Co. reported 1Q20 GAAP EPS of $0.56.
CORPORATE PARTICIPANTS

Brian C. Cornell  Target Corporation - Chairman & CEO
John Hulbert  Target Corporation - VP of IR
John J. Mulligan  Target Corporation - Executive VP & COO
Michael J. Fiddelke  Target Corporation - Executive VP & CFO

CONFERENCE CALL PARTICIPANTS

Christopher Michael Horvers  JP Morgan Chase & Co, Research Division - Senior Analyst
Edward James Yruma  KeyBanc Capital Markets Inc., Research Division - MD & Senior Research Analyst
Edward Joseph Kelly  Wells Fargo Securities, LLC, Research Division - Senior Analyst
Karen Fiona Short  Barclays Bank PLC, Research Division - Research Analyst
Oliver Chen  Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst
Robert Frederick Ohmes  BofA Merrill Lynch, Research Division - MD
Tracy Jill Kogan  Citigroup Inc, Research Division - VP

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Target Corporation First Quarter Earnings Release Conference Call. (Operator Instructions) As a reminder, this conference is being recorded Wednesday, May 20, 2020.

I would now like to turn the conference over to Mr. John Hulbert, Vice President, Investor Relations. Please go ahead, sir.

John Hulbert  Target Corporation - VP of IR

Good morning, everyone, and thank you for joining us on our first quarter 2020 earnings conference call. On the line with me today are Brian Cornell, Chairman and Chief Executive Officer; John Mulligan, Chief Operating Officer; and Michael Fiddelke, Chief Financial Officer.

In a few moments, Brian, John and Michael will provide their perspective on the first quarter and our continued focus on our guests and our team as we navigate through the current environment. Following their remarks, we'll open the phone lines for a question-and-answer session. This morning, we're joined on this conference call by investors and others who are listening to our comments via webcast. Following the call, Michael and I will be available to answer your follow-up questions.

And finally, as a reminder, any forward-looking statements that we make this morning are subject to risks and uncertainties, the most important of which are described in our most recently filed 10-K and the 8-K we furnished this morning. Also in these remarks, we refer to non-GAAP financial measures, including adjusted earnings per share. Reconciliations of all non-GAAP numbers to the most directly comparable GAAP number are included in this morning's press release, which is posted on our Investor Relations website.

With that, I'll turn it over to Brian for his thoughts on the first quarter and the short-term and longer-term implications for our business. Brian?
Brian C. Cornell - Target Corporation - Chairman & CEO

Thanks, John, and good morning, everyone. We appreciate that you've joined us on this morning's call, and we hope that you, your family and friends are safe and healthy. It goes without saying but this quarter was unlike anything we've seen in our company's long history. And while we didn't establish another all-time record for this quarter's EPS, I have never been more proud of our performance.

Over the last few years, we built a strategy and operating model that's designed to generate strong performance in a wide variety of environments, and the first quarter demonstrated the strength of that model. Unprecedented volatility within the quarter presented the most extreme test of our business and operations that I could have imagined, and in that environment, we drove industry-leading growth with a total comp sales increase of 10.8% and digital comp growth of more than 140%.

As I reflect on all that's transpired since the quarter began in February, there were 2 key factors in our success: our strategy of positioning stores and fulfillment hubs and our unbelievable team. When guests began flocking to our stores to stock up, our team was ready. And when digital demand exploded as guests began to shelter in place, our teams have the tools, processes and capability to flex to meet that shift in demand.

But it goes well beyond processes and tools because our team's efforts on behalf of our guests and communities have been monumental. The pride our team has shown and their willingness and ability to deliver essential products and services to our guests is humbling and inspiring. Our guests are putting their trust in Target. The team is delivering, and they deserve our enduring gratitude.

At our financial community meeting at the beginning of March, we highlighted multiple dimensions of flexibility built into our operating model. We offer a balanced merchandising assortment that is unique in retail, allowing Target to serve our guests' rapidly evolving demands for wants and needs. We have a unique digital strategy based on a curated assortment of the categories and items that our guests expect from us. We deliver this digital assortment through a comprehensive suite of fulfillment options, including our rapidly growing same-day services, in-store pickup, Drive-Up and Shipt.

In support of our digital strategy, we place our stores at the center of fulfillment, which gives us both speed and efficiency. This structure also allows our teams to pivot seamlessly when our guests' channel preferences change. We have teams at headquarters, stores and throughout the supply chain who are relentlessly focused on our guests and who place a premium on agility and adaptability. And with a strong balance sheet and a business model that generates robust cash flow, we have the financial flexibility to handle difficult times like this, allowing us to fund investments in the safety of our guests and our team while serving a critical role in communities as a trusted essential retailer.

Given our unique assortment and comprehensive suite of fulfillment options, we could see firsthand as our guests' mindset rapidly evolved during the first quarter. While it already feels like years ago, during the first 3 weeks of February, we experienced a relatively normal mix of sales across merchandising assortment and a typical mix of sales between our stores and digital channels. Towards the end of February, we saw an acceleration in traffic and sales, particularly in our stores. However, we continue to see a lot of cross-shopping in the more discretionary categories when the guests made trips to stock up on food and essentials.

Around the middle of March, the mix of guests' purchases became much more nearly focused on food, beverages and household essentials, and we began seeing much softer trends in discretionary categories, most notably in apparel. In addition, as shelter-in-place rules were adopted across the country, guests began to pull back on store trips, and we saw a dramatic surge in digital traffic and sales. We also began seeing higher demand for products oriented around staying at home, including home office products, video games, puzzles and board games, along with the housewares and kitchenware in our home assortment.

And finally, around the middle of April, we experienced a rapid increase in traffic and sales in our stores and a broad surge in sales of more discretionary categories, including apparel, which persisted throughout the end of the month. The surge in stores occurred while our digital growth continued at unprecedented rates of 200% to 300% above last year. As a result, over the last couple of weeks of April, we saw some of the strongest comparable sales growth we've experienced in our history. When you put all these chapters together and look at the first quarter in total, our comparable sales grew nearly 11% with a wide range of performance across categories as guests changed their shopping pattern in response to the crisis.
Among our 5 core merchandising categories, we saw the strongest performance in Hardlines, which grew comparable sales by well over 20%. Growth was particularly strong in electronics where comps grew more than 45%, reflecting high demand for video games and home office items. Essentials & Beauty saw high-teen comp growth while comps in Food and Beverage grew by more than 20% as guests trusted Target for both their stock-up trips and their everyday needs.

In Home, we saw high single-digit comp growth, led by kitchen, which saw comp growth in excess of 25%. And in apparel, first quarter comparable sales declined about 20%, reflecting soft sales in late March into early April, followed by a resumption of growth in the last 2 weeks of April. As we evaluate these category trends relative to overall U.S. retail and on a category-by-category basis, we are seeing unprecedented share gains across every measure.

Clearly, in portions of our business, share statistics reflect the fact that nonessential retailers across the country have remained largely closed. And even though we compete with them, we sincerely look forward to the day when our retail colleagues can reopen. After all, a healthy retail sector is critical to the overall health of the U.S. economy. And of course, employees of our competitors often shop at Target, too.

