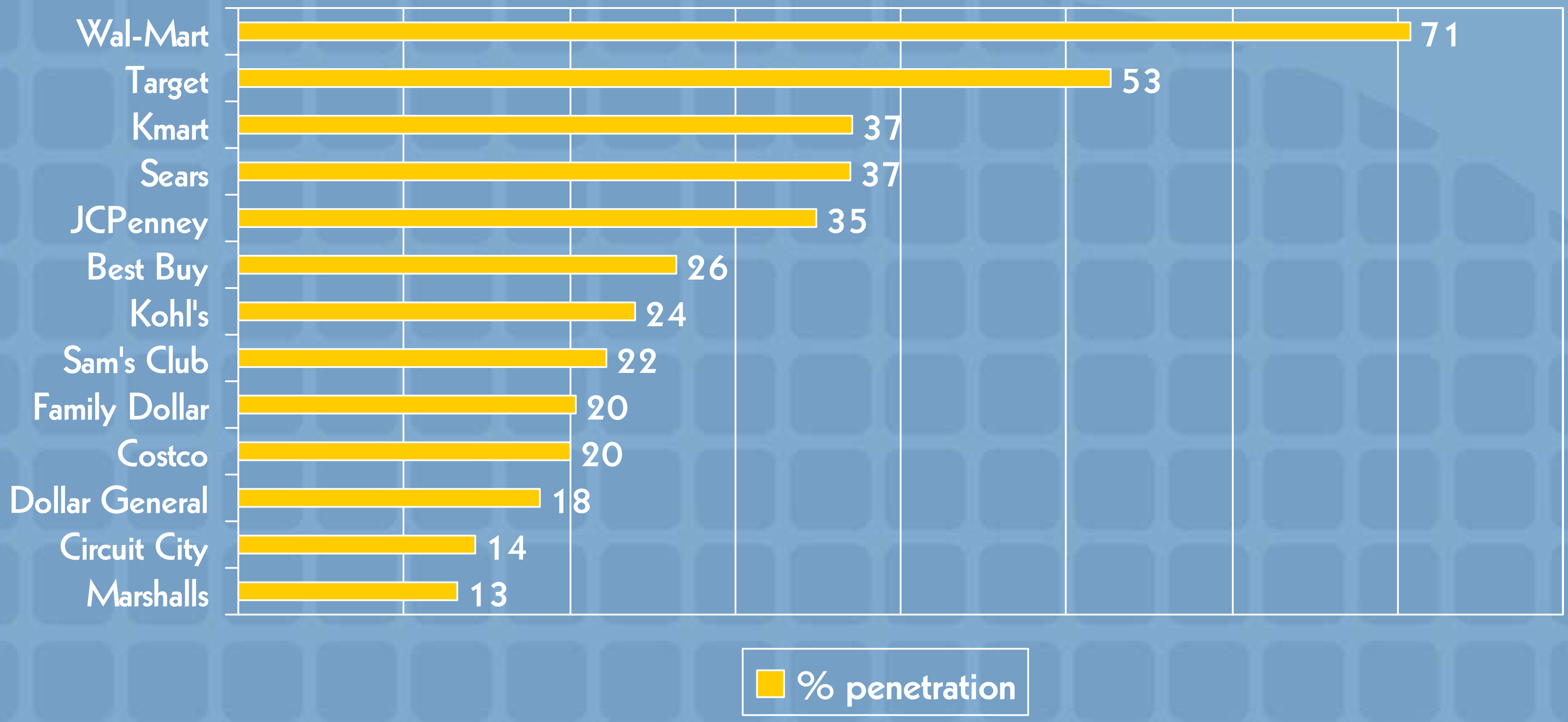
- Best Buy
- Big Lots
- BJ's Wholesale Club
- Burlington Coat Factory
- Circuit City
- Costco
- Dillard's
- Dollar General
- Family Dollar
- JC Penney
- Kmart
- Kohl's
- Macy's
- Marshalls
- Meijer's
- Mervyn's
- Nordstrom
- Ross Dress for Less
- Sam's Club
- Sears
- Target
- The Home Depot
- TJ Maxx
- Value City Dept. Store
- Wal-Mart

Note: Respondents are asked to identify from a list of retailers, those at which they shopped in the past 3 months. The questionnaire lists major national and regional department stores, mass merchandisers, big boxes, and warehouse clubs, based on availability in the market in which the questionnaire is fielded.

High-Penetration Retailers

- Of these retailers, Wal-Mart has the highest consumer penetration. 71% of adults in Scarborough's 75 local markets report having shopped at Wal-Mart in the past 3 months.
- Target ranks second at 53%.
- K-Mart and Sears are tied for third at 37%. (It will be interesting to see how their merger affects the retail landscape.)
- JC Penney ranks fifth at 35%. No other retailer in this analysis exceeds 30%

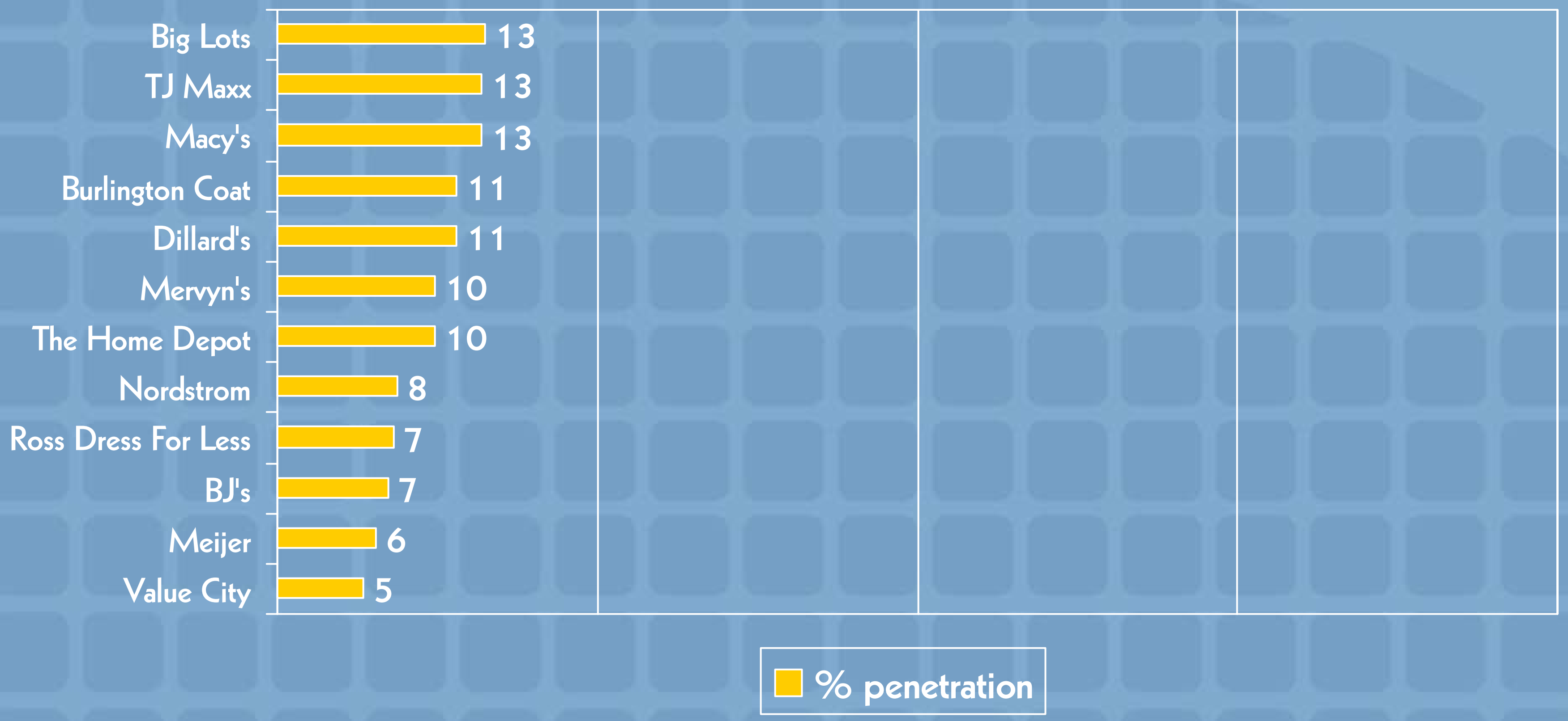
Retailers Ranked Based on the Percentage of Adults 18+ who Shopped there During the past 3 months.
(part 1 of 2)



Source: Scarborough Multi-Market, Release 1 2005

Retailers Ranked Based on the Percentage of Adults 18+ who Shopped there During the past 3 months.

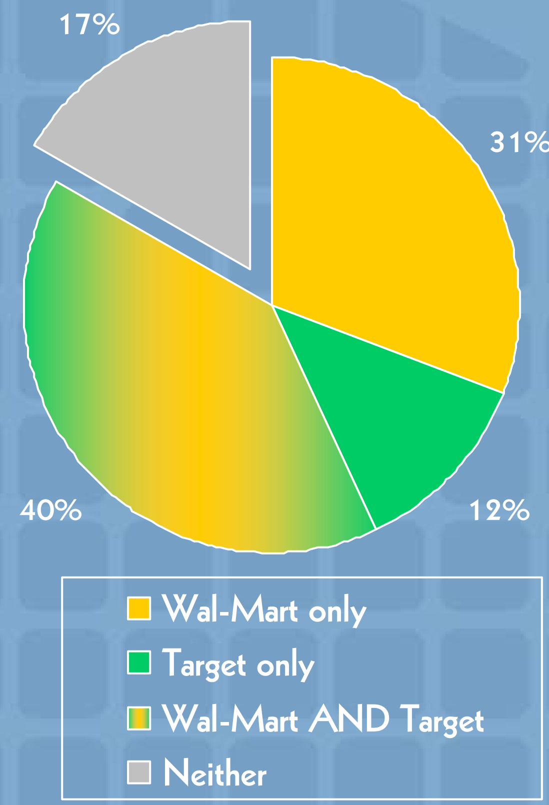
(part 2 of 2)



Source: Scarborough Multi-Market, Release 1 2005

Over 4 in 5 US adults 18+ shop at Wal-Mart, Target, or both.

