

TARGET CORPORATION



**“The Role of the Marine Terminal
in the Logistics System”**



AGENDA

- Company Overview
- Volume Review
- Import Philosophy
- Port Selection Criteria
- Industry Concerns
- Opportunities for MTO's
- Market Opportunities



Corporation Overview

- 4th largest retailer
- Comprised of:
 - Target Stores
 - AMC (Associated Merchandising Corporation)
 - target.direct
 - Guest Credit Services



Corporation Overview

- Target Store Count 1,313
- Operating in 47 states
- Operate 22 Regional DC's and 3 Import Warehouses
- Sales of \$48.1 billion (2003)



Corporation Overview

- Port Locations
 - Los Angeles/Long Beach
 - Seattle/Tacoma
 - Norfolk
 - Atlanta
 - Houston/Dallas
 - New York (AMC business)



Volume 2004 (projected)

	<u>Containers</u>
• target.direct	1,730
• AMC	3,287
• Target	167,983
• TOTAL	173,000



Top 10 Origin Ports

Ports comprise of 82.7% of total import volume

	<u>2004</u>	<u>2003</u>
Yantian	37.9%	32.0%
Hong Kong	13.6%	26.2%
Shanghai	12.5%	7.8%
Laem Chabang	4.3%	4.8%
Xiamen	3.0%	2.3%
Tianjin	2.2%	2.6%
Kaoshiung	2.1%	3.0%
Qingdao	2.1%	1.3%
Nhava Sheva	2.1%	1.3%
Ningbo	2.0%	0.9%



Top 10 Origin Countries

<u>Rank</u>	<u>Market</u>	<u>2004</u>	<u>2003</u>
1	China	76.1%	72.8%
2	Thailand	4.3%	4.0%
3	India	2.4%	2.0%
4	Taiwan	2.1%	3.0%
5	Philippines	1.6%	1.2%
6	Guatemala	1.6%	1.8%
7	Indonesia	1.3%	1.4%
8	Vietnam	1.3%	1.3%
9	Pakistan	0.8%	1.1%
10	Korea	0.8%	1.1%



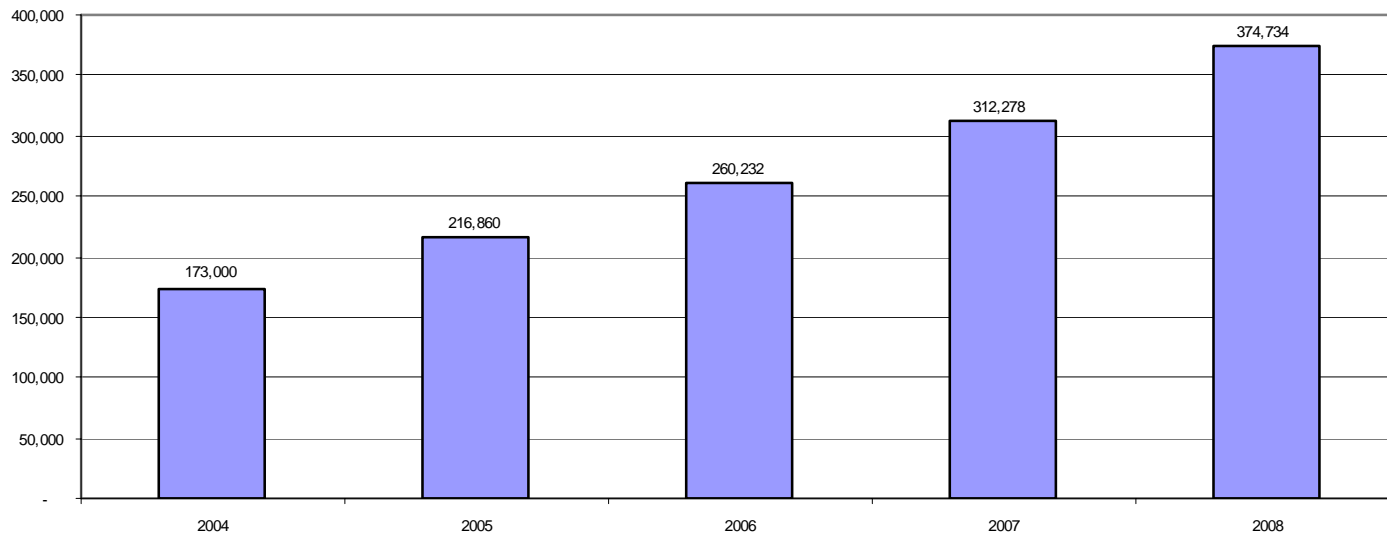
Volume Review

- Currently imports represents approximately 24.5% of our total carton volume
- Volume breakdown
 - 73.5% arrives on the West Coast
 - 24% arrives on the East Coast
 - 2% arrives in Miami
 - .5% arrives in Houston/Dallas