More fundamentally, we believe recent share numbers reflect the trust that our guests have placed in our stores, our digital capabilities, our team and our brand. In particular, as our teams have risen to meet our guests’ needs and deliver friendly, reliable service during this unprecedented time, we believe that our guests’ level of trust has only become deeper throughout this crisis.

From a channel perspective, first quarter store sales grew about 1% while digital comp sales increased by 141%. Of course, these quarterly numbers mask how quickly trends changed within the quarter. Specifically, we began the quarter with a relatively normal February, in which we saw overall comp growth of 3.8% and digital comp growth of 33%, and ended in April which saw total company comp growth of more than 16% and a jaw-dropping 282% increase in digital comp sales.

I want to pause and comment on that April digital performance for a moment because I suspect that many of you might have wondered whether our operations could sustain such a strong increase for an entire month. After all, to put this volume into perspective, on an average day in April, our operations were fulfilling many more items and orders than last year’s Cyber Monday, a day for which we had planned months ahead of time. In contrast, this unprecedented surge in volume was completely unexpected at the beginning of the quarter, and it ramped up from normal trends in a matter of weeks.

And by design, it was our stores that enabled this surge in digital volume, fulfilling more than 80% of our digital sales in April. Even more impressive, within our April digital sales growth of just over $1.1 billion compared with last year, store fulfillment accounted for more than $950 million of that growth as both our same-day services and shipments to guests’ homes saw significant increases.

How is this accomplished? John will provide more details in a few minutes, but I’d reiterate that it comes down to 2 factors: our strategy of using our stores as hubs and the ability of our team to quickly pivot to meet shifting demand. And while we incurred extra costs to accommodate this incredible surge in digital fulfillment, we expect to gain a long-term benefit in terms of guest loyalty.

During the first quarter, more than 5 million guests shopped on Target.com for the first time, with more than 2 million of those guests making their first Drive-Up trip. And because of the amazing flexibility of our team, we saw consistently strong levels of satisfaction with the Target.com shopping experience even in the face of crushing increase in demand.

So now I want to turn to our focus going forward, which isn’t going to change. We continue to focus on serving our guests while taking steps to provide for their safety. And we’ll continue to focus on our teams, investing in their safety and their well-being while working to remove obstacles and allow them to serve guests during this critical time.

Throughout this evolving crisis, we have continually adapted our operations and processes to enhance guest and team member safety. Looking ahead, we’ll continue to quickly adapt to changes in the environment and emerging guidance from the CDC and other authorities. Already during the first quarter, we took numerous steps to protect our guests, Shipt shoppers and our team members, including enhanced cleaning standards, providing personal protective equipment to our team members and Shipt shoppers, installing plexiglass dividers at checkout and implementing...
metering protocols in our stores where appropriate. For our team, we rolled out a wellness checklist for them to perform before each Shipt and provided free thermometers to team members who needed them.

We also invested hundreds of million dollars in extra pay and benefits for our team, adding $2 to their hourly wage, investing in enhanced backup daycare options across the country and offering enhanced paid leave for team members with vulnerable health conditions. Consistent with our long-standing commitment to the communities where we live and work, we donated personal protective equipment to over 50 health care organizations and shared tools and expertise with government partners and other businesses to help protect health care workers and assist other businesses in reopening and operating safely.

In addition, we recently announced our foundation’s biggest single donation in company history, $10 million, to assist team members, communities, national organizations and the global response to this pandemic. Beyond our corporate commitment, thousands of team members are volunteering in their local communities, including a group of 3D-printing enthusiasts on our technology team who are using their personal devices to produce and donate plastic face shields to local hospitals.

And most recently, just this week, we announced the extension of higher pay and enhanced benefits for our team through the end of June. We initially announced these temporary changes to the end of April, and last month, we announced we were extending them through May. And today, even as the country is starting to talk about how things will look when we get back to normal, our teams continue to face unprecedented challenges as they serve families and their communities. As a result, we’re proud to support our amazing team members as they navigate through these challenging times.

In terms of our financial expectations, Michael will offer his perspective in a few minutes, but we’re maintaining our recent suspension of financial guidance. From today’s perspective, the one thing that seems most certain is continued volatility, and whenever possible, we’re building flexibility into our plans and commitments. But let me be clear, the expectation of continued volatility in the external environment doesn’t translate to a lack of confidence about our future.

If there’s one thing our team and operators have demonstrated, it’s the ability to adapt to rapid change and continuing delivering outstanding service for our guests. And as I said before, it’s at times like these that we can all see the benefit of a strong balance sheet and fundamentally sound business model. The financial strength gives us the flexibility to focus on what matters most, our guests and our team, giving us confidence that we’ll emerge from this crisis as a stronger, more relevant retailer with an even higher level of affinity and trust among our guests.

So as I turn the call over to John, I want to once again offer my thanks to the entire Target team, from headquarters to our operations and offices around the world. I’ve never been part of a stronger team, and I share your pride in the essential role that Target is playing in the lives of our guests.

Thank you for your inspiring efforts every day. John?

John J. Mulligan - Target Corporation - Executive VP & COO

Thanks, Brian. On these calls over the last few years, I’ve described our long-term journey in operations to completely transform our supply chain and fulfillment infrastructure, moving from our prior linear model based exclusively on store shopping to a unique modern structure designed to support a broad array of fulfillment choices; to position our stores as the hub for guest fulfillment, whether a guest trip is based on traditional shopping, use of one of our same-day services or delivering a package to their front door; to invest in technology, data and analytics to increase our inventory accuracy and better forecast demand throughout the network, leading to improved in-stocks, higher guest satisfaction and ultimately, stronger sales; to transform how we select and build store sites, moving from a rigid, large-format prototype model to a model in which we focus first on the neighborhood we want to serve, design a store to fit within the available space and then curate a merchandise assortment to fit that particular neighborhood; and finally, to transform our store team, moving from a model based on general athletes to one in which different parts of the team have accountability for individual businesses, supported by tools and processes that allow them to make decisions in real time and focus on serving our guests in new ways. One goal of all these changes was to make our operations and our team far more nimble and agile in support of our guests. And while the journey is far from over, this quarter demonstrated the benefits of everything we have already accomplished.
As Brian already described, over the course of the first quarter, our team had to pivot dramatically and rapidly in response to multiple changes in shopping behavior: comps in essentials and Food and Beverage moving from single digits in February to peaks above 50% in March before settling down into the teens in April; apparel trends moving just as rapidly in the other direction, from positive single digits at the beginning of the quarter to trough declines of more than 50% beginning in late March, before resuming growth in the last half of April. With this volatility in category sales, managing our inventory has also presented a significant challenge. In apparel, given the recent dramatic slowdown in sales, teams have been working closely with vendors to make appropriate changes based on our current inventory and future purchases.