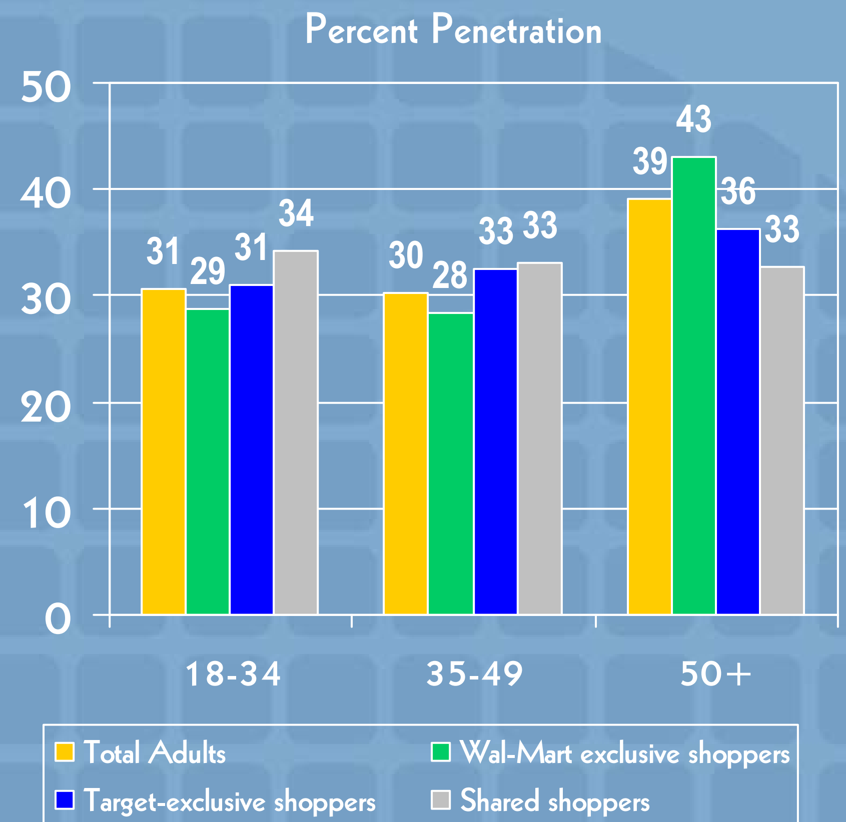
- 83% of adults 18+ have shopped in Wal-Mart, Target, or both in the past 3 months.
- 40% shopped at both Wal-Mart AND Target ("Shared Shoppers.")
- 31% shopped at Wal-Mart but NOT Target ("Wal-Mart-exclusives.")
- 12% shopped at Target but NOT Wal-Mart ("Target-exclusives")



Source: Scarborough Multi-Market, Release 1 2005

Target-exclusives skew younger than Wal-Mart exclusives

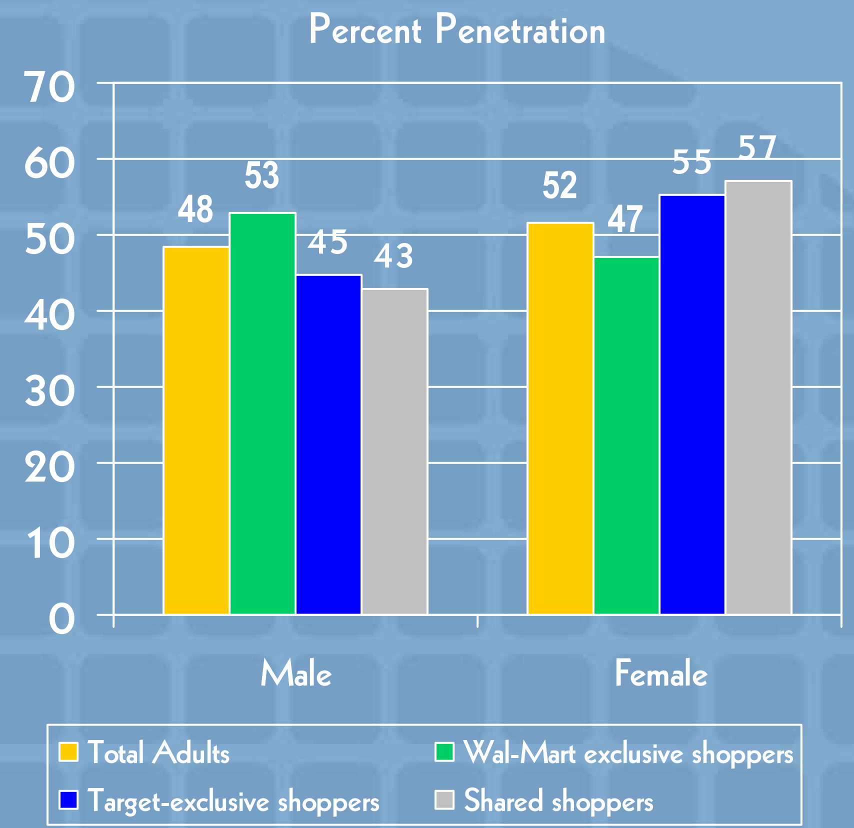
- Wal-Mart exclusive shoppers skew somewhat older than the general population; 43% are 50+. 36% of Target-exclusives are aged 50+.
- 31% of Target-exclusive shoppers are 18-34, matching the general population.



Source: Scarborough Multi-Market, Release 1 2005

Wal-Mart exclusives are somewhat more likely to be male, Target exclusives more likely to be female.

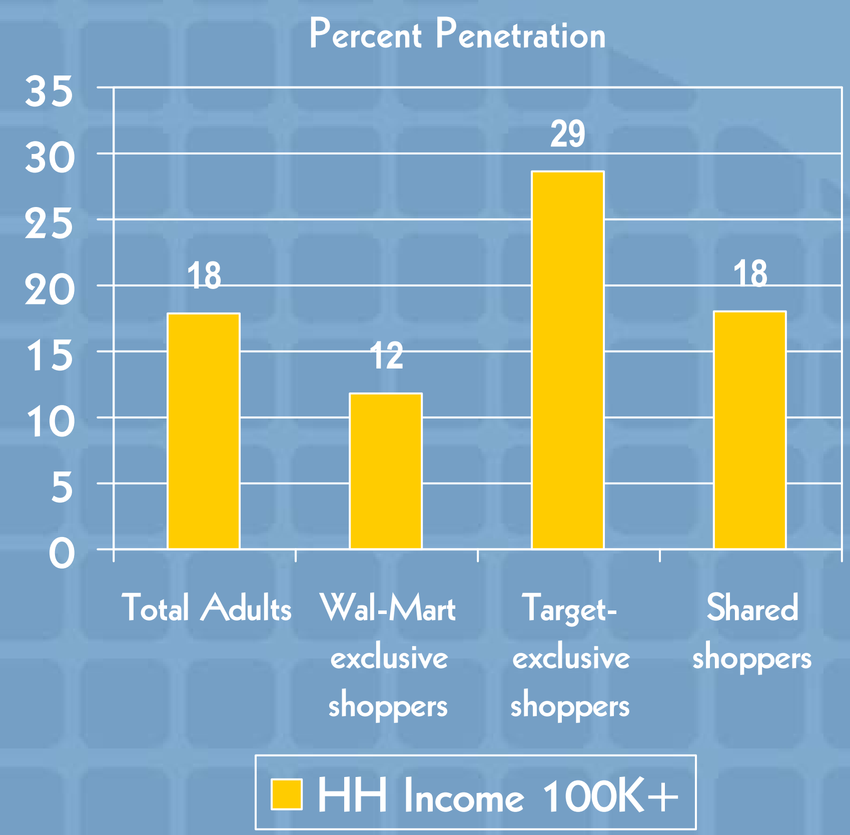
- Wal-Mart exclusive shoppers skew slightly male. Target-exclusives skew slightly female.
- Shared Shoppers have the most pronounced female skew: 57%



Source: Scarborough Multi-Market, Release 1 2005

Target-exclusive shoppers are more likely to come from upscale households

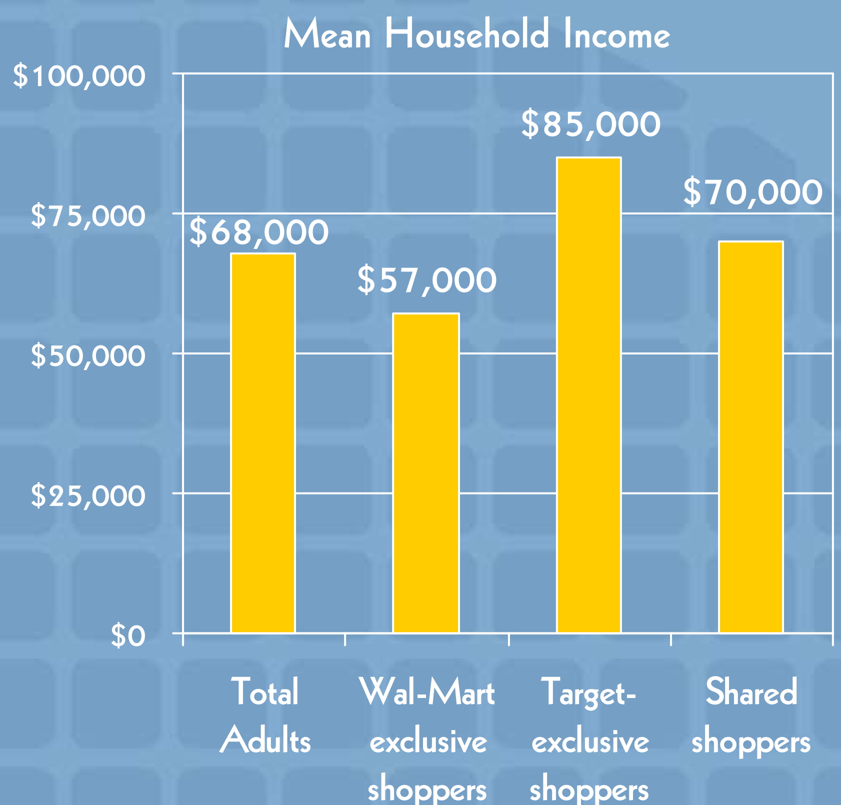
- 29% of the Target-exclusives have household incomes in excess of $100K annually, an index of 161 compared to the market average
- Only 12% of Wal-Mart exclusive shoppers have a household income in excess of $100K annually, an index of 66.



Source: Scarborough Multi-Market, Release 1 2005

The mean household income of Target-exclusive shoppers is 25% higher than the overall average

- Target-exclusives have a mean household income of about $85K
- Wal-Mart exclusives have a mean household income of about $57K
- Shared shoppers have a mean household income of about $70K, slightly higher than the market average.



