

An Amazon-Target deal would mean a very different shopping experience

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Sooner rather than later, Amazon is going to buy a big, well-known, traditional retailer. When it does, expect the e-commerce giant to take aim at Target.

This is not an idle stretch of the imagination or investor whimsy.

A respected tech industry analyst, Gene Munster, has boldly predicted Amazon will acquire Minneapolis-based Target, most likely this year. Some Wall Street sages quickly dismissed the idea of Amazon making this game-changing deal, arguing the online company prefers to grow on its own.

Yet when you think about it, Amazon's acquisition of Target clicks.

Buying Target will accelerate Amazon's already rapid retail expansion by adding crucial "bricks-and-mortar" outlets to its predominantly online approach. For customers, the combo would provide them with more products, new technology for buying or browsing, greater delivery options—and maybe some unexpected bargains.

Amazon certainly has the financial resources to acquire Target—even as it scours the country's municipalities, including Chicago, for the home of its new second global headquarters, which is to be announced this year.

Munster, an analyst at Loup Ventures, a research and venture capital group based in Minneapolis and New York, estimates Amazon would

pay around \$41 billion to acquire Target—about a 15 percent premium. That's not cheap but it's doable for Amazon, which has an estimated \$564 billion market capitalization.

"Seeing the value of the combination is easy," Munster told me. "Target is the ideal offline partner for Amazon."

From my vantage point as an Amazon watcher and as a consumer, here's why a Target deal adds up.

Amazon craves more stores. Last year, Amazon captured 44 percent of all U.S. e-commerce shopping, or about 4 percent of total retail sales, according to One Click Retail, which tracks such results. Nevertheless, the company knows offline shopping is never going away completely. Industry estimates say stores will still rack up more than 40 percent of customer purchases—even after many department stores and other chains die off.

The company's recent \$14 billion acquisition of Whole Foods, with its estimated 360 outlets, shows Amazon is ready, willing and able to add outlets and delve deeper into communities.

Target is ripe for plucking. After suffering a troubling sales slump, Target is rebounding as its [store](#) and digital revenues tick up. The company is expanding its number of urban-based "mini-stores" while continuing to refurbish and modernize larger outlets and superstores.

What might tempt Amazon? Primarily, Target's estimated 1,800 stores of various sizes and locations. Known as a marketer of cheap, chic and cheerful goods, Target's upscale family customer base also dovetails nicely with Amazon Prime users.

As important, Target is the best of a lagging retail bunch. While

suffering problems, Target retains a lot of customer goodwill and isn't reeling from the effects of balance sheet and other financial hardships like Sears, Kmart or the major department store chains.

Superstore retailer Costco is doing better, but its estimated 740 stores probably aren't enough for Amazon's expansion appetite.

Walmart wouldn't like it. The Arkansas-based superstore chain is becoming Amazon's biggest rival.

With nearly 6,300 stores, Walmart is the traditional store pacesetter, but last year it also began making serious inroads online through a series of internet company purchases, expanding walmart.com and selling groceries online.

Buying Target would give Amazon the firepower needed to blunt an encroaching Walmart.

What would we—consumers—get from this deal? A very different customer shopping experience and probably a better one.

Target stores would become more automated, perhaps even to the point of eliminating check-out counters in favor of online or smartphone payments. Meanwhile, Amazon's distribution capabilities will explode, as Target stores are used as pickup points for online orders.

And there will an abundance of new products and promotions featuring items from Amazon's sites and Target's aisles.

Will prices be lower? Maybe, especially if there's a lot of discounting skirmishes between Amazon and Walmart.

Will the government allow such a deal? Probably, but keep in mind

President Donald Trump is not a big fan of Amazon or CEO Jeff Bezos and that could be a factor in getting regulatory approval.

For the record, Amazon and Target declined to comment on the recent buyout speculation.

That's to be expected. Nonetheless, Amazon buying Target looks like a bull's-eye.

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