Across the remainder of our core merchandising categories, we've seen a dramatic increase in the pace of sales causing out-of-stocks to rise well above where we'd like them to be. In need-based categories like Food and Beverage and essentials where comps have accelerated into the 20% range, we have been on allocation from multiple vendors as they work to ramp up production to cover the higher level of demand. Among some categories like paper, in-stocks have been recovering in recent weeks. But across many portions of both essentials and Food and Beverage, we continue to sell out quickly when we receive shipments of products from our vendors. In other categories like Home and electronics, we have been increasing order quantities to match the higher pace of sales. However, given that many of these categories are primarily imported, we will likely see some persistent out-of-stocks until we can receive replenishment inventory from these overseas producers.

Beyond categories, the volatility in shopping channels has been just as extreme, store comps moving from positive numbers to double-digit declines in late March and early April, then back to growth towards the end of April; digital comps moving from around 30% in February to nearly 10x that pace in April. Through all of these extremes, the team maintained a positive attitude and demonstrated their pride in the positive role that they're playing in our guests' lives. I am humbled and inspired by what they've been able to deliver on behalf of our guests. The ability of our team and our network to attain and sustain digital comps of nearly 300% for the entire month of April has been incredible to watch.

There are too many stats to share, but I'll tick through a few because I think they're helpful in understanding how remarkable it's been. Multiple measures of unit volume, including ship-from-store, Target orders fulfilled by Shipt and overall digital, were higher in the first quarter of 2020 than in the first 3 quarters of 2019 combined. Units provided through Drive-Up in the first quarter were higher than in all of 2019. Sales of orders shipped from stores or picked up in stores increased nearly 150% in the first quarter. Target sales fulfilled by Shipt were up more than 300%, and sales through Drive-Up were up more than 600% higher than a year ago.

In April, sales on Drive-Up increased nearly 1,000% compared with a year ago. These growth numbers reflect the fact that Drive-Up continues to be our most popular service and the number of guests who are trying and repeatedly using Drive-Up continues to increase rapidly. Specifically, more than 5 million guests used our Drive-Up service in the first quarter, with 40% of these guests new to the service. And amazingly, despite this unexpected explosion in first quarter digital volume, the team continues to execute with amazing speed. Both the percent of orders shipped from store on time and the percent of pickup and Drive-Up orders picked on time was approximately 95% in the quarter, and both measures were higher than the first quarter a year ago.

One thing we've observed about this crisis is that it is causing an acceleration in consumer trial and adoption of digital shopping. The ability of our operations to handle this unexpected acceleration has given us even stronger conviction that we have the right model and we have ample capacity to handle continued change in the future. Specifically, as part of our long-range plans at the beginning of 2020, our first quarter digital volumes weren't anticipated for another 3 years, but our operations accommodated that extra volume without any advanced planning. Like Brian said, it was an extreme test of our model and our team, and both performed admirably in the face of the challenge.

Another area in which the crisis has accelerated existing trends relates to the amount of retail square footage in the U.S. We have long understood that the U.S. market is over-stored, and we've all observed the rationalization of unproductive retail space in recent years. But let me quickly say we continue to strongly believe that the future of U.S. retail will be based on an omnichannel model, in which quality retailers will serve their

And while we have temporarily slowed down our plans for remodels and new stores because of the crisis, that doesn't mean we have less enthusiasm for these projects. Rather, we slowed down our plans for 2 specific reasons. First, we wanted to remove obstacles and distractions facing our team so they could focus exclusively on day-to-day execution in the face of extreme volatility across multiple dimensions of our business. And second,
we adjusted our plans in anticipation of construction process changes needed to accommodate social distancing and other measures, which we expect to slow down timelines in some cases. In addition, we expect that more time will be required for inspections and permitting related to these projects given the incremental demands facing local governments in light of this crisis.

So while it is too soon to lay out longer-term timelines for our remodel and new store programs, we look forward to resuming these projects when appropriate. This will allow us to continue to transform our real estate footprint, both through modernization of existing space and the selective addition of productive new small-format locations located in neighborhoods that couldn't be served when we only opened larger stores.

A strategic initiative that we temporarily paused during the first quarter was integration of fresh, refrigerated and frozen items into our pickup and Drive-Up capabilities. While we are eager to add this capability and we know our guests want the option, we decided not to add the distraction of implementing this test during the period of peak volatility. However, we recently resumed the test in the Twin Cities market, where it had already begun last year, and we've just expanded the test into the Kansas City market. Operational results have been positive so far. And while we will continue to govern the pace of the rollout based on the circumstances facing our team, we are committed to rolling out this capability to as many stores as possible this year.

Another exciting strategic development was our recent acquisition of local route optimization technology from Deliv. Following encouraging results of recent tests of this new capability, we elected to purchase the technology and hired members of their team to assist with the integration into our existing systems and processes. We are excited about this new technology because it offers the opportunity to add capacity to our fulfillment network while also reducing the cost of last-mile delivery. And given that last mile is the biggest cost driver within digital, the opportunity to control those costs will play an important role in our operating margins over time.

With the benefit of this new technology, we can begin testing the addition of sort centers, downstream of our stores within our fulfillment network. These centers, which we expect to be smaller than our average store, will be placed downstream in select markets in which we have a high density of packages being sent to guests' homes. By eliminating the need to sort packages in the individual stores, the throughput of packages from these locations would naturally increase, and we can achieve lower average shipping costs through the scale and route optimization that these downstream centers will provide.

Given that we only recently acquired this new technology, we don't yet have a time line for this test. What I can say today is that we are planning to test the first of these centers in the Minneapolis market and that we plan to follow our normal discipline of testing and iterating before we decide to scale up.

So now as I get ready to hand the call over to Michael, I want to end where I started and give a special thanks to our store, distribution and fulfillment center teams. Our society has long recognized the sacrifice of essential workers in the health care industry and public service like police officers and firefighters, but what's been remarkable on this crisis is to see how it has helped people to realize there's a huge army of essential team members at Target and many other retailers who make sure that parents can get food for their family and the essentials they need to manage their health and their household. I've long appreciated the work of these teams since I've been lucky to work alongside them for more than 2 decades, but now with our efforts in the spotlight, I could not be more proud to see their significant contributions recognized.

Thank you to every one on our team for your hard work and sincere desire to serve all of the families that place their trust in Target every day.

Michael?
But when you pull back from all the detail and day-to-day volatility, a couple of themes have clearly emerged. First, this environment has provided an accelerated real-time test of the investments we've been making in our longer-term strategy and operational model. And our business has performed better under these conditions than we would have ever imagined.

Second and also important, this environment provides a vivid illustration of why quarterly profitability isn’t always the best indicator of long-term potential. If you only looked at our first quarter EPS, which was down more than 60% compared with last year, you might be tempted to say that our performance was disappointing and that our long-term prospects have been getting weaker, but I’d strongly assert the opposite. Because of what our team has been able to accomplish and deliver for our guests, I believe our long-term prospects have gotten stronger over the last 90 days. Put another way, I wouldn’t trade Target’s future prospects for anyone else’s in the marketplace.