5 Year Volume Projections

Target Corporation 5 Year Volume Projection





Import Philosophy

- Just-in-time retailer
- Merchants order product based on in-store need
- Published shipping grid assists merchants with in-store dates



Import Philosophy

- Grid components
 - Overseas hold
 - Ocean transit time
 - Customs clearance
 - Transload unloading/loading
 - Domestic transit time
 - DC processing time
 - Peak vs. nonpeak timing



Import Philosophy

- Benefits
 - Reduced supply chain inventory
 - Increased turnover
- Operational Guidelines
 - Strive to pickup containers the day of availability
 - Utilize off-hours gates whenever available. (LA pickup 30% of activity off-hours.)
 - Facilities work 24/7. As a result, we need access to volume on a consistent basis.



Port Selection Criteria

- Broad market coverage
- Tier 1 carriers
- Sailing schedules and frequency
- Availability of weekend/after hour access
- Technology use for port efficiencies



Port Selection Criteria

- Infrastructure at port
 - On dock rail
 - Deep water vs. continued dredging challenges
 - Access in and out of terminals
 - Freeway access
 - Road congestion/environmental issues
- Involvement by the port with terminals, shippers and ocean carriers



Industry Concerns Terminal Operations

- Lack of relationship between MTO's and beneficial cargo owners
 - Customers do not understand how an MTO works and vice versa
- Industry volumes are growing at a level of 12-15% annually and no dialogue is taking place between MTO's and cargo owners.



Industry Concerns Terminal Operations

- No real changes being made to address long term growth
- Growing congestion issues in major port markets is not being addressed with those that can impact it the most....
Shippers

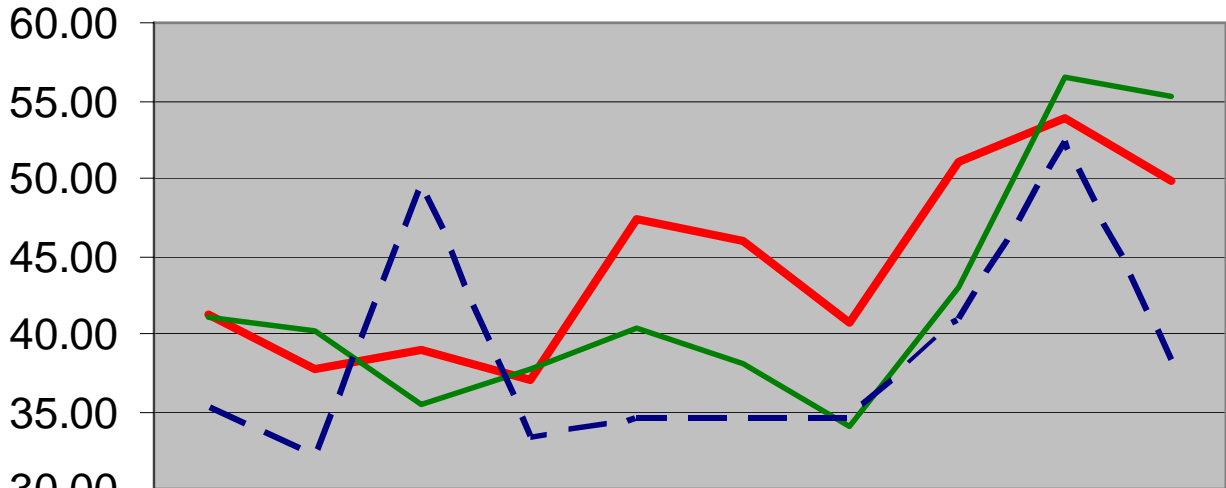


Industry Concerns Terminal Operations

- Increased customer costs due to restrictive gate operations
 - Increased yard space
 - Bobtail expenses
- Excessive driver wait time

Average Turn Times Per Transaction

Average Turn Time (minutes)

