

# INTERNATIONAL ANALYSIS



## AUSTRALIA

# How Stuart Machin is transforming Target

Target's British-born boss has been tasked with modernising the department store group. **George MacDonald** reports



The rise of multichannel retail and the arrival of a raft of international entrants are among the factors that have combined to create more demanding consumers in Australia.

Department store businesses in the country are feeling the full force of the transformation, including 300-store Target.

There, British boss Stuart Machin is spearheading a modernisation designed to reconnect the famous retail name with shoppers.

Machin, who joined Target from parent Wesfarmers' stablemate Coles in April 2013 and is mentored by retail legend Archie Norman, took up the reins as it struggled to maintain its appeal.

### International competition

Target had underinvested in stores and systems, and simply not kept pace with change.

In recent years international giants such as Zara and H&M have opened stores Down Under, while shoppers also increasingly spent with well-known UK names such as Marks & Spencer and Next through their websites.

Machin tells *Retail Week*: "Our customers now know global fashion because they shop online. They know global prices because they see them online, and expectations have risen.

"That, and new entrants, put the department store sector under enormous pressure. We were out of date. We needed to transform pretty quickly."

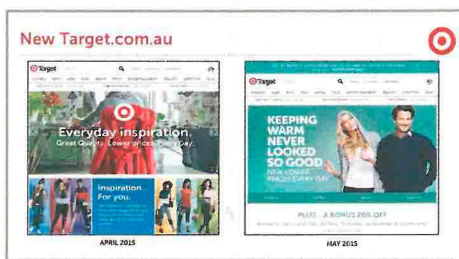
Machin's first year at Target was primarily about "tidying up" he says, including putting the right team in place. "I made a few mistakes," he admits. "I was hiring fast. My lesson would be to hire slow and fire fast."

### Turnaround strategy

In year two, however, Machin was able to get down to implementing his strategy, which ranged from enhancing customer focus to building digital capabilities.

Target put mums, its traditional customers, first and foremost once again. "She's focused on what's best for her family and puts herself last. We want her to feel good," says Machin.

To help create a feel-good factor Target has, for instance, run a 'real women' marketing campaign to reflect the fact that most of its shoppers are size 14. "We have a big focus on embracing all women," says Machin.



**"We were out of date. We needed to transform pretty quickly"**

**Stuart Machin**



Stores are also being overhauled to provide customers with a better experience. Target's revamped Midland branch in Perth represents a blueprint that can be applied across an estate, much of which had been untouched for 14 years.

"Midland is performing a little ahead of expectations," says Machin. The intention was to create a store that stood out in a crowded market but remained "down to earth" – what he calls a "judgement-free" environment where mums will not feel uncomfortable when inevitabilities such as kids having a tantrum occur.

### Sharper prices

In the stores, product and prices have been sharpened. Two years ago Target carried 200,000 SKUs. That has been reduced by a third and will be pruned by the same proportion this year.

The intention is to be "famous for basics" while "bang on trend". In pursuit of that ambition Target is about to launch a campaign focused on high quality at low prices.

Price has been at the centre of Machin's strategy, and a shift from promotions to everyday value has been challenging.

Two years ago 80% of Target's sales were made at a discount. So used were shoppers to money-off deals that there was reluctance to buy without them.

Machin says: "We didn't communicate the move to everyday value well. It's just starting to get through to customers now." He is heartened that now 70% of Target's sales are at "first price, right price".

The changes were accompanied by a bolstered online operation, which is expected to be a key growth driver over the next five years. Supply chain improvements will help the stores as well as the digital business as a better view of stock becomes available and sourcing is improved.

In its last financial year Target's earnings of AUS\$86m (£40.8m) were down almost 37% on the previous year.

Wesfarmers reported at the time: "Activity to turn around Target's performance included many changes made to processes and operations over the course of the year, resulting in both positive and negative impacts to earnings."

Machin concludes: "We've done some really good work but we've got a massive job ahead of us."