With that context, I will run through our financial results, providing our longer-term perspective before I turn the call back over to Brian. Overall, our first quarter comparable sales grew 10.8%, reflecting some of the strongest growth our business has ever seen. Total sales grew 11.3%, about 50 basis points faster due to sales from our non-mature stores. Among the drivers of our comp growth, comparable traffic was down 1.5% and average ticket was up 12.5% as guests consolidated their shopping trips into fewer bigger baskets. Among channels, store comparable sales increased 0.9% while digital comp sales grew 141%. As Brian and John highlighted earlier, quarterly averages for category and channel growth don’t show the volatility we saw throughout the quarter.

On the gross margin line, our business delivered a rate of 25.1%, down about 450 basis points from a year ago. Obviously, this is well below what you would expect in normal times, but these times have been anything but normal. There are 3 major drivers of this quarter’s decline. First, we incurred hundreds of millions of dollars of incremental costs, including inventory impairments resulting from the severe slowdown in apparel sales. For context on these costs, it’s important to note that prior to the first quarter, comp sales in Apparel & Accessories had been growing more than 5% but quickly decelerated to more than a 20% decline in the first quarter. Put another way, if those prior trends in Apparel & Accessories had continued, first quarter sales in that category would have been more than $800 million higher.

A second source of pressure was category sales mix as we saw wide divergence in sales trends across our business. Our 3 lowest-margin categories, Hardlines, essentials and Food and Beverage, each saw first quarter comp increases in the high teens or higher. In contrast, our 2 highest-margin categories, Home and apparel, saw slower trends with Home in the high single digits and the Apparel decline of more than 20%. All together, category sales mix accounted for more than 150 basis points of this quarter’s gross margin decline.

The third major factor was digital fulfillment and supply chain costs as digital penetration more than doubled compared with last year, driving nearly 10 percentage points of our sales growth. As John mentioned earlier, we were already planning to reach this level of digital sales penetration over time, but this crisis has rapidly increased the pace of digital adoption among U.S. consumers. But importantly, given the outstanding performance of our team and operations in the face of this unprecedented surge in volume, we’ve continued to see high levels of guest satisfaction with our digital fulfillment, which is a positive leading indicator of guest loyalty, engagement and market share over time.

Moving down to the SG&A expense line. Our first quarter rate was 20.7%, about 10 basis points lower than a year ago. As always, expense performance was driven by many factors, but there were 2 primary drivers of our year-over-year performance. The first was the incremental costs we’ve incurred as we responded to the crisis, including higher pay for hourly team members in our stores, extended paid leave and backup daycare provisions across our team and enhanced cleaning routines and other investments to protect the health of our guests and our team across the country. Against these higher costs, we realized a meaningful rate benefit from sales leverage given our unusually strong comparable sales growth in the quarter.

On the D&A line, first quarter dollars were approximately flat to last year, resulting in about 40 basis points of rate improvement on higher sales. All together, our first quarter operating margin rate of 2.4% was about 400 basis points lower than last year. On the interest expense line, we saw a slight decline in dollars, reflecting the benefit of lower average floating benchmark interest rates. Income tax expense declined about 80% compared with last year, driven primarily by the decline in our profitability.

On the adjusted EPS line, we earned $0.59 in the first quarter, more than 60% lower than last year. GAAP EPS was about $0.03 lower at $0.56, reflecting the loss on our investments in Casper Sleep.
Now I want to turn to cash flow and capital deployment. But first, I want to outline a number of actions we've taken this quarter in response to the environment. The first change, as John already outlined, was a reduction in the number of remodels and new stores we are planning for 2020. John already made it clear that this decision was based on removing distractions for our team, combined with the impact of other factors in the external environment. Like John, I want to emphasize that we haven’t changed our view of the ultimate long-term value of these projects nor was the decision to slow down these projects driven by the desire to preserve capital.

Regardless, this change in our plans will affect our anticipated CapEx for the year. At this point, we expect that our 2020 CapEx will be $3 billion or lower in contrast to our prior expectation of about $3.5 billion. At this point, things are too uncertain to provide a view of our plans for future year remodels, new stores and overall CapEx, but we expect to provide more clarity over time.

The second change occurred in March when we announced the suspension of our share repurchase program in light of the high level of uncertainty in the current environment. This decision was prudent and consistent with our long-term capital deployment priorities in which share repurchase only occurs when we have excess cash within the limits of our middle A credit ratings after we fully invested in our business and supported our dividend.

And finally, during the first quarter, we issued $2.5 billion in new debt and added another $900 million revolving credit facility to supplement our existing $2.5 billion revolver. We took these actions out of an abundance of caution given the high degree of uncertainty in the environment and the possibility of a very challenging external environment throughout this year. As we’ve pointed out many times, we entered this crisis in a very strong position with ample cash on our balance sheet, strong credit ratings and a business model position to generate robust cash flow across a wide range of conditions. Given that strength, our modeling indicated we have a very wide range of potential economic scenarios in which we’d have sufficient liquidity even without the extra capacity resulting from these actions. Even so, given that we were able to issue new debt at historically low rates, we view these decisions as prudent, affordable insurance, giving us an extra layer of cushion to accommodate even more extreme downside scenarios should they arise.

Turning to cash flow. We actually saw really strong performance in the first quarter as operating cash flow grew nearly $1 billion compared with last year. This performance reflected a number of factors, including an increase in payables and a decrease in inventory compared with last year, along with various timing issues, which more than offset the decline in earnings we experienced this year.

Regarding our inventory position, while the year-over-year decline looks good on the cash flow statement, it reflects the lack of availability and elevated out-of-stocks we’re seeing in multiple categories. As such, we have elected to invest more cash and ended the quarter with a higher level of inventory in those categories if it had been available.

In terms of deployment of cash, our first quarter CapEx was about $750 million, nearly $100 million higher than last year. In addition, we paid dividends of $332 million to our shareholders and returned another $609 million through share repurchases prior to the suspension of the program in March.

And finally, on the ROIC line, our business delivered a trailing 12-month after-tax return of 13.4% in the first quarter, down from 14.3% a year ago. Obviously, this decline reflects the dramatic decline in our profitability during the quarter, which does not reflect where we expect our business to perform over time. However, I will quickly add that even though this performance is down from a year ago, a 13.4% after-tax return is still quite strong on an absolute basis and favorable compared to results across a wide array of companies in retail and beyond.

