Rapid Response Transcript – Brian Cornell

“Playing offense in adversity”

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We moved forward and made the announcement.

BOB SAFIAN: That’s Brian Cornell, CEO of mega-retailer Target.

As shopping habits have zigged and zagged over the past two years, retailers have been forced to adapt over and over, managing balky supply chains, and reacting to new dynamics in-store and online.

I’m Bob Safian, former editor of Fast Company, founder of The Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk to Brian because, when inventory issues hit the industry this spring, he reacted more quickly and aggressively than most, choosing to clear stores of underperforming items immediately, and restructure future orders despite the hit to earnings, in a bid to better reposition Target for later in the year.

Brian was on Rapid Response in the early days of the pandemic, when he talked about the struggle of operating without a playbook.

That playbook-less environment persists, Brian says, and with it an imperative to keep “playing offense,” as he puts it, even in moments of adversity.
None of us has a crystal ball, he says, but we can lean into those areas where we have more clarity. Quoting the legendary UCLA basketball coach John Wooden, Brian says, “You’ve got to be quick, but you don’t want to hurry.”

[THEME MUSIC]

SAFIAN: I'm Bob Safian, I'm here with Brian Cornell, the CEO of Target. Brian, thanks for joining us.

CORNELL: Bob, it's great to be with you again.

SAFIAN: So you were one of the very first guests on this show back in the spring of 2020 in the early pandemic days. You talked about the uncertainty and the fear and dealing with this dramatic shift in environment, helping your team and your customers cope. Through that period to now, you've guided Target through amazing growth, $30 billion bigger in sales; it's been quite a journey.

And then recently you faced another shift, just a few weeks back you announced what you called a rapid response, which you said was among the most difficult decisions in your years as CEO. I'm eager really to dig into that and hear about it, how it came about, what made it so hard? So, target had run into a rough patch that was unexpected. When did this shift, this latest situation, become apparent to you?

CORNELL: Well, Bob, it's been, gosh, over two years since you and I have been together. And you talked about adding $30 billion of growth, and I think it all came down to our teams being incredibly focused on taking care of our guests. The fact that we've continued to invest in our team and recognized how important their role has been. And we spent about two years chasing inventory. We saw unprecedented growth. And all of a sudden, as we go into 2022, we did start to see a change in the way the consumer was behaving. During the pandemic, we were selling lots of electronics, people were working from home, putting TVs in every room because that was where they were working, they were educating their kids, they were living in their homes.

And all of a sudden we noticed consumers were back out to movie theaters and going out to watch Top Gun. During the pandemic, we were building as many bikes as we could because people were riding bikes and enjoying their neighborhoods. And all of a sudden, we started to see a shift towards back to travel. Our luggage business was up over 50%; people were living differently. So we just started to see some significant changes in consumer behavior, and we recognized that from an inventory standpoint, a lot of those pandemic winners were now slowing down, and we had lots of big bulky inventory in our system.

We made a very difficult decision to address the inventory situation. And we did it on behalf of our guests to make sure we protect the guest experience. We also did it on
behalf of our team because we recognized that their time was being placed against some unproductive initiatives. And we said, "All right, we better do the right thing for our guests, the right thing for our brand, the right thing for our team — and take some action to clear up that inventory."

So, we were one of the first to make that announcement; others have subsequently followed, but we wanted to be proactive. Clear up the inventory issues as quickly as we could. And our team rallied around that decision and I'm really glad that we made the decision as quickly as we did, get back on our game, and play offense as we go into these important holiday seasons.

SAFIAN: Now, as you describe this, it sounds very logical and so a little bit in contrast with the idea that it was a really tough decision. So can you slow it down for me a little bit? What made it hard at that moment?

CORNELL: Well, we spent a lot of time as a leadership team looking at the overall retail industry, looking at consumer trends. And in between our earnings call and when we made this announcement in June a few weeks later, we had the benefit of watching most of our peers report their first quarter results. And there was a common theme. There was lots of additional inventory in retail. We looked at a lot of data from NPD and IRI and assessed the situation and recognized that there were a couple of different approaches we could take. We could try to manage through this for two, three, or four quarters.