Source: Scarborough Multi-Market, Release 1 2005

Wal-Mart and Target Shoppers:

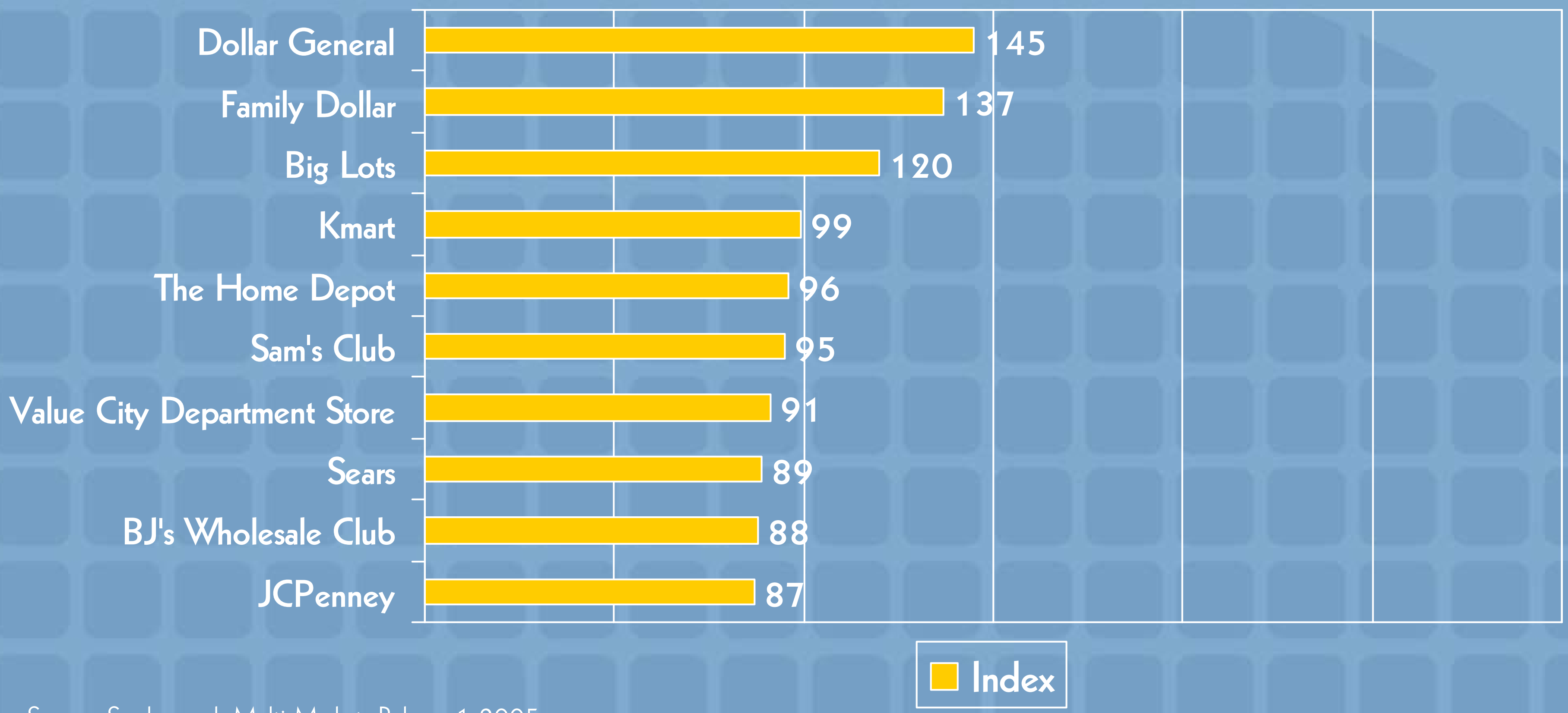
Where else do they shop?

Cross-Shopping

- Wal-Mart-exclusive shoppers are most likely to shop at Dollar General, Family Dollar, and Big Lots.
    - These are the only retailers in the analysis where Wal-Mart-exclusive shoppers are more likely to have shopped than the general population.
- Target-exclusive shoppers are most likely to shop at Nordstrom, Macy's, Costco, and Mervyn's.
    - In all they are more likely than the general population to have shopped at 12 of the other retailer brands in this analysis.

Where else do Wal-Mart Exclusive Shoppers shop? A comparison to total adults

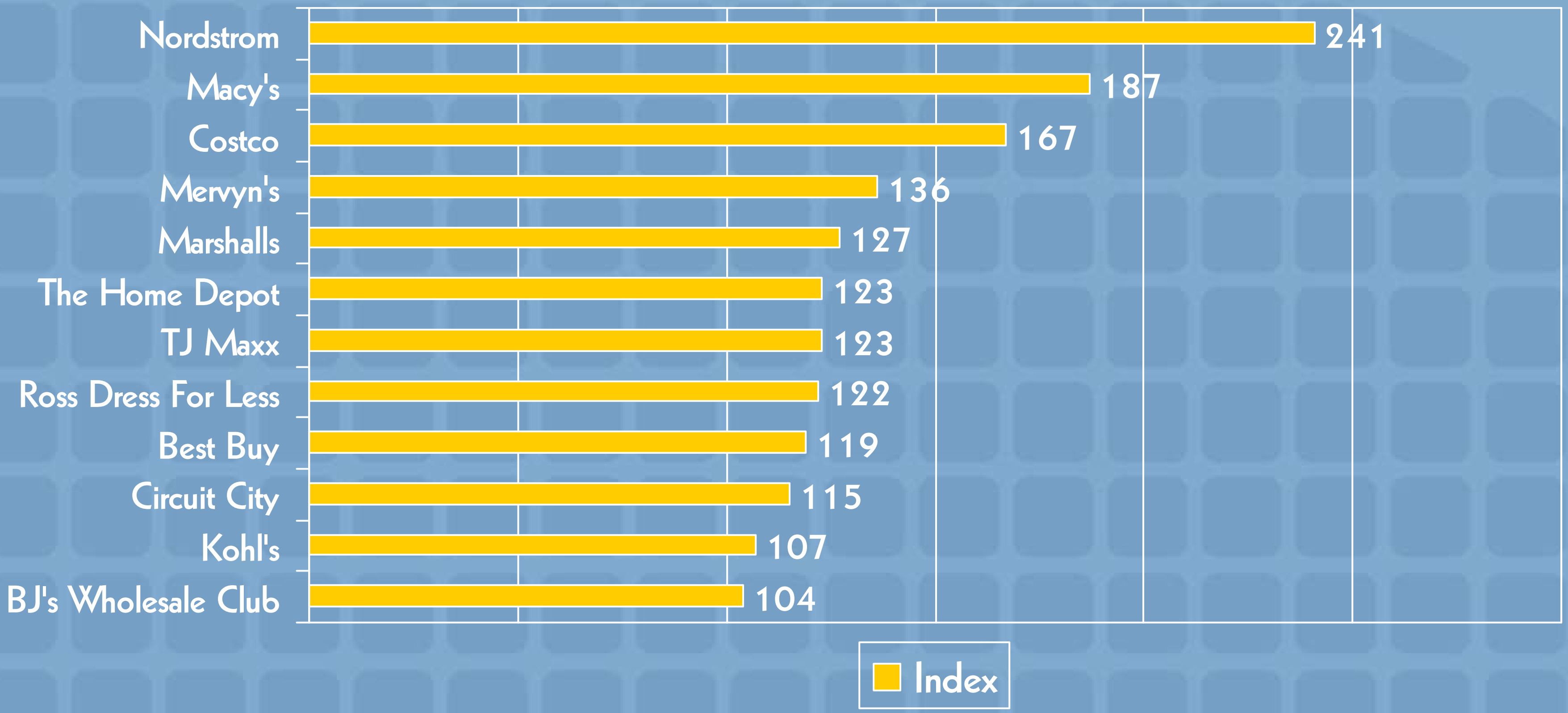
How to read: "Wal-Mart-exclusive shoppers are 45% more likely than the general population to have shopped at Dollar General."



Source: Scarborough Multi-Market, Release 1 2005

Where else do Target Exclusive Shoppers shop?

How to read: "Target-exclusive shoppers are 87% more likely than the general population to have shopped at Macy's."



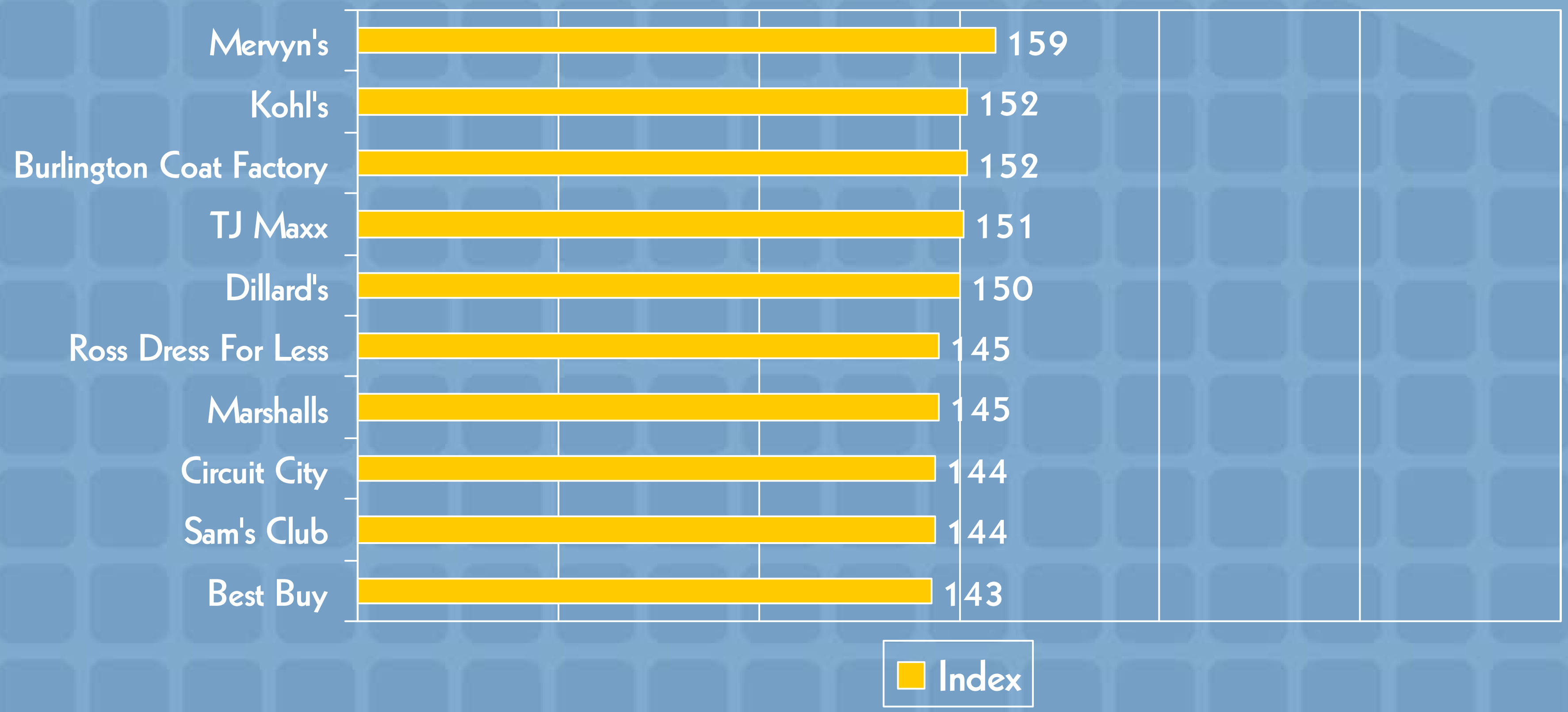
Source: Scarborough Multi-Market, Release 1 2005

Cross-Shopping

- Consumers who shop at BOTH Wal-Mart and Target are more likely than the general population to have shopped at every one of the other retailers in this analysis.
- The leaders are Mervyn's, Kohls, Burlington Coat Factory, and TJ Maxx.
- Consumers frequenting BOTH Wal-Mart and Target are likely the more avid shoppers.
- These shoppers are the most likely to be female (57%), and thus several retailers specializing in female apparel (Ross, TJ Maxx) appear on the list of highest-indexing brands.

Retailers Ranked by Index of Shared Wal-Mart/Target Shoppers to Total Adults

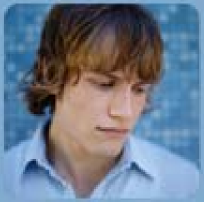
How to read: "Shared Shoppers are 51% more likely than the general population to have shopped at TJ Maxx."