So now I want to leave you with a couple of important thoughts. First, our long-term priorities for capital deployment have not wavered. At the top of the list is our goal to invest fully in all projects that support our long-term strategic and financial goals. Second, we support the dividend with a goal to build on our long-term record in which we've paid a dividend every quarter in our history as a public company. And finally, over time, we expect to return any excess cash beyond those first 2 uses through share repurchases within the limits of our middle A credit ratings. These capital deployment priorities have served the long-term interest of both our business and our shareholders over many decades. It is our investments in our stores, in our fulfillment capabilities, in our assortment and in our team that have positioned us to succeed now and will power our future.
The other important point pertains to the resilience of our business combined with the strength of our balance sheet. As I said at the beginning of my remarks, I believe that our long-term prospects have only gotten stronger as our operations and team have reliably served guests during this crisis. Because of our multi-category portfolio, we were able to quickly pivot as guest demand evolved from stocking up on food and essentials to focusing on home and electronics as they sheltered in place until we saw a broad-based acceleration across multiple categories toward the end of the quarter. Because of our curated digital assortment and store-based fulfillment model, our operations and team adjusted seamlessly as guests increasingly chose digital fulfillment, allowing digital sales to account for nearly 10 percentage points of our first quarter comparable sales growth. And because of the strength of our business, we could afford to make hundreds of millions of dollars of incremental investments in team member wages and benefits, along with actions to enhance the safety of both our guests and our team.

As we look ahead, we are focused on continuing to deliver for our guests and our team throughout the crisis while preparing to emerge strong and ready to play offense when our economy recovers. And we think the opportunities when that happens will be compelling. Unfortunately, this crisis will cause a lot of dislocation in multiple parts of the economy, including retail. As a result, we expect to have many potential opportunities to invest, including possibilities in real estate, brands, capabilities and obviously, in our existing strategic initiatives. So while we always monitor our short-term financial results and focus on strong execution, I think it's more important than ever for us to maintain a laser focus on the long term when I expect we could have unprecedented opportunities to create value for all of our stakeholders.

Now like Brian and John, I want to pause and thank everyone on the team for their endless energy, alignment with our values and for taking care of each other. It's said that you don't really know how strong your team is until it goes through challenging times, and I couldn't be more proud to see how our team has risen to the challenge by serving our guests and our communities over the past few months.

Now I'll turn it back over to Brian for some closing remarks. Brian?

Brian C. Cornell - Target Corporation - Chairman & CEO

Thanks, Michael. Before we move to your questions, I want to close by reiterating some of the points we shared today. I want to start with something Michael said earlier.

These times are anything but normal. Guests are facing unprecedented changes in the way they're living and the way they're working. In a matter of weeks, the economy has moved from historically low levels of unemployment to some of the highest ever recorded. Not surprisingly, consumer shopping patterns have been changing significantly and frequently as everyone tries to navigate through these changes. And so things that we might have once taken for granted have suddenly become front and center in our minds. We have renewed appreciation for the things we need in our homes every day, items like food, paper goods and cleaning products that are now more important than ever as we shelter in place and work remotely. In addition, we have a renewed appreciation for the people that make sure we have those products, including the people who produce them, the supply chains that move them and the teams that provide them in stores and bring them to our homes.

The crisis has clearly demonstrated the essential role of our team members as they offer compassionate, friendly service and do everything possible to ensure that their neighbors have what they need. Like John said, it's humbling and inspiring to work alongside our team and feel their passion and resolve as they persevere through this crisis. They're the heart and soul of Target and the reason I'm so confident in our future.

With that, we'll move to Q&A. John, Michael and I will be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Edward Kelly.
Edward Joseph Kelly - Wells Fargo Securities, LLC, Research Division - Senior Analyst

Congratulations on strong execution in obviously challenging environment. Brian, I want to -- just want to start with comps. So you obviously saw a significant acceleration in the back half of April. What are you seeing so far in Q2? Any category color here would be helpful.

What do you think drove this acceleration? Is it just stimulus? And what does it tell us at all about how to think about Q2 comps overall at this point?

Brian C. Cornell - Target Corporation - Chairman & CEO

Ed, thanks for joining us. We certainly saw an uptick, as we reported, starting on April 15 as stimulus checks arrived across America. And as we reported, we saw a return of a guest who was shopping in our stores but continuing to use our digital fulfillment channels. And we started to see normalization across all of our categories, an uptick again in categories like apparel and Home, but continued strength in our entire portfolio.

And that’s continued through the balance of April. That stabilization, normalization of category shopping has continued in May as we continue to see an uptick in digital fulfillment. So while we’re not providing guidance today, we certainly are seeing a more normalized shopping environment both in our stores and online and a guest who’s shopping all of our categories, including those discretionary categories like Home and apparel.

Edward Joseph Kelly - Wells Fargo Securities, LLC, Research Division - Senior Analyst

Maybe just one follow-up to that. In terms of where you have stores in states that have begun to reopen, how has performance of these stores compared to states where restrictions are still high? I’m just kind of curious as to what you’re learning there and how we should be thinking about the business once a broader reopening trend really emerges.

Brian C. Cornell - Target Corporation - Chairman & CEO

Ed, we’re watching it carefully. It’s still very early, but I think what we’re seeing throughout these last few weeks is the trust that we’ve earned with American consumers who continue to turn to Target for those household essentials, their food and beverage and now apparel and home items as well as the strength we’ve seen in Hardlines throughout the quarter. As Americans still work from home and educate their families at home, we provide essential services throughout the pandemic, and we’re seeing that continue as states open up across the country.

Operator

The next question is from Chris Horvers with JPMorgan.

Christopher Michael Horvers - JP Morgan Chase & Co, Research Division - Senior Analyst

So a couple of financial questions. The first one is can you talk more quantitatively about the gross margin drivers, especially the markdown in inventory reserve and the digital Shipt component of the decline? You said hundreds of millions of dollars for the inventory component, which is $300 million, that’s 150 basis points. So how close are we?

And then as you look ahead to 2Q, given what you’ve seen in apparel over the past month, has it cleaned -- has your inventory cleaned up? And how do you think about the potential markdown risk in the second quarter?

(technical difficulty)
All right. Chris, can you hear me?

Christopher Michael Horvers - JP Morgan Chase & Co, Research Division - Senior Analyst

Yes. Well, the anticipation is very high so...

Michael J. Fiddelke - Target Corporation - Executive VP & CFO

All right. I had a great answer that you heard none of, so I'll try to do my best paraphrasing again. To decompose margin a little bit more, if I had to dimensionalize it into the 3 biggest drivers of what we saw in Q1, the first would be a set of merchandising actions that we took throughout the quarter. And the biggest of which, to your question, was the inventory write-downs and adjustments that we made, especially in apparel given the deceleration we saw in apparel throughout the better part of Q1. That's probably the biggest factor.

And then as I mentioned in my remarks, category mix at about 150 basis points would be the second biggest factor. And then the third would be the pressure from supply chain in general, and there's a couple of things there. A portion of our investment in the team shows up in margin because supply chain labor shows up in margin. And then the mix shift to digital is there as well.

But I think it's worth pausing for a moment on that mix shift to digital and the rate pressure that comes with that because I want to spend a second on how I think about digital economics because I think there's real risk in over-rotating on the profit rate headwind that shows up there for a couple of reasons. The first is for the vast majority of those digital transactions and especially the ones where the guest's taking advantage of our same-day services, the sales dollars, the market share dollars and the variable profit dollars from those sales are definitely a good thing. And second, and this is most important, the economics of a digital transaction, as I've said before, are so much bigger than just the single transaction. When we see guests engage with more of our fulfillment choices, they become stronger customers of Target and we build relevance with them in total, and that's where the economics of digital get most powerful.