Or we could take a bold step and say, "All right, we're going to address this up front, we're going to put it behind us, and we're going to get back on our front foot." So while it was certainly a logical decision, we also recognized we were going to make a significant financial investment in promotions and clearance and moving through that inventory, and it was going to impact our results in Q2. But as opposed to letting it impact our business for two, three, or four quarters, we said, "Let's own up to it, let's take accountability, let's take the right actions, and make sure we put this behind us." I personally spent a lot of time making sure my board was supportive and aligned with that decision. Once we had full alignment across our team and across my board, we moved forward and made the announcement.

SAFIAN: So you see that there's pain that's going to be taken, and you're like, "Well, I guess we just better take it all at once." And nobody wants to take all that pain all at once, I guess, because no one wants to really have it be real in that way.

CORNELL: That was the option that was in front of us. And I'm really glad we went first and got to the front of the line, and we're now going to set ourselves up to really play offense in the third and fourth quarter.

But importantly, we did the right thing for the Target brand, for our guests, and those 30 million guests who shop our stores every week. And we did the right thing for 400,000
team members. I've heard nothing but thanks from our organization since we made that decision.

SAFIAN: You've talked about using this crisis, you said, as a way to play offense instead. Are you always looking for ways to turn bad news into good news?

CORNELL: As we think about our business, and from a leadership team, we're always trying to make sure we're balancing what's right in the short term with what's right long term for the brand and for our business. So, we've got a fairly simple framework. We always start by thinking about, "All right, what's right for our guests? What's right for our team? How do we make sure we're doing the right thing in each community that we serve? And ultimately that's going to be the right thing long-term for our business and our shareholders.

SAFIAN: I often think about folks like you, who are running these big enterprises, there're always good things going on, and there's always trouble spots going on. How do you know how to allocate your time or your energy between expanding on the good stuff versus addressing those fires that are burning?

CORNELL: I think it's always going to be a balance. We've had to celebrate the things that are working, but own up and address some of the challenges that are in front of us. There's always opportunities to improve.

When I think about the last couple of years, people have used the term unprecedented. We don't have a playbook for how to operate in an environment where you have the confluence of COVID, 40-year high inflation, gas prices that are surging, the other challenges that we're all dealing with each and every day. So, we've got to be thoughtful. We've got to make sure we're doing the right thing that is consistent with our company purpose, with our values, and our culture.

I would tell you the one thing that stands out for me over the last couple of years has been the importance of culture. When we talk about Target's culture, we talk about a culture of care and growth and winning together. I don't think our culture has ever been more important than it is right now. I think I've learned, coming out of the last couple of years, that while strategy is always going to be important and you have to have the right operating tactics in place, what has really driven our performance and success has been the Target culture.

SAFIAN: Given all these ways of challenges that you go through, all of us have some fatigue, it's natural to have some fatigue. What about you, personally, you've mentioned the past, sort of, energy management, how do you approach that for yourself? Was your energy tested in this particular decision?
CORNELL: I am a big believer in the importance of energy management. I've been somewhat of a zealot for the Corporate Athlete program. I think for leaders today, you've got to be finding that right balance, and how do you recharge? So, the importance of nutrition, of sleep, of exercise, things that can allow me and other leaders to bring our best to work each and every day.

I continue to make sure I'm in the gym, and I'm working out, I'm getting some sleep, I'm eating well. I want to make sure I've got the energy and the focus to continue to lead the organization. I think we've learned during the pandemic, the importance of energy management. I think we've also recognized how important it is to lean in and address some of the mental wellness challenges that people have been facing. Whether it's a byproduct of that isolation, because you've been at home, or the concerns you've had because of COVID, the challenges that so many families have faced. As a company, we've really leaned into mental wellness and providing the support our team members need during a time of crisis. That combined with good energy management and a strong culture, those have been important lessons learned for us throughout the pandemic.