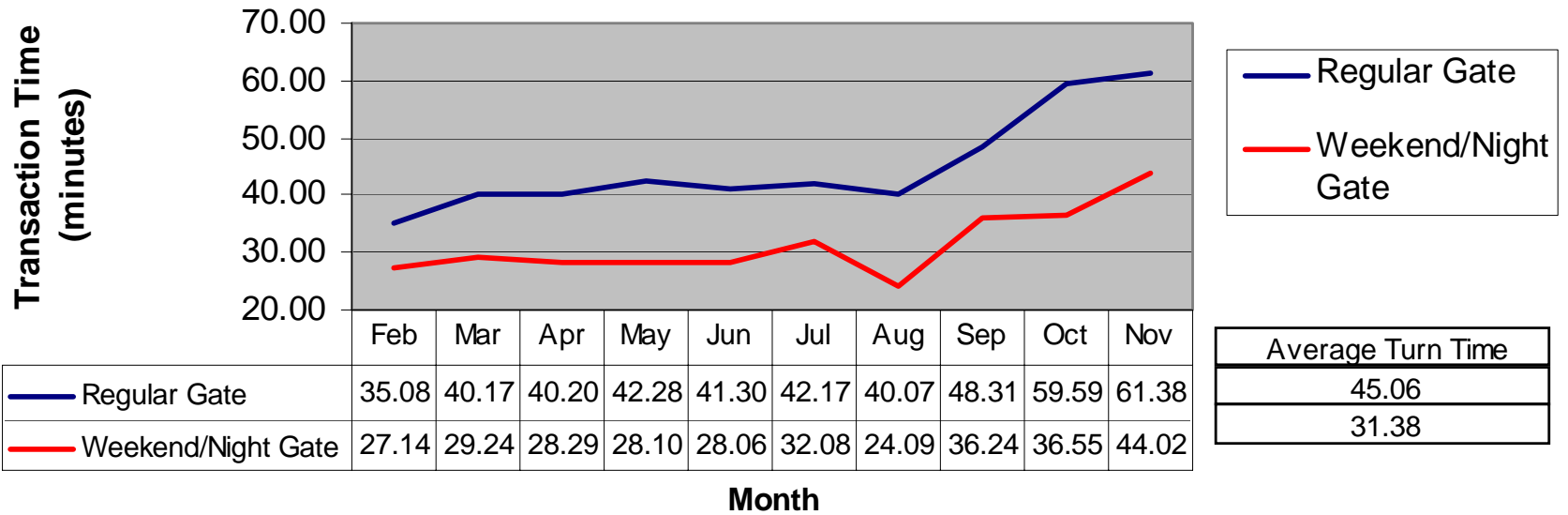


— PNW (UPSA)
— PSW (NYK)
- - - ORF (HUDD)

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Average Turn Time
— PNW (UPSA)	41.24	37.71	38.96	37.01	47.42	45.94	40.74	50.98	53.94	49.86	44.38
— PSW (NYK)	41.00	40.10	35.52	37.64	40.40	38.04	34.09	43.06	56.41	55.34	42.16
- - - ORF (HUDD)	35.35	32.10	49.59	33.35	34.58	34.54	34.58	40.92	52.22	38.21	38.54

Month

Average Turn Times per Transaction per Gate type



Average Turn Time
45.06
31.38



Opportunities for MTO's

- MTO's need to become familiar with Customers
 - Begin to reach out to key industry shippers to understand shipping volumes, patterns and shifts in sourcing. Incorporate into forecasts.
 - Educate your customers in terminal operations.
 - Differentiate your customers. Reward those who are more efficient than those who are not.



Opportunities for MTO's

- Facilitate quick turn times for drivers
 - Forty minutes for a dual transaction
 - Measure driver queue time vs. gate in-time for drivers
 - Streamline gate entry process
 - Strive to increase driver satisfaction



Opportunities for MTO's

- Strong yard operations
 - Monitor and measure M&R—defect rate less than 5%
 - Don't burden driver with repositioning defective chassis
 - Chassis availability—including 45'
- Carriers need to measure dwell time and share it with customers and stress that terminals are not storage facilities



Opportunities for MTO's

- Increased productivity vs. expanding terminal size
 - Expand hours to match industry
 - 7 days a week, 2 shift operation
 - Expand Pier Pass concept
 - Hours need to be consistent to allow for efficient scheduling
 - Ensure all terminals are operating within contract guidelines. MTO's need to be consistent.



Market Opportunities

- Continued pressure to relieve congestion and air quality issues through legislation
- Environmental pressures will drive MTO's to move to alternative fuels in equipment
- Opportunity to ease congestion by adopting a common chassis pool



Market Opportunities

- Address infrastructure before congestion occurs. This can only be accomplished through greater connection and dialogue with cargo owners.
- Address concerns/make changes before mandated by state/federal government