As I referenced in the financial community meeting discussions a few months ago, when we see a guest use Drive-Up for the first time, they spend more at Target in total and even more in store than they did previously. And so there's a powerful accelerant of guests becoming stronger users of all of our services. And we had 2 million guests use Drive-Up for the first time in this quarter, and so the long run prospects of that digital growth in terms of what it means with relevancy to our guests, I think, are very powerful.

Brian C. Cornell - Target Corporation - Chairman & CEO

Chris, it's Brian. Why don't I talk a little bit about Q2, and I'll answer your question but I think a question that's on everyone's mind right now. And before I talk about Q2, we'll go back to the volatility and rapid changes we saw throughout the first quarter, which makes it really difficult for us to project with any kind of certainty how consumers are going to continue to shop in the second quarter and for the balance of the year. As we sit right now, I think the guest that's shopping at Target is still seeing the benefits of the stimulus check. They're shopping in our stores, and we've seen store traffic increase. We're seeing them shop all of our categories while continuing to utilize our same-day fulfillment services.

But our ability to project how that's going to play out over the balance of the quarter or year is unfortunately something that we can't do today. I think there's just too much uncertainty, too many different variables. As we sit here today, we spend lots of time each and every week talking about what will happen when and if students go back to school or back to college, how will guests shop during the holiday season, starting with Memorial Day. It's all to be determined right now.

And one of the things that I think we're most proud of as we think about our first quarter performance is how we've adapted week by week, almost day by day to the changing consumer needs. And the flexibility that you've seen in our system is something that we'll lean on throughout the
balance of the quarter and the year. But I know everyone is anxious for us to provide a perspective on the second quarter and the full year. Unfortunately, our perspective right now is that we have to be flexible, we have to be adaptable, we have to continue to meet changing consumer needs. And I think we’ve demonstrated the ability to do that in the first quarter.

Christopher Michael Horvers - JP Morgan Chase & Co, Research Division - Senior Analyst

I guess just to push a little bit on it, I mean, to the extent that -- how did you -- as you booked that inventory reserve, I mean, how did you think about the ability to take some of that second quarter risk down? I mean is there a scenario where you could see that gross margin impact from clearance be anywhere near what you just experienced in the first quarter?

Michael J. Fiddelke - Target Corporation - Executive VP & CFO

Yes. What I’d say, Chris, is this is what our teams do each and every day. And so we react to changing trends and take inventory actions appropriate. And I’d give just a huge hats off to our merchandising teams who have worked through the volatility and sales trends throughout the quarter, both the softness in apparel that leads to some of the write-downs we’re talking about in Q1, but in every category that’s seen trends deviate from history in such meaningful ways.

Brian C. Cornell - Target Corporation - Chairman & CEO

And said another way, Chris, I think we feel very good about our inventory position as we go into the second quarter.

Operator

The next question is from Ed Yruma with KeyBanc Capital Markets.

Edward James Yruma - KeyBanc Capital Markets Inc., Research Division - MD & Senior Research Analyst

You guys have done an incredible job ramping Drive-Up. I guess as you kind of assess the service today, what are the key limiters in enhancing throughput there? Is it staffing levels, social distancing? Or is it literally like the physical parking spots? And I guess as you think about ramping it into a more normalized environment, what’s your expectation on keeping some of those customers that are trialing it right now?

Brian C. Cornell - Target Corporation - Chairman & CEO

Ed, I’m going to let John answer this question, but I am smiling. When I think about the fact that during the first quarter, our same-day services grew by 278%, I think John and his team have shown their ability to ramp up as needed.

John J. Mulligan - Target Corporation - Executive VP & COO

Yes. I’ll just start where Brian left off there. I think that’s exactly right. And you saw it accelerate throughout the quarter. Like I said in the remarks, Drive-Up accelerated to 1,000% growth in the month of April. So from a limiter perspective, we think a couple of things which we’re looking to address, and we don’t really view these as limiters as we know these are things that come with volume. One is parking spaces, to your point, and you’ll see us add additional parking slots over the next several months. The second is in-store space, and we are already in process of adding incremental storage space -- flexible and incremental storage space for the store teams. So we feel good about that.

But from a process perspective, from a team perspective, there are no limiters. And we’ve talked about this for a few years now, about the scalability of the model of using the stores as hubs. And I think that’s really shown through this quarter.
The other thing I would add that we're really excited about from a Drive-Up perspective, as I said, we've throttled back on expanding temperature-controlled, so fresh, frozen types of products into Drive-Up earlier this quarter. We've resumed that in Minneapolis, also added Kansas City. And early on, our plans have been to get to 3 states this year and then pause and react in scale over next year. Our plan now is to accelerate that and to get to as many stores as possible over the next several months because it's clearly something that our store -- that our guests would like our stores to deliver.

We're excited about the opportunity there. We're excited to deliver another service for our guests. And the store's ability to execute that has been just phenomenal.

Brian C. Cornell  
Target Corporation  
Chairman & CEO

Ed, sitting here today, I've said a number of times to the team, I think we've accelerated our digital fulfillment awareness with the guest and fulfillment capabilities by upwards of 3 years. And I think we'll come out of this first quarter with a much greater awareness around the type of services Target provides, the trust that we're building in same-day, the knowledge that guests have today that if they place an order with Target.com, within 2 hours, they can come to our stores and pick up. They can pull into one of our Drive-Up lanes, and within 2 minutes, we'll put it in their trunk or we'll have a Shipt shopper bring it to their Home within 2 hours. So I think we're going to see a dramatic acceleration in awareness and utilization of those same-day fulfillment capabilities.

Operator

The next question is from Matt McClintock with Raymond James.

Matthew J. McClintock  
Raymond James & Associates, Inc., Research Division  
Research Analyst

Congrats to you and the rest of the Target team. Brian, I want to kind of think about this uncertainty in the macro from a different angle. How do you think about consolidation of the industry going forward, whether that be through your digital capabilities or whether that be through, quite frankly, retailers that don’t reopen their doors? And how does this compare and contrast to prior economic difficult scenarios or recessions, et cetera, where maybe that type of consolidation didn’t happen so when we try to assess your risk going forward, we can actually think about this relative to the past?

Brian C. Cornell  
Target Corporation  
Chairman & CEO

So Matt, thanks for joining us again this morning. And I think for several years now, we've been talking about this movement towards consolidation in the industry and the bifurcation that's been taking place over the last couple of years with pronounced winners and, unfortunately, losers in the retail environment. I think, unfortunately -- and I do say that sincerely, unfortunately, due to the pandemic, I think we're going to see an acceleration in that bifurcation. And we've already seen a number of retailers filing for bankruptcy. We expect even further store closures over the next couple of years. And I think it's going to only accelerate the opportunities that companies like Target will have to consolidate market share and continue to grow profitably in this environment.