[AD BREAK]

SAFIAN: Before the break, we heard Target CEO Brian Cornell explain why he made the challenging decision to clear Target’s extra inventory in one big sweep, despite the costs, in a bid to play offense going forward.

Now he talks about how to deal with skepticism from naysayers, why courageous decisions need to be quick but not hurried, and the payoff from investing in your team.

Plus, he shares lessons about agility, focus, and the long-term dividends that he believes were earned by brands that did the right thing during the pandemic.

You sound like you don't mind the challenges. I mean, you'd rather maybe some of them not be there, obviously, but having challenges is part of the motivation for you.

CORNELL: Well, it is. Retail is a challenging business. We're one of the largest retailers in America. Last year delivered over $100 billion in sales. We operate almost 2,000 stores. We've got a really large digital business with about 20% of our total revenue. We compete with so many others, because we're in the apparel business, we're in the home business, we sell lots of household essentials, we're a big toy retailer; obviously, food and beverage is a big part of what we do. We're a major beauty retailer. So, we have a very complex business. We are the second largest net importer in America. We've got a large supply chain organization. So, retail's a complex business. Ours is extremely complex. But I enjoy that challenge.

SAFIAN: As a leader, you made this decision recently, met with some skepticism by some people, always, media, investors, people ask questions. How does skepticism and knowing
you're going to be second-guessed impact your process or how you communicate? Or do you just accept it like, "That's always going to happen."

**CORNELL:** In my eight years at Target, we've had to make some tough decisions in the past, and we're always thoughtful about our decisions.

And we're always thoughtful about our decisions. We always spend a lot of time making sure we're validating those big decisions. I mean, we exited the Canadian market back in 2015. That was a tough decision to make, but it was the right thing for our business.

In 2017, we talked to the financial community about a very different plan. Many of our peers at that point were closing stores and exiting the market. And we said, in fact, we're going to take a very different approach. We're going to put billions of dollars to work to remodel our stores and provide a more inspiring in-store environment. We're going to build new stores in urban centers and on college campuses. Back then people were envisioning most retail moving online. We said, we're going to take a different path, and we're going to put stores at the center of our strategy and use our stores as fulfillment hubs and build drive-up lanes in our parking lots, and use our stores as the center of our eCommerce platform. That was not well received when I stood on stage in New York back in 2017, but we knew it was the right thing for our brand. It was the right thing for our business.

So, every once in a while, when you're making a big decision, you've got to kind of turn down the volume and stay focused. Every time we face a major decision, we come together as a leadership team, and we scenario-plan; we look at different alternatives. We make sure we validate our decisions with great financial rigor and guest feedback. And then we move forward and focus on execution. That model has served us well for years now.

I like to use a John Wooden quote, "You gotta be quick, but you don't want to have to hurry." I think we make sure that when we've reached the decision we move forward, but it's based on hours and hours and weeks and weeks of research. In cases of our reset in 2017.

So, while we didn't receive a round of applause initially, over time, people realized this was the right thing strategically for our company. And I think we've been recognized for making those bold and courageous decisions.

**SAFIAN:** This latest shift you made happened much faster, you didn't have quite as much time in the planning. Is part of that possible because your organization has become more adaptable, faster because you've had to through the last two years?

**CORNELL:** I think we've become much more agile, much more flexible, adaptable, and that served us well when we recognized we had to take a very decisive action with our
inventory. Again, not an easy decision. And I remember waking up really early that morning preparing to meet with my leadership team. But seven, eight hours later when we walked out of a conference room, we were all aligned that this was the right thing to do. And I spent quite a bit of time over the next couple of days talking individually to every one of our board members to make sure they understood the direction and the proposal we were going to bring forward.

SAFIAN: Are there new lessons that you’ve learned through these last two years or maybe old lessons that have been reinforced that you’d highlight to other leaders?

CORNELL: I think we’ve recognized that while in many cases, we all focus on kind of long term strategic planning. In an environment like this, flexibility and adaptability and agility is critically important. And even as a $100-billion-growing company we’re going to make sure that we continue to focus on agility in our system and flexibility and make sure we can adapt to a changing environment.