Source: Scarborough Multi-Market, Release 1 2005

Wal-Mart and Target In the Local Market

Local



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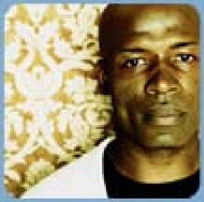

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Wal-Mart and Target in the Local Market

- Wal-Mart exclusive shoppers, Target-exclusive shoppers, and Shared Shoppers have distinct demographic skews
- This section examines geographic skews. What local markets do Wal-Mart shoppers come from? Target shoppers?
- Can the differences in demographics among Wal-Mart exclusive shoppers and Target exclusive shoppers be attributed to the branding differences of each store? Or, are they driven by the markets in which the retailers happen to have the strongest presence?

Wal-Mart and Target in the Local Market*

- This section of the study examines:
  - Local markets where Wal-Mart has the highest penetration among adults 18+
  - Local markets where Wal-Mart has the lowest penetration among adults 18+
  - Local markets where Target has the highest penetration among adults 18+
  - Local markets where Target has the lowest penetration among adults 18+

* NOTE: Local market information is based on DMA, or Designated Market Area

Scarborough Local Markets Ranked by % of Adults Who Shopped At Wal-Mart, Past 3 Months

(Total US: 71%)

Top 12

- Roanoke (94%)
- Lexington (88%)
- Knoxville (93%)
- Birmingham (92%)
- El Paso (90%)
- Mobile (90%)
- Jacksonville (90%)
- Wichita (90%)
- Oklahoma City (90%)
- San Antonio (89%)
- Greenville (89%)
- Memphis (89%)

Bottom 12

- New York (38%)
- San Francisco (44%)
- Seattle (52%)
- Portland (53%)
- Detroit (54%)
- Los Angeles (58%)
- Minneapolis (62%)
- Philadelphia (64%)
- San Diego (64%)
- Washington (65%)
- Chicago (65%)
- Grand Rapids (66%)

Source: Scarborough Multi-Market, Release 1 2005

Scarborough Local Markets Ranked by % of Adults Who Shopped At Target, Past 3 Months

(Total US: 53%)

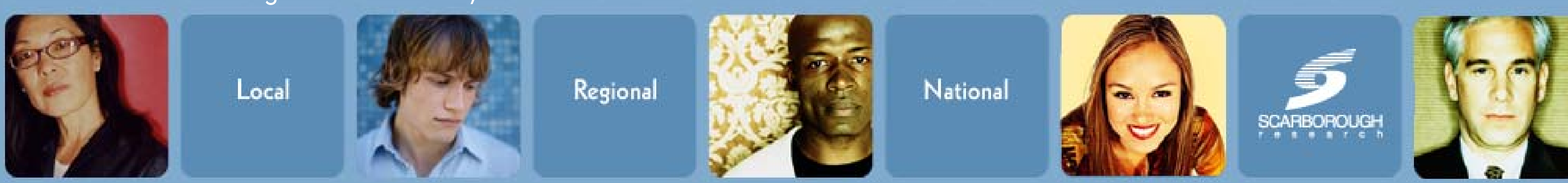
Top 12

- Minneapolis (79%)
- Chicago (68%)
- Tucson (67%)
- Los Angeles (66%)
- San Diego (66%)
- Detroit (64%)
- Milwaukee (64%)
- San Antonio (64%)
- San Francisco (63%)
- Des Moines (62%)
- Austin (62%)
- Denver (62%)

Bottom 12

- Charleston (27%)
- Birmingham (28%)
- Harrisburg (31%)
- Lexington (31%)
- Tulsa (35%)
- Wilkes-Barre (36)
- Greenville (36%)
- Hartford (38%)
- New Orleans (40%)
- Spokane (40%)
- Roanoke (40%)
- New York (40%)

Source: Scarborough Multi-Market, Release 1 2005



Wal-Mart Versus Target in the Local Market: Different Strongholds

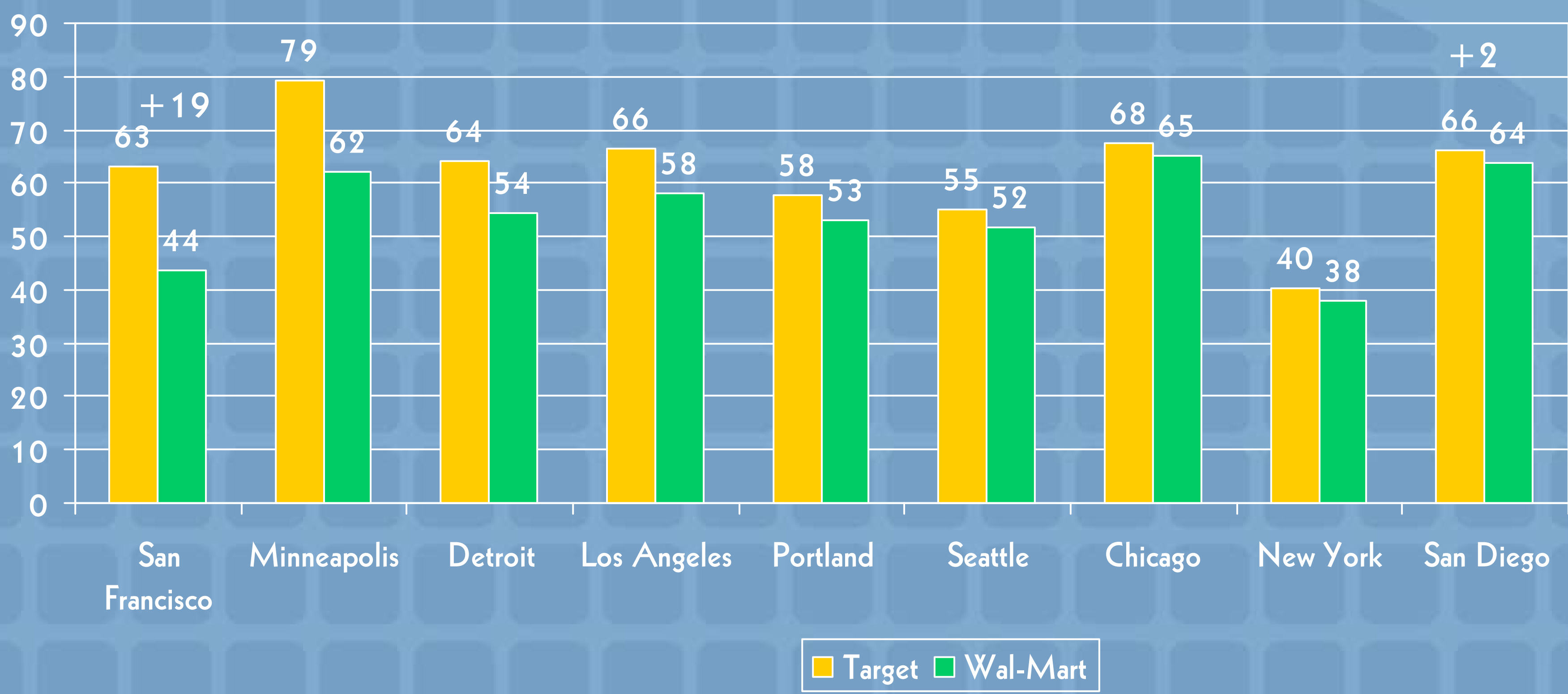
- Six of the top-12 Target local markets are among the bottom-ranked Wal-Mart local markets (Minneapolis, San Diego, Los Angeles, Chicago, Detroit, San Francisco)
- Four of the top-12 Wal-Mart local markets are among the bottom-ranked Target local markets (Birmingham, Lexington, Roanoke, Greenville)
- There is little overlap between the top-ranked Wal-Mart local markets and the top-ranked Target local markets
    - San Antonio is the only market common to both lists
- Target's highest-penetration markets cluster among the overall largest 13 local markets
- Wal-Mart tends to have highest penetration in mid-sized, southern markets, and lowest penetration in large urban markets

Target in Major Local Markets

- **Target** has a **higher penetration than Wal-Mart** In nine local markets (see next page)
  - All nine of these markets are major urban areas
  - Seven of these are among the 13 largest local markets
    - New York, Los Angeles, Chicago, San Francisco, Detroit, Minneapolis, Seattle
- Two of the 10 largest local markets rank among the four highest-penetration Target markets
  - Los Angeles, Chicago

Scarborough Local Markets Where Target Has a Higher Market Penetration Than Wal-Mart

Ranked by raw difference



Source: Scarborough Multi-Market, Release 1 2005

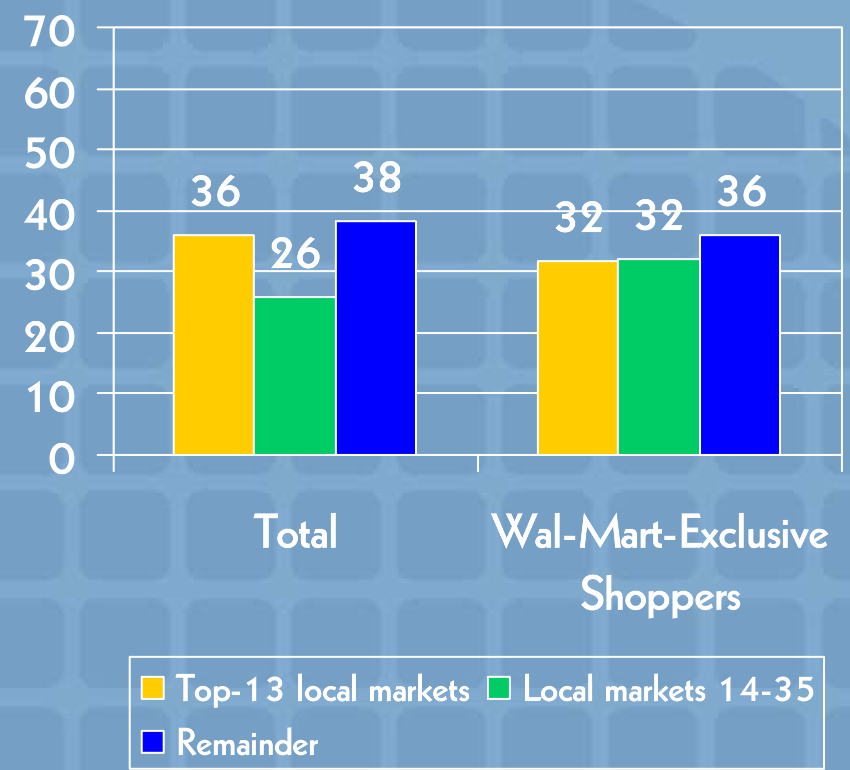
Target, Wal-Mart and Local Market Rank

- Next, the study will examine the penetration of shoppers based on local market size, isolating the top-13 local markets, as this is the group in which Target's major market skew is most pronounced
- We'll look at three groups:
  - local markets 1-13
  - local markets 14-35
  - The remainder of Scarborough's 75 local markets

Wal-Mart-Exclusive Shoppers by Local Market Size

How to read chart: "36% of Wal-Mart-exclusive shoppers come from the remainder local markets." How to read indexes: "Wal-Mart Exclusive Shoppers are 88% as likely as adults overall to live in the top-13 local markets."