I also think from a consumer standpoint, as we survey our guests and as we talk to consumers, I think we're going to see a consolidation in how people shop. And I think our multi-category portfolio positions us very well in an environment where today's consumer is looking to make fewer stops. And the ability to come to Target and pick up their food and beverage needs, their household essentials, their beauty products, their home, apparel items and their household essentials and Hardlines each and every week makes us an attractive choice in a consolidating environment. So sitting here today during, obviously, a point of crisis across America, while we're very humble as we look at our performance and the role we played, we're equally optimistic about the future of Target, and we think this consolidation both in the retail market and how consumers shop will benefit us for years and years to come.

And then just as a quick follow-up, All in Motion, you clearly launched that into a difficult situation. But I was just wondering if we could get an update on that brand because it does seem like athletic apparel has actually done quite well relative to the rest of the apparel industry during this time of crisis.

Brian C. Cornell - Target Corporation - Chairman & CEO

Matt, I'm glad you asked. And while we've talked about, obviously, some softness in apparel throughout the quarter, one category that did perform really well was the performance category. As consumers are working from home and spending a lot more time at home, that was certainly a category that performed well, and we are very excited about the potential of All in Motion.

Operator

The next question is from Karen Short with Barclays.

Karen Fiona Short - Barclays Bank PLC, Research Division - Research Analyst

Congratulations on managing through obviously a very tough quarter. I just wanted to go back to the gross margin for a second. And I guess the question is people who are a little more skeptical on how this year is going to shape out for you kind of harp on the fact that there will be significant inventory liquidations across all of retail, and that, that will be something that you have to address from a pricing perspective in your store. And I wanted to just get your thoughts on that a little bit because it does seem that you have pulled forward some of the markdowns that you would otherwise see in 2Q, and 2Q does seem like it might shape up to be better than you'd expected. But wondering if you could just give us some thoughts on how you're thinking about that in terms of your inventory from like a third quarter, fourth quarter perspective even.

John J. Mulligan - Target Corporation - Executive VP & COO

Yes. I can start. Thanks for the question. As Brian mentioned, we feel really good about how our inventory is positioned, especially in apparel right now. So we feel like we took the right actions in Q1 to position us right to pursue the sales opportunities in front of us. With respect to the price and promotion environment, again, that's something that we got a lot of history navigating, and we'll be committed to be priced right with appropriate promotion in any environment around us. We watch pretty carefully what's happening in the competition. But especially to see some strength return to apparel at the end of the quarter, I think we feel really good about the go-forward prospects.

Brian C. Cornell - Target Corporation - Chairman & CEO

Yes. And Karen, one of the teams that we really need to acknowledge as we sit here today is our Target sourcing team who, throughout the quarter, has done a terrific job of, at some points, canceling and then chasing inventory as we've seen changes in trends. And the relationship we have with our own brand vendors, the strength of our vendor matrix that supports us each and every day is something that's really put us in a unique position. And that sourcing team is one of our key capabilities that allows us to adjust to market need. So that team served us well in the first quarter and will position us well over the balance of the year.

Karen Fiona Short - Barclays Bank PLC, Research Division - Research Analyst

Okay. That's helpful. And then I just want to ask one other question. It seems like, at least on the food side, we're definitely seeing a lot of conventional competitors really raise prices pretty rapidly in light of the heightened demand. And you guys seem to be holding price points or price positioning.
So can you maybe provide a little color on how you think that might be helping you gain share? Because it does seem like the price gaps have widened to unprecedented levels, and I say that on the food side specifically.

**Brian C. Cornell - Target Corporation - Chairman & CEO**

Sure. And Karen, as you’ve heard us talk about for a number of years now, we’re committed to being priced right daily, each and every day. And that includes during this pandemic and as we go into the second quarter, and it certainly includes our Food and Beverage category. So we’ve seen very little change in our everyday pricing throughout the quarter. You have seen a reduction in promotions based on, obviously, limited supply of certain products. But our commitment to delivering great value to our guests in Food and Beverage and in all of our categories persist as we sit here today.

**Operator**

The next question is from Simeon Gutman with Morgan Stanley.

Our next question is from Paul Lejuez with Citi.

**Tracy Jill Kogan - Citigroup Inc, Research Division - VP**

It's Tracy Kogan filling in for Paul. Two questions. I was wondering about the new customers you said you've gained during the quarter. Is there any particular demographic group you’re attracting? And then I was also wondering what you've seen with repeat purchases from those customers. And then I just have one follow-up.

**Brian C. Cornell - Target Corporation - Chairman & CEO**

Yes. So Tracy, we talked about the fact that we saw 5 million new guests use Target.com. And John talked about the number of new users for Drive-Up, 2 million new Drive-Up users during the quarter. So we’re certainly looking at the profile of that customer. But we recognize the stickiness that comes along with that. And I’ll let John talk about the reaction we get when people use our same-day services and the high Net Promoter Scores we continue to receive.

And I think we're going to recognize, coming out of this first quarter and the pandemic, that guests are going to continue to gravitate towards the convenience and the contact-free element that Drive-Up allows. So we're seeing a great response. Lots of new guests using Target.com and Drive-Up, and we expect that to continue over the balance of the year.

**John J. Mulligan - Target Corporation - Executive VP & COO**

Yes. The thing I would add, the great thing we saw throughout the quarter, and again, really proud of our teams, is Drive-Up is our highest Net Promoter Score, Shipt is a very high Net Promoter Score, pickup is a high Net Promoter Score. And then the in-store experience Net Promoter Score -- across all of those scores, absent the usual week-to-week volatility that we see, all of them remained steady even at the peak. When we were -- as things accelerated very quickly into our digital channels, we saw a great Net Promoter scores.

And as Brian said, that is the best indicator of guests coming back to us. We've already seen 40% of the Drive-Up guests repeat purchase. So we focused all quarter long with all of our teams on ensuring that we can provide a great guest experience. And when we do that, we see them come back and use our services again.
Tracy Jill Kogan - Citigroup Inc, Research Division - VP

Great. And then my follow-up was if you could comment generally on the national brand versus private brand performance in the quarter and then specifically how Good & Gather performed.

Brian C. Cornell - Target Corporation - Chairman & CEO

I'll start with Good & Gather, and that was an important part of the over 20% growth we saw in Food and Beverage. You'll see us actually as we move into the second quarter begin to expand the number of items in the Good & Gather brand. So we feel really good about the guest response during the pandemic, and we expect that to continue over the balance of the year.

And at this point, I probably need to just pause and thank many of our national branded vendors and the support that they provided us during the first quarter. Obviously, unprecedented levels of growth. We talked about the type of growth we saw in household essentials, in Food and Beverage but -- in so many of our categories. And our national branded vendors did a superb job of working hand in hand with our buyers, our supply chain team to meet the demand and get us the product we need, and a big thanks to all of our national branded partners. We appreciate everything they've done.

Operator

The next question is from Robby Ohmes with Bank of America.