We’ll continue to make sure we stay focused on our talent development. One of the decisions we made early on in the pandemic, while many were talking about shutting down all training programs and development programs, we leaned into it and said, “it’s going to be more important than ever that we’re continuing to invest in our teams.”

I go back to the decision we made in 2017. One of the decisions was we were committing to a starting minimum wage of $15. Well, we built on that over the years, and we’ve announced recently that in many markets that starting wage could be as much as $24. We’ve invested in benefits during this pandemic period. We made an announcement a few months back that we’re putting together a debt free educational program to give thousands and thousands of team members a chance to go back to school and work on degrees. We’ve had over 50,000 team members take advantage of that.

So, making sure we lead by setting great examples, taking care of our teams, making the right investments, those are things that we’ll continue to do for years to come.

SAFIAN: I’m curious, there’s an expression we sometimes use at Masters of Scale, particularly for start-ups, where we say you need to let some fires burn. You have limited resources so you have to prioritize. Once you’re at scale, does that continue as long as it feels like it’s a controlled burn? Or, do you feel like you have to address, sort of, every red flag immediately as a matter of culture or safety or brand?

CORNELL: Bob, I think as a scale company focus is critically important. We know we can’t do everything. So, one of the things that our leadership team does exceptionally well is set clear priorities and decide what we’re going to lean into and also what we’re going to say, you know what? We’ll pause or stop or push that down the agenda for
another year. So prioritization, I think, is critically important whether you're a start-up or $106-billion-growth company.

SAFIAN: So what's at stake for Target right now?

CORNELL: As I sit here today, I've never been more excited about the future of this company and the momentum that we've built throughout the pandemic and the way we've just deepened our relationship with millions and millions of Americans during the pandemic.

We made a decision early on — I'll go back to when you and I last spoke — we said at the start of the pandemic, if we're going to serve America, we've got to start by taking care of our team and invest in safety. And we invested over a billion dollars in the health and wellness of our team, making sure that they were safe. And those investments I think are going to pay dividends for years because we created a safe environment for our team to work in and a safe environment for our guests to shop in.

And that commitment to safety throughout the pandemic, making sure that we had the highest possible standards, allowed us to deepen the relationship we have with guests. Many were staying home to stay safe, but they were very comfortable coming to our stores because we had very clear focus on cleaning and sanitation, or they fell in love with our drive-up service, where they could pull in the parking lot and just pop their trunk, and one of our team members would put that order in their trunk and let them drive away.

SAFIAN: At the start of the pandemic, we talked and you talked a fair amount about the different phases of crises and how you react differently at different phases. Where we are now, are you thinking in phases about what's going forward? Have we had so much change that it's like, I'm planning a little less and reacting a little more?

CORNELL: Sitting here today, we don't have that crystal ball. I can't tell you where the economy's going to be in six months or 12 months, but I can tell you we're going to plan to win and grow. And we'll lean into categories where we know we've got greater certainty. We'll continue to lean into food and beverage and household essentials in our beauty category. We'll probably be more cautious in some of the discretionary spaces like apparel and home. But we also know that no matter what happens from an economic standpoint, we know our consumers and our guests; they're going to celebrate seasons. They're going to look forward to their kids going back to school and back to college. They're looking forward to Halloween and being out there and watching their kids out there, trick or treating, and we know they're going to celebrate the holiday season.

So we'll lean into areas where we've got greater clarity and certainty. We'll be more cautious in other spaces, but we'll continue to make sure we're doing the right thing for
our guests, the right thing for our team, and making sure we're focused on being a growth company, and continue to take market share by delighting the guests that we serve with the right assortment and the right services throughout the balance of this year and into 2023. But we'll have to be agile, and we'll have to be adaptable, and we'll have to flex based on the changing environment.

SAFIAN: Well, Brian, I always enjoy talking with you and hearing how you think about these things.

CORNELL: Bob, we've covered a lot, and I always enjoy these conversations. I appreciate the time, and I look forward to seeing you again.

SAFIAN: Thank you so much for doing this. Really appreciate it.

CORNELL: Take care now.