TARGET CORPORATION

Improving Problem Freight Disposition Time

Student Team:
Jennifer Garb – Master of Business Administration
Celia Osman – EGL (BSE & MSE in Industrial & Operations Engineering)
Parsa Shoa – EGL (BSE in Computer Science & MSE in Industrial & Operations Engineering)

Project Sponsors:
Nicolas Caretta – Sr. Director Product Management
Heath Holtz – Sr. VP of Field Operations
Arthur Valdez – EVP & Chief Supply Chain Logistics Officer

Faculty Advisors:
Luis Garcia-Guzman – College of Engineering, University of Michigan
Owen Wu – Kelley School of Business, Indiana University

Target Corporation is a U.S. based retailer that provides high-quality, on-trend merchandise at attractive prices, generating $93.6B in annual revenue through online and in-store sales. Target has a vast distribution center network, operating 46 distribution centers, to replenish both stores and Fulfillment Centers (FC), which deliver e-commerce orders straight to guests. Over 75% of the U.S. population lives within 10 miles of a Target store. Its Regional Distribution Center (RDC) network receives goods from more than 8,000 vendors and replenishes both Target stores and Target.com. Target maintains both small-format discount stores and SuperTarget hypermarkets, totaling 1,914 locations in the U.S. and employing over 368,000 people over 20 offices globally. The company sells a variety of merchandise, including beauty and health products, bedding, clothing and accessories, electronics, food, furniture, jewelry, lawn and garden, pet supplies, shoes, small appliances, and toys and games.

In fiscal 2021, the Target replenishment network expects to flag 16.88 million cartons on inbound docks as pre-receipt problem freight, due to invalid purchase orders, invalid carton or selling unit barcodes, and case-pack/store ship-pack configuration errors. Once identified, all problem freight must be properly quarantined and investigated, then placed through a resolution process involving both internal and external upstream partners. This creates congestion on the inbound docks and product delays further down the supply chain, ultimately contributing to store out-of-stocks and jeopardizing the guest experience. With the need to maintain and continuously improve the efficiency of its fulfillment and distribution processes to compete in the industry and improve guest satisfaction, Target requires more efficient problem freight resolution processes.

Seeking to lower the network-wide time to resolution for problem freight, the team conducted data analysis, stakeholder interviews, benchmarking research and process observations which led them to identify that across all upstream partners, resolution takes an average of 4.23 business days with a standard deviation of 7.05 business days. The team also found that a single upstream partner group was responsible for resolving 80.7% of problem freight occurrences. Thus, the team narrowed the project scope to focus solely on reducing the time to resolution of this partner.

In pursuit of achieving a 24-hour resolution service level agreement (SLA), the team developed a four-phase solution roadmap which anchored to establishing standardized work and direct vendor accountability, leveraging outsourcing opportunities and improving problem freight management technology. These improvements are estimated to increase Target's revenue by $1.036 billion over the next 3 years, while reducing payroll costs by $35.3 million in the same time frame.