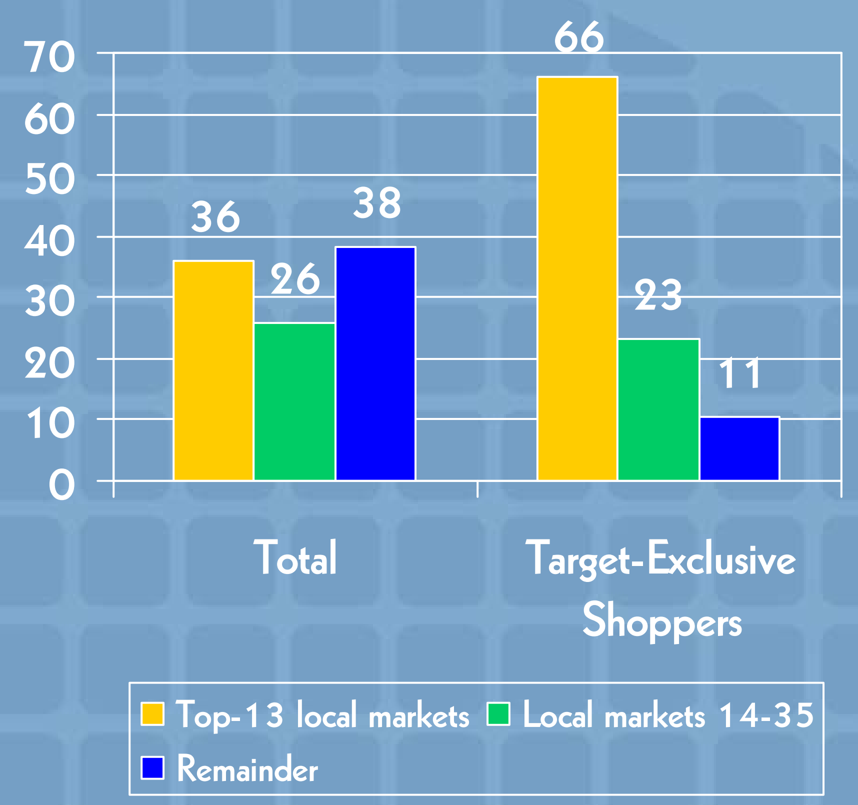
- Wal-Mart-exclusive shoppers are relatively evenly distributed across the three local market groups
- Wal-Mart-exclusive shopper indexes:
  - Top-13 local markets: 88
  - local markets 14-35: 125
  - Remaining local markets: 94



Target-Exclusive Shoppers by Local Market Size

How to read chart: "66% of Target exclusive shoppers come from the top-13 local markets." How to read indexes: "Target Exclusive Shoppers are 84% more likely than adults overall to live in the top-13 local markets."

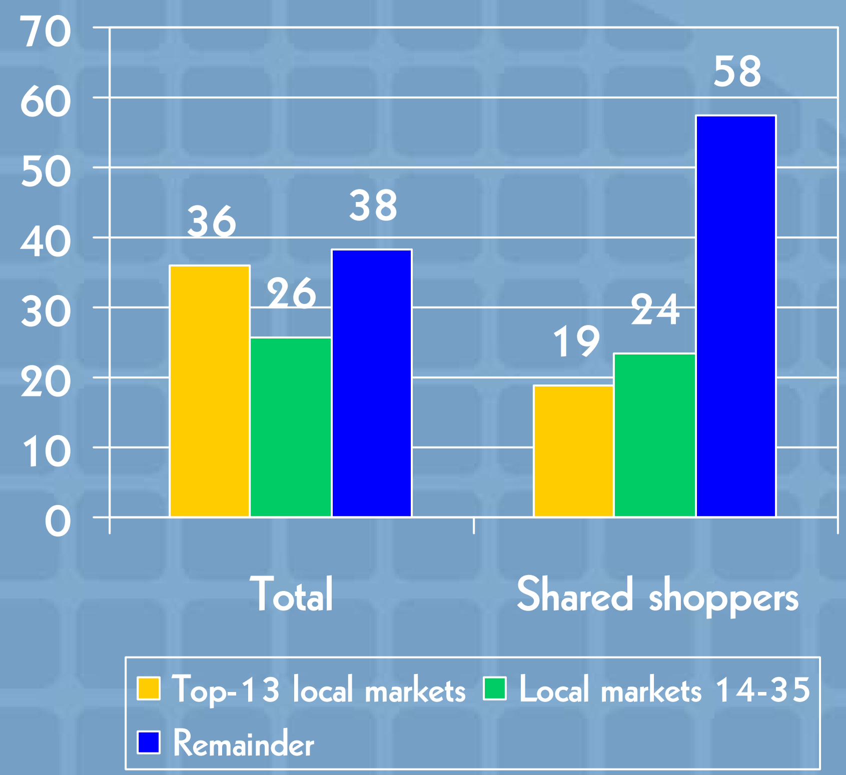
- Two thirds of Target-exclusive shoppers come from the top-13 local markets
- Only 11% come from local markets 36+
- Target-exclusive shopper indexes:
  - Top-13 local markets: 184
  - local markets 14-35: 90
  - Remaining local markets: 27



Shared Shoppers by Local Market Size

How to read chart: "19% of Shared Shoppers come from the top-13 local markets." How to read indexes: "Shared Shoppers are 51% more likely than adults overall to live in markets 36+."

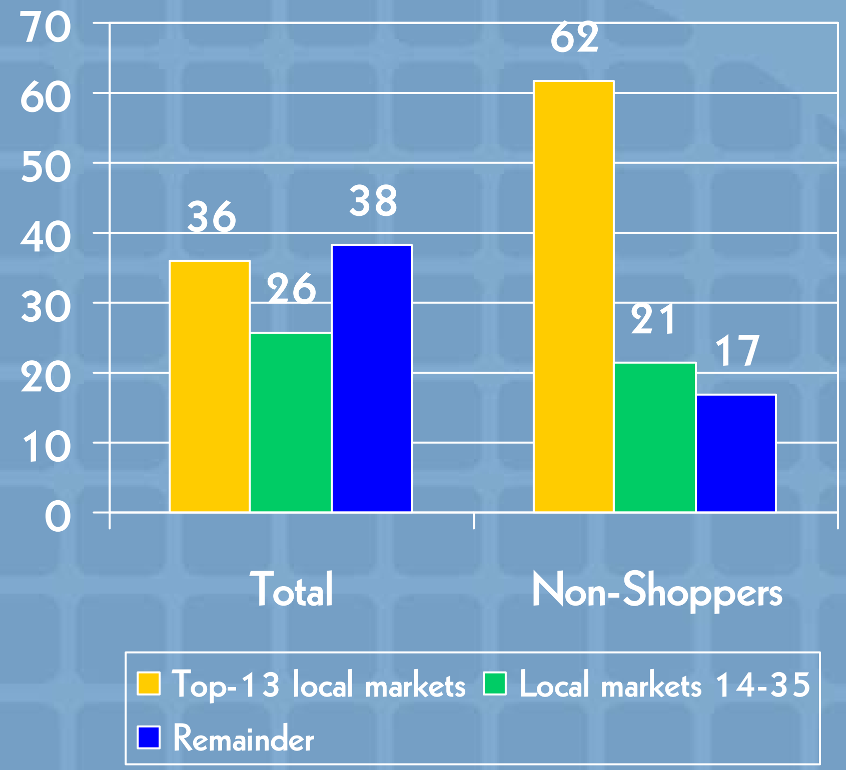
- 58% of Target and Wal-Mart Shared Shoppers come from local markets 36+
- This is because each retailer has its highest aggregate penetrations in the smaller local markets
- Shared Shopper indexes:
  - Top-13 local markets: 53
  - Local markets 14-35: 91
  - Remaining local markets: 151



Non-Shoppers by Local Market Size

How to read chart: "62% of adults who shopped at neither Target nor Wal-Mart come from the top-13 local markets." How to read indexes: "Non-shoppers are 44% as likely as adults overall to live in markets 36+"

- 62% of adults who shopped at neither Wal-Mart nor Target come from local markets 1-13
- Non-Shopper indexes:
  - Top-13 local markets: 172
  - Local markets 14-35: 83
  - Remaining local markets: 44



Wal-Mart and Target in the Local Market: Conclusions

- Target is strongest relative to Wal-Mart in the top-10 local markets, and generally in larger urban areas
- Wal-Mart is strongest in smaller and southern local markets.
- Target-exclusive shoppers are drawn disproportionately from the top-13 local markets (66%)
  - Similarly, adults who shopped at neither Target nor Wal-Mart fall disproportionately among the top-13 local markets (62%)
- There is clearly a correlation between the different profiles of Target and Wal-Mart-exclusive shoppers, and the fact that Target-exclusive shoppers are drawn primarily from the top-13 local markets.
  - We must stop short of saying this correlation is causality

What are Wal-Mart and Target Shoppers Buying?

Shopper Spending

- Scarborough collects information on annual consumer expenditures across a series of categories
- This section of the report compares spending by the four Wal-Mart/Target cells
- Note that this information reflects consumer annual expenditures in total, not in the specific retailers

Mean Amount Spent on Men's Business Clothing, Casual Clothing Among men 18+ in the past year

How to read chart: "Male Wal-Mart exclusive shoppers who purchased men's business clothing during the past year spent about $266 on these purchases."