Robert Frederick Ohmes - BofA Merrill Lynch, Research Division - MD

My congrats as well on the execution, pretty incredible, so thank you for that because I am a customer. Actually, just some follow-up on digital. One was on Shipt. I was wondering if you could talk about the membership growth that you saw in the first quarter. And we've seen pretty dramatic app download data on Shipt. And also, are you signing up a lot more partners on Shipt?

And then my follow-up would just be maybe for Brian or John or Michael. Just with this huge digital volume, are there anything you're learning about whether it's going to be tougher or easier over the long term as you average out much higher digital volumes? Are you seeing new ways to get the profitability up that maybe you weren't seeing before this big ramp-up in volume?

Brian C. Cornell - Target Corporation - Chairman & CEO

So Robby, why don't we let John start by talking about the outstanding performance we saw with Shipt, and then we'll come back and talk about digital profitability over time.

John J. Mulligan - Target Corporation - Executive VP & COO

Robby, good to talk to you. Shipt, consistent with everything else we've said about digital, has seen -- saw significant acceleration in that they and their team did an outstanding job hiring into that or getting Shipt shoppers. Order volume over the course of the quarter for Shipt business independent of Target's portion of that order volume was up 2x. In April, it was up 3x. They had 60% growth in membership, so a significant acceleration in members. They engaged 100,000 additional shoppers, so doubling the number of shoppers they had going into the quarter, and so a significant acceleration across Target. We saw a 300% increase in sales to last year through our Shipt channel. So again, significant acceleration there.
And like I said on a previous caller, probably -- perhaps most importantly, the NPS score, very, very high, and they maintained that throughout the quarter. A few dips when sales really accelerated quickly within a week to 10 days, but beyond that, the team did an exceptional job in really getting shoppers to meet that demand. And so we're really enthusiastic about the Shipt performance and encouraged by what we saw.

Michael J. Fiddelke - Target Corporation - Executive VP & CFO

And I can maybe just chime in on the prospects for increased efficiency over time. We've seen across wherever we've had growth, whether it’s the growth in Drive-Up over the last several years, Order Pickup, volume helps us. And with volume, we can bring efficiency. And when it comes to digital, as John mentioned, we’ve been investing in planning and capability to support this volume. We just thought it would be 3 years from now. And so we’ve seen an acceleration for what we would have expected to take 3 years that’s now happened in a matter of weeks. And so as we get the chance to optimize some of our operations against that volume, we should be able to drive increased efficiency over time.

But the thing I'm most excited about on the digital front that we’ve touched on a little bit already is just the opportunity we have to capture relevance with guests as their shopping habits change. We know over the long run, when guest behavior changes -- and that's why a family with a new baby in the house is such an important guest milestone for us, where we want to show up because that’s when shopping habits can change. Back to college, the first time you move into your new home, those milestones matter to us as a retailer and always have because that’s when shopping habits can change. And I think across America right now, we’re seeing an acceleration in the change of shopping habits as it relates to digital. And the way we've shown up with 280-plus percent growth in digital in April means we’re capturing a lot of that mind share and those new routines as they’re forming.

Brian C. Cornell - Target Corporation - Chairman & CEO

And Robby, I just -- I’d finish up by going back to our strategy and using our stores as fulfillment hubs. And as we talked about our performance with digital, although the 141% growth rate is a stunning number, the number I really focus on is the same-day fulfillment, which grew by 278%, and that was all fulfilled by our stores. And if you actually look at a different metric, if we think about store-fulfilled comps during the first quarter, while we grew by 10.8% overall, if I look at that store-fulfilled comp number, that increased by over 9%. It means our stores are driving tremendous productivity, and they are the center of our strategy. And that's a number you’ll hear us talk about more and more and more.

So when we talk about store comps during the quarter, they look relatively low at just under 1%. But those stores actually drove over 9% comp growth during the quarter. And from an economic standpoint, we know over time, that’s a really healthy and profitable transaction. So the stores did tremendous work during this quarter. And America turned to Target stores because they trust our service and our reliability and rewarded us with a store-fulfilled comp of over 9%.

Operator

Our last question is from Oliver Chen with Cowen.

Oliver Chen - Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst

Brian, what would you prioritize as some of the most surprising and/or permanent changes from the crisis? And John, I was curious about the future of automation and robotics. Especially as you do a really great job using stores as hubs, how do you see that playing out in store with Drive-Up and with inventory management accuracy?

Brian C. Cornell - Target Corporation - Chairman & CEO

Oliver, why don't I start. And when I think about the quarter and some of the learning from the quarter, I’ll have to go back with the importance of stores. And at the start of the pandemic, and we've talked about the different chapters, America turned to Target stores. And that's where we saw
the uptick. That's where they came for household essentials, they stocked up on food and beverage. So when America was asked to shelter in place, they started to use our same-day fulfillment channels and were picking up in store and driving to our parking lots to use Drive-Up or using a Shipt shopper.

But when I think about the quarter, it just reinforces to me the important role that stores play, both our traditional stores and even our smaller formats in urban markets. There's a number of e-mails I've received from guests in New York City and Boston and Chicago thanking us for that small format in their neighborhood that supplied all of their household and family needs during the pandemic. So my highlight and takeaway is stores are vitally important, and stores will continue to play a really important role to America as we go forward.

John J. Mulligan - Target Corporation - Executive VP & COO

And then on your second question, Oliver, on automation, analytics, technology, as you know, we've been pursuing that on several fronts. I think to the last half of your question about inventory allocation, inventory placement, as you know, we've been developing analytics and technology across something we call inventory planning and control, IPC. We're about 1/3 of the way into that deployment. We paused much of that for this quarter. The teams are assessing right now what time line we want to get back on to begin deploying that further across the chain. We feel really, really good about the opportunity for us to improve what we're doing from an inventory placement with that technology and analytics.

And then from an automation perspective, we've talked about we had analytics -- or automation pilot going on in Minneapolis, also at Perth. In Minneapolis, we actually deployed that automation to 4 more locations. We have not started that up yet because that will require some travel, and we want to -- we will take the safety of our teams into account as we think about getting back into the travel game. But when we are able to do that, we'll get that to 4 more locations this year and then continue to expand. Out of Perth, the teams have made great, great progress here even while we haven't been able to get into that building. And so when we do get into that building, we'll do some final testing to scale it out and then begin, as I said a couple of months ago, to think about where we deploy that next, somewhere within our network and an existing facility.

So you'll see us continue to expand automation. When it comes to store automation, I think we've shown the ability to scale very, very rapidly with our teams and with the technology that we have provided them. And so we feel very, very good about the productivity and scalability and reliability of our current processes and teams. And we'll continue to explore other avenues as we go forward to improve that.

Brian C. Cornell - Target Corporation - Chairman & CEO

So to John's point, automation will be important, Oliver. But as we sit here today, I think the most important thing to focus on is execution. And I think in this environment, we've earned the trust of American shoppers with great execution and our commitment to providing a safe shopping environment. And you'll see us continue to commit to safety and trust as we go forward over the balance of the year.

So operator, that concludes our call today. I want to thank everyone for joining us. I hope you stay safe and healthy, and we look forward to the day when we can be meeting again face to face. So thank you.