Source: Scarborough Multi-Market, Release 1 2005

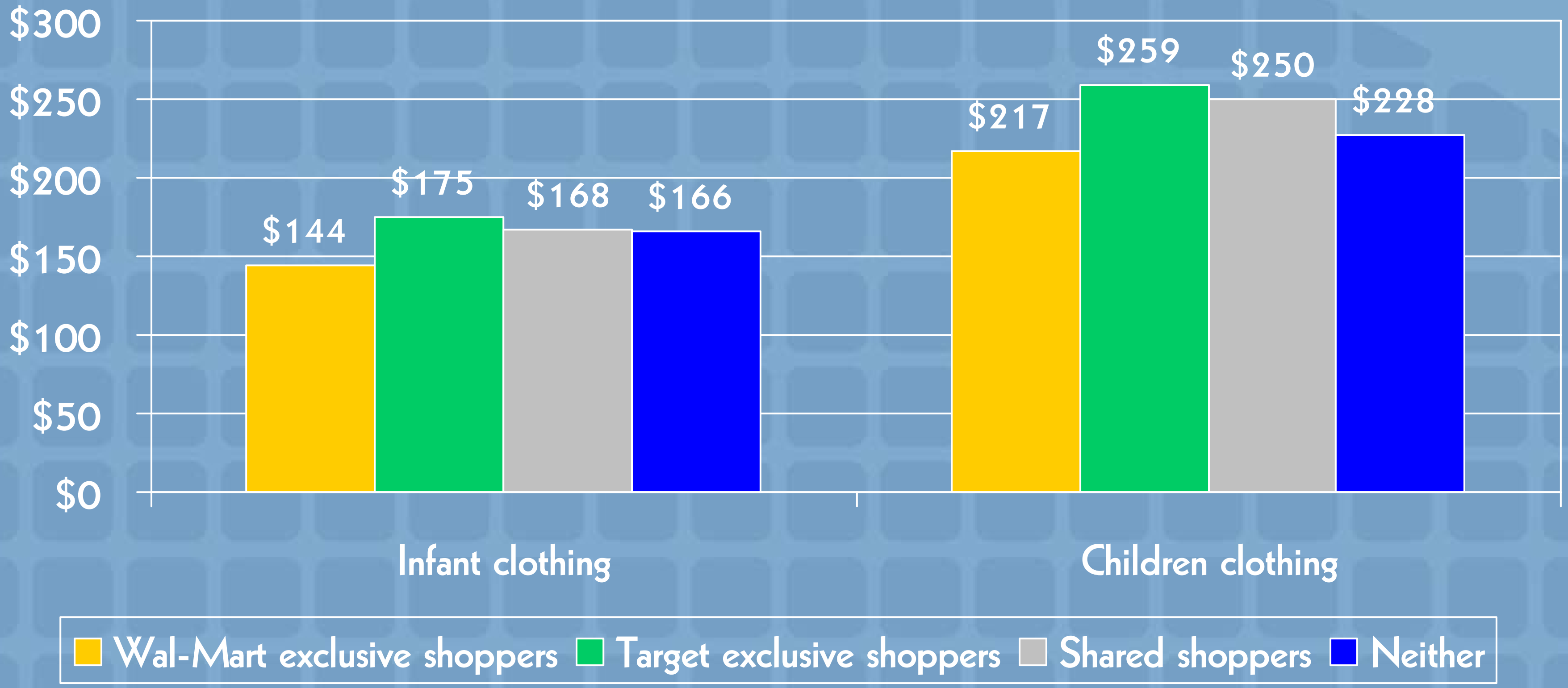
Mean Amount Spent on Women's Business Clothing, Casual Clothing Among women 18+ in the past year

How to read chart: "Female Wal-Mart exclusive shoppers who purchased women's business clothing during the past 12 months spent about $238 on these purchases."

Source: Scarborough Multi-Market, Release 1 2005

Mean Amount Spent on Infant's Clothing, Children's Clothing Among Adults 18+ in the past year

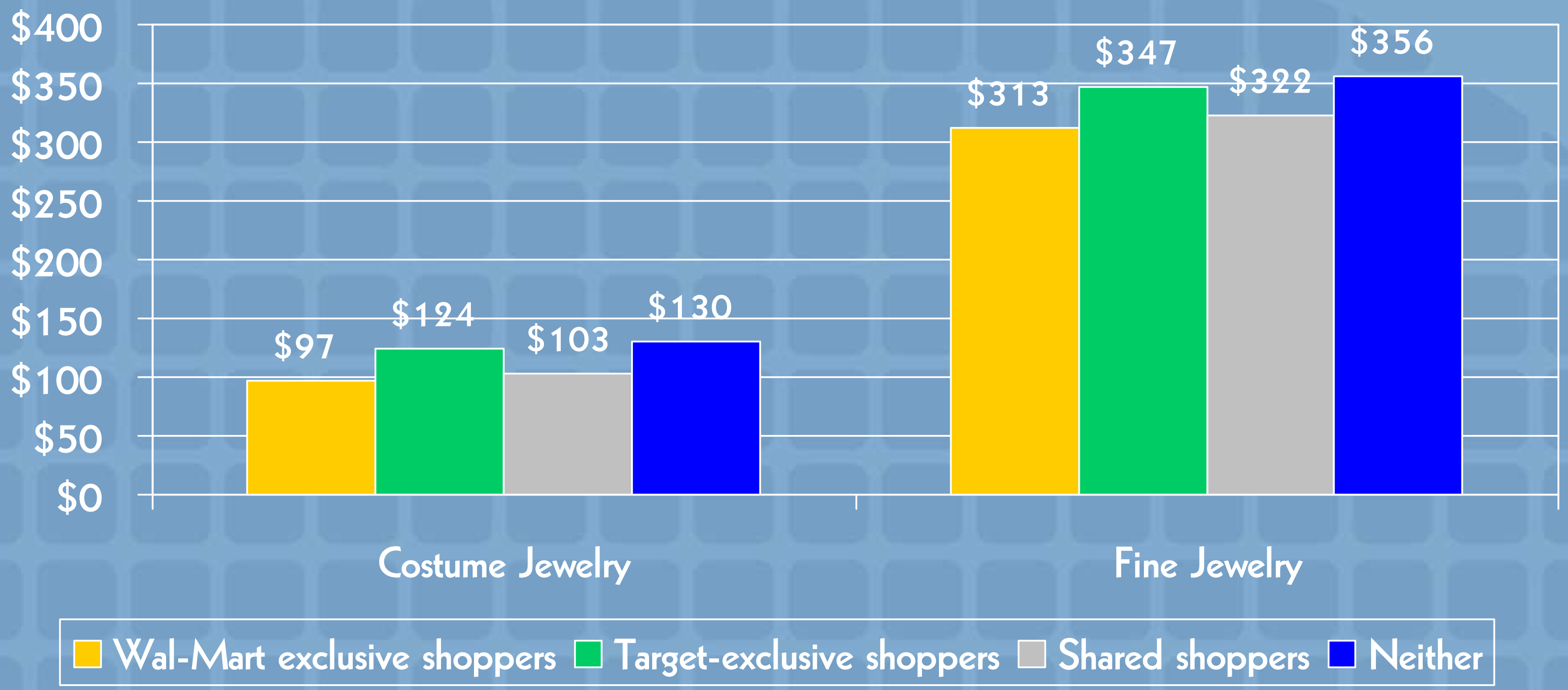
How to read chart: "Wal-Mart exclusive shoppers who purchased infant clothing during the past year spent about $144 on these purchases."



Source: Scarborough Multi-Market, Release 1 2005

Mean Amount Spent on Costume Jewelry and Fine Jewelry Among Adults 18+ in the past Year

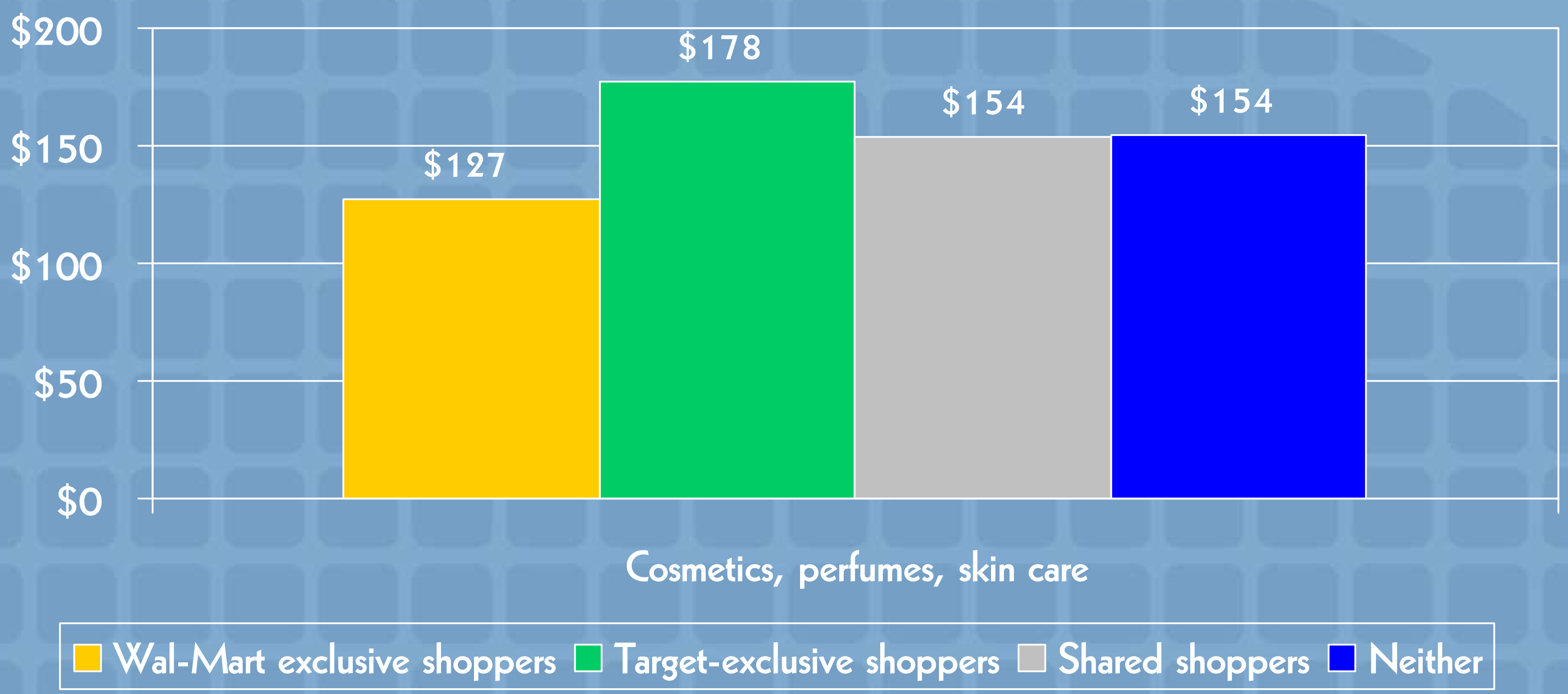
How to read chart: "Wal-Mart exclusive shoppers who purchased costume jewelry during the past year spent about $97 on these purchases."



Source: Scarborough Multi-Market, Release 1 2005

Mean Amount Spent on Cosmetics, Perfumes and Skin Care Among Adults 18+ in the past Year

How to read chart: "Wal-Mart exclusive shoppers who purchased cosmetics/perfumes/skin care items during the past year spent about $127 on these purchases."



Source: Scarborough Multi-Market, Release 1 2005

Shopper Spending

- Target exclusives spent the most on children's clothing and infant's clothing
  - Wal-Mart exclusives spent the least on each of these categories
- Female Target-exclusives spent the most on women's business and women's casual clothing
  - Female non-shoppers spent almost as much
  - Female Wal-Mart-exclusives spent the least
- Target-exclusive shoppers and men who shopped at neither retailer spent the most on men's business and men's casual clothing
  - Male Wal-Mart-exclusives spent the least

Shopper Spending

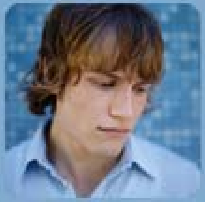
- Among women, Target exclusives spend:
  - 30% more than Wal-Mart-exclusives on business clothing
  - 39% more than Wal-Mart-exclusives on casual clothing
- This coincides with the finding that Target-exclusives are more likely to shop at fashion-oriented retailers

Shopper Spending

- Target-exclusives spent about 40% more than Wal-Mart exclusives in the HBA category (cosmetics, perfumes, skin care)
  - This may be due to in part to the differences in gender skew
- Non-Shoppers spent the most on both costume jewelry ($130) and fine jewelry ($356)
  - Target exclusives spent almost as much ($124 and $347 respectively)
  - Wal-Mart-exclusives spent the least ($97 and $313 respectively)
  - These differences may be a function of market rank, since non-shoppers and Target-exclusives both cluster in the top-13 local markets

Online Shopping

Local



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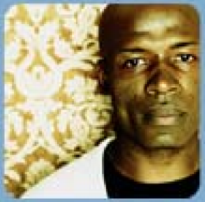

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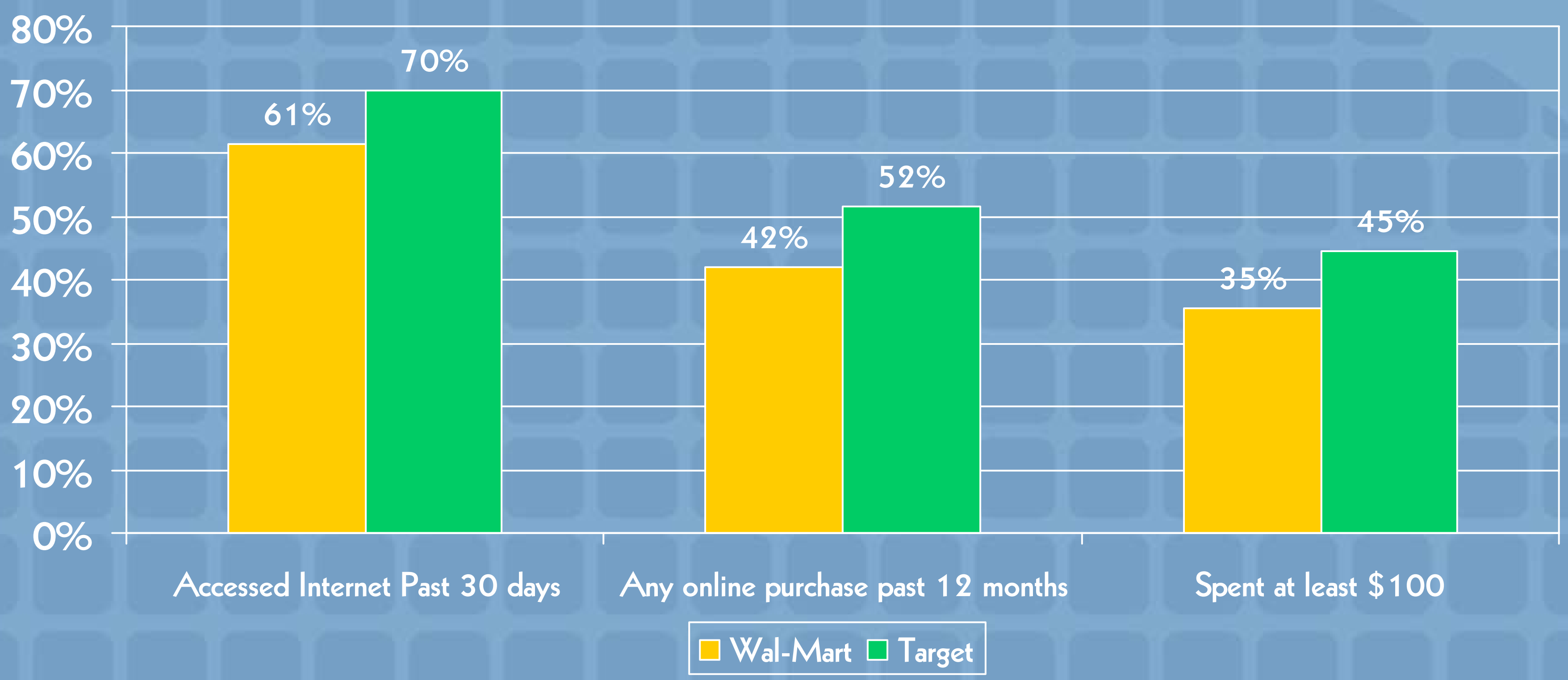
Target Shoppers Are Above-Average Internet Users; Wal-Mart Shoppers are Below Average

- Target shoppers are more likely than the general population to have:
  - Accessed the Internet in the last 30 days
  - Bought anything online in the past year
  - Spent over $100 online in the past year
- Target shoppers are more likely than the general population to have made purchases online in key retail categories in the past year:
  - Clothing or accessories
  - Consumer electronics
  - Groceries
  - HBA
  - Toys or games
- Wal-Mart shoppers are average or slightly below average for online purchases in all retail categories

Online Activity

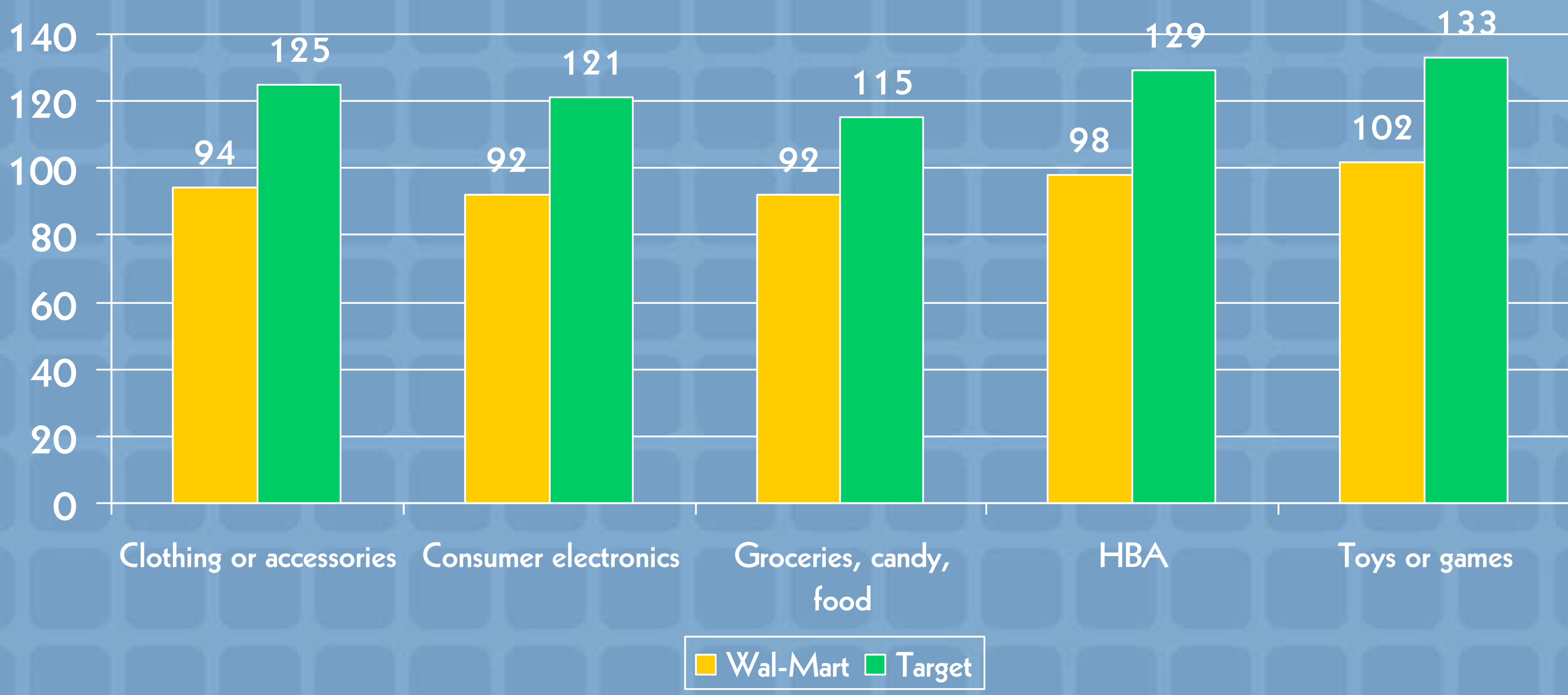
How to read: "61% of all Wal-Mart shoppers accessed the Internet in the past 30 days."



Source: Scarborough Multi-Market, Release 1 2005

Bought Items Online in the Past Year
Index Against Total Adults 18+

How to read: "Target shoppers are 26% more likely than adults in general to have bought clothing or accessories online in the past year."



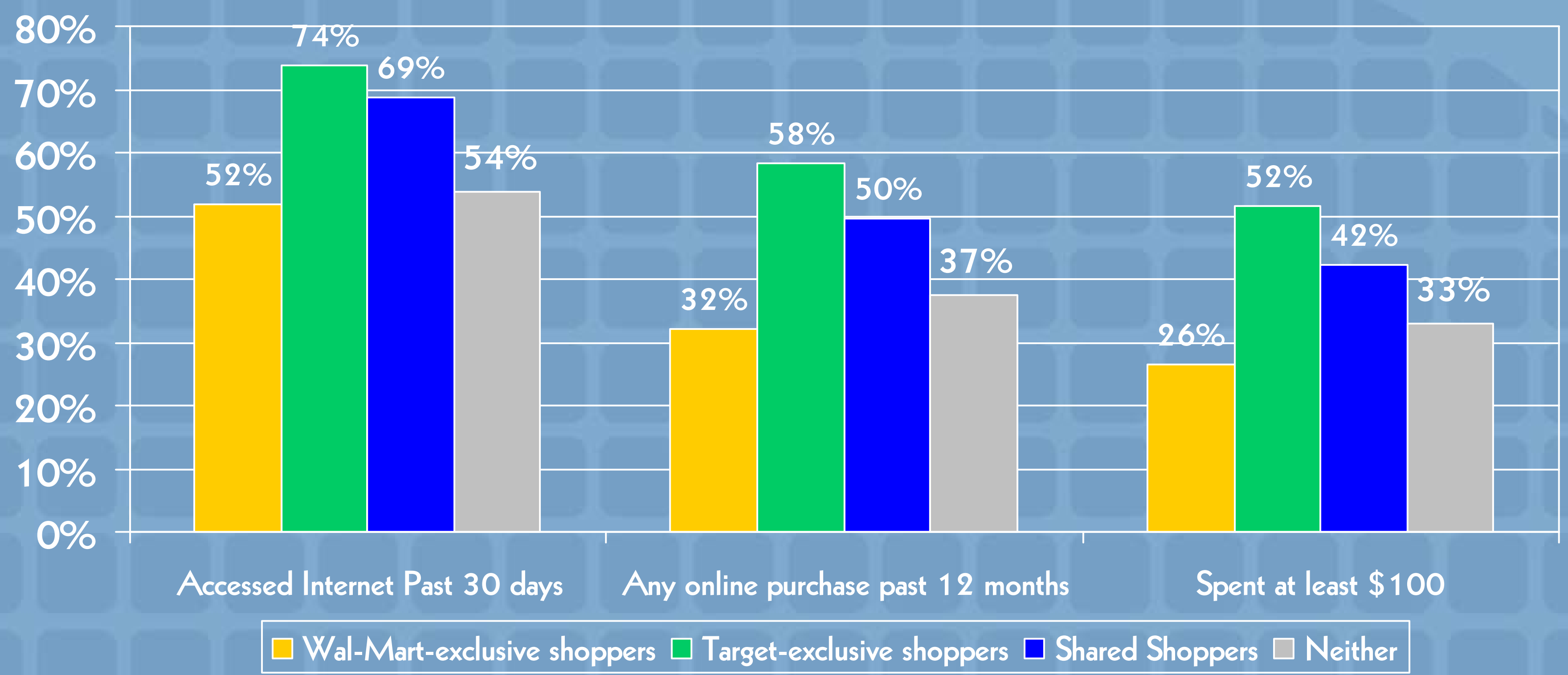
Source: Scarborough Multi-Market, Release 1 2005

Target-Exclusive Shoppers are the Most Avid Internet Users

- The difference in Internet usage is most pronounced in comparing Target-exclusive shoppers and Wal-Mart-exclusive shoppers
  - 58% of Target-exclusive shoppers made an online purchase in the past year, as compared to 32% of Wal-Mart-exclusive shoppers
    - 50% of Shared Shoppers made any online purchase
- Interestingly, while non-shoppers mirror the geographic distribution of Target-exclusive shoppers, they differ in Internet usage
  - Non-shoppers are the second-least avid Internet users after Wal-Mart-exclusive shoppers
- Target exclusive shoppers are significantly more likely than the general population to have made an online purchase in each key category examined
  - Wal-Mart-exclusive shoppers are significantly less likely

Online Activity

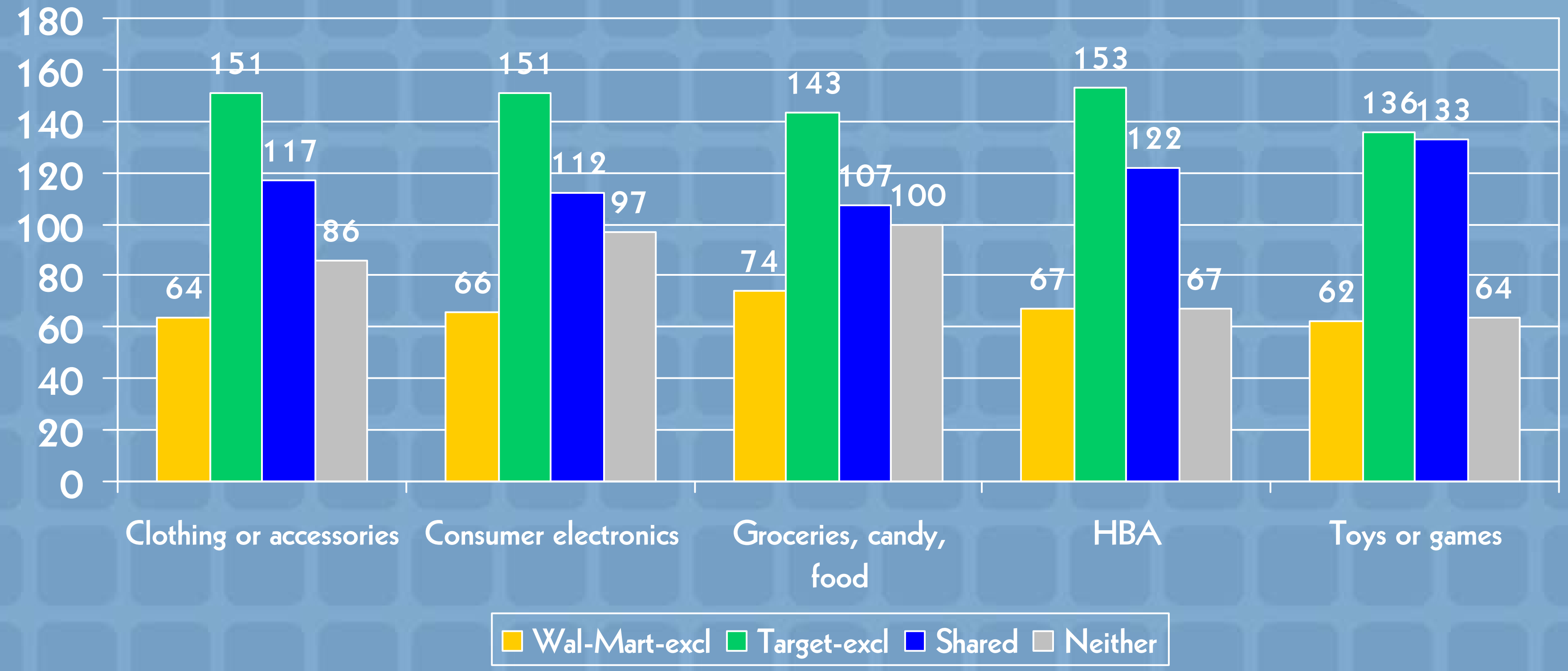
How to read: "74% of Target-exclusive shoppers accessed the Internet in the past 30 days."



Source: Scarborough Multi-Market, Release 1 2005

Items Bought Online in the Past Year: Index Against Total Adults 18+

How to read: "Wal-Mart-exclusive shoppers are 36% less likely than all adults to have bought clothing or accessories online in the past year. Target exclusive shoppers are 51% more likely than all adults to have purchased clothing or accessories online during the past year."



Source: Scarborough Multi-Market, Release 1 2005

Summary Points

Summary Points

- In the 75 Scarborough local markets, 83% of adults have shopped at either Wal-Mart, Target, or both in the past three months:
  - 71% at Wal-Mart
    - 31% at Wal-Mart but NOT Target
  - 53% at Target
    - 12% at Target but NOT Wal-Mart
  - 40% shopped at BOTH Wal-Mart and Target

Summary Points

- The exclusive shoppers to each retailer have distinctly different demographic and socio-economic skews:
  - Target-exclusive shoppers are more likely to be female, younger, and upscale
- Shared Shoppers (those who have shopped at both retailers) are the most avid shoppers, and are more likely than the general population to have shopped at each of 23 other retail brands examined.

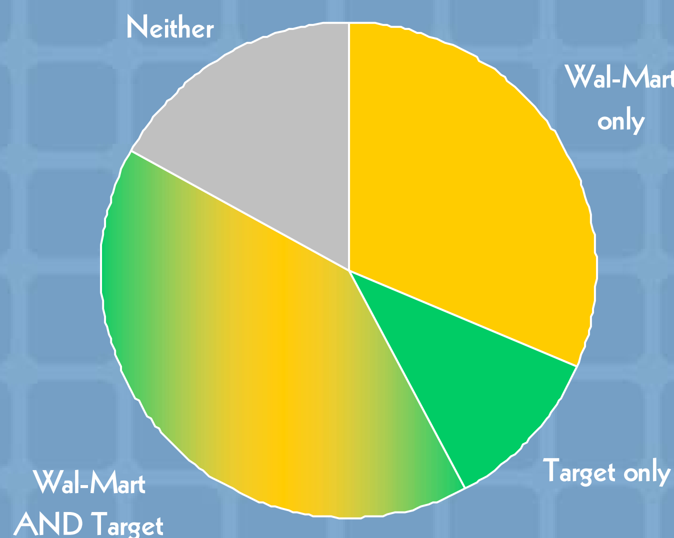
Summary

- Geography seems to play an important role in the differences between the shopper cells.
- Wal-Mart-tends to have its highest penetration of exclusive shoppers in mid-sized and smaller, southern markets
- Target tends to have its highest concentration of exclusives in major urban areas
  - The 13 largest local markets (36% of population) account for:
    - ❑ 66% of Target-exclusives
    - ❑ 62% of non-shoppers (neither Target nor Wal-Mart)
  - local markets 36+ (38% of population) account for:
    - ❑ 58% of Shared Shoppers

Wal-Mart and Target: Summary

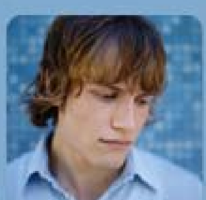
- Older
- Fewer Kids
- Upscale ($100K+, shop at high end retailers); or, non-shoppers (someone else in the HH does the shopping)
- Major-local market skew

- More likely to be one-stop shoppers
- Older, downscale
- Value-conscious
- Likely to come from smaller, southern local markets



- Heavy shoppers; likely primary shoppers
- Female skew
- Likely to shop at retailers specializing in female apparel
- Concentrated in local markets 36+

- Shop at upscale fashionable retailers
- Most upscale cell; mean household income of $85K.
- Predominantly found in the top-13 local markets


Local

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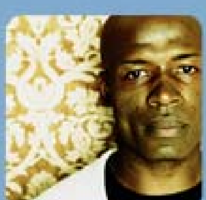
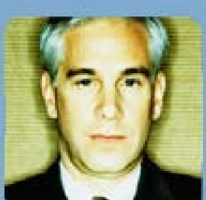

National

SCARBOROUGH research


Summary

- Wal-Mart-exclusive shoppers:
  - More likely to shop at discount retailers (Dollar General, Family Dollar, Big Lots, K-Mart)
  - Low index against the majority of other retail brands examined suggests that Wal-Mart-exclusives are the most likely to be "one-stop shoppers"
  - For categories examined, Wal-Mart-exclusive shoppers are the lightest spenders
    - ❑ Could be a function of shopper typology, market distribution, or both
      - – Wal-Mart-exclusive shopper index in top-13 local markets: 88; Target-exclusive shopper index: 184
  - Wal-Mart exclusive shoppers are average or slightly below average for online purchases in all retail categories

Summary

- Target-exclusive shoppers:
  - More likely to shop at fashion-oriented retailers (Nordstrom, Macy's, Mervyn's, TJ Maxx)
  - Less likely to be "one-stop shoppers"
  - High expenditures for men's clothing, women's clothing, children's clothing, infant's clothing, fine jewelry, costume jewelry, HBA
    - Spending patterns similar to "non-shopper" patterns
      - Both groups concentrated in top-13 local markets
  - There appears to be a correlation between Target-exclusive shoppers and shopping for clothing
    - Clothing may be drawing the core Target shopper to the store
- Target shoppers are more likely than the general population to have accessed the Internet in the last 30 days, bought anything online in the past year, and to have spent over $100 online in the past year

Summary

- Wal-Mart and Target share a large portion of the total shopper universe (40% of adults)
  - These shared shoppers are generally avid shoppers who are more likely than average to shop at other retailers as well
  - They tend to come from smaller-ranked markets; 58% of them are in local markets ranked 36 or lower. Only 19% come from the top-13 local markets.
- With respect to exclusive shoppers:
  - The 12% of the adult population who shopped at Target but not Wal-Mart are more upscale and heavier spenders.
  - The 31% of the population who shopped at Wal-Mart but not Target are more downscale and lighter spenders.
  - These differences may reflect the different demographic make-ups of the two groups. Or, they may reflect the fact that each retailer is strongest in different markets

Summary

- 17% of adults shopped at neither retailer
- These non-shoppers are disproportionately clustered in the top-13 local markets
  - Where Wal-Mart has its lightest presence, and Target its greatest
- This might suggest that Wal-Mart has opportunity to grow in the nation's largest local markets
- Conversely, Target may have growth opportunities in smaller markets
  - In each case, expansion would probably result in greater direct competition between Target and Wal-Mart

Sources and Contacts

- The information in this report is from the Scarborough Multi-Market Study, Release 1 2005
- All local market information is based on DMA, or Designated Market Area. DMA is a trademark of Nielsen Media Research
- All information used in this report may be sourced as: "Scarborough Research, Scarborough Multi-Market Study, Release 1 2005"

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