

Environmental analysis of target inc.

[Environment](#), [Ecology](#)



Running head: ANALYSIS OF TARGET INC. Environmental Analysis of Target Inc. Team B Contemporary Issues in Leadership and Management MM590
October 9, 2006 Abstract Team B conducted an Environmental Analysis and an Industry Analysis of Target Inc. In the Environmental Analysis, competition for customers is always a threat in any business but the success of Target is always looking for new opportunities. The Target Inc. analysis found that competition with the “big box” stores including the availability of substitute products and threats of new entrants are keys to their success.

The analysis of the remote environment found new regulations and shifting demographics influence Target’s success. Falling petroleum prices, confidence in the stock market and families migrating from the city to rural areas were the result of the Industry Analysis. . Our recommendations for overcoming the threats and capitalizing on the opportunities were to increase internet shopping, become more competitive in smaller towns, globalization, and allow the Salvation Army to solicit donations during the holidays. Environmental Analysis of Target Inc. Team B conducted an Environmental Analysis and an Industry Analysis of Target Inc. to identify opportunities and threats that may arise in the near future. In this research paper, the team will evaluate the findings and provide recommendations for responding to the issues and opportunities that Target stores face.

Environmental Analysis of Competition An analysis of the competition indicates there is availability of substitute products and threats of new competition entering every year. The retail industry provides steady competition among business and within departments of the organization. Target offers a wide variety of products and services, which leads to an

immense competition pool. The organization provides services with photodevelopment, pharmaceutical, prepared food with some locations having chain services, optical, and portrait studio centers. These diverse services provided for the expansion of the competition pool to include non-general retailers. Since retail merchandise is Target's primary source of profitability, the organization must make proper investments to ensure the quality of these services surpass those of the competition. Quality service in the food preparation department will increase the chances that a customer will pass other fast food companies in order to get the same service at Target.

Target competes for the customer's business in retail merchandise with other discount retailers, department stores, wholesalers, and supermarkets. The competition with other discount retailers is Kmart and Wal-Mart. Each company involved in general retail offers similar products to the customers. Customers can bring a shopping list to include socks, shampoo, DVD player, and holiday decorations to each of the general retailers with confidence that each company will satisfy the customer's needs. The differences in each business, which determines a customer's preference is the organization's reputation.

This reputation is developed by personal experiences, and/or by external influences like media and other consumers. A consumer's life situation is another influence on a customer's decision on business of choice. Some families find financial benefits in purchasing items found at Target in bulk at wholesaler. A consumer's location in proximity to businesses is another influential factor. Some of these considerations cannot be altered by a

business. Although, Target can offer outstanding service to force the customer's preference to surpass all other factors in choosing a retailer.

According to Kijoo and Kim, "... store managers need to give their best effort to enhance their customers' perceived satisfaction because satisfied customers have a greater chance of purchasing merchandise" (2006). The retail business relies solely on the customer's choice in where their money is spent. The best method for retaining customers is to provide them with the products or services they desire. Those businesses, which are successful at customer service, will out perform their competition. The final source of competition involves internal aspects of the company. The competition produces threats to an organization's retention.

In each of the organization in which Target competes in sales, Target also competes in filling similar jobs. All retailers have similar job necessities including cashiers, clerks, receivers, managers, and store managers. According to the article in Human Resources Department Management Report, companies should " aim to identify the most suitable candidates as well as track trends in applicants and employees, including reasons for departure, rehire possibilities, top performers, and job specifics" (2005). The authors maintain that reduction in turnover can positively affect the profitability of the company.

Businesses can operate differently but this does not change the skill requirements for being a leader. Target defines superior leadership performance as the individual who can excel in communicating effectively, managing execution, and demonstrating accountability. Since leadership is

not defined by retail experience, Target searches for managers with various experiences including education, military, or public service. As Target is expanding their applicant pool, so is their competition. Once Target recruits strong leaders, retention is significant to the company's success.

Therefore, competition affects Target's sales growth but also internal growth. Remote and Industry Analysis The analysis of the remote environment found new regulations and a shifting of demographics that influence Target's success and ability to operate. A corporation that conducts an analysis of the environment must review all available information. This should include, a comparison of one corporation's information against others in the same industry, and a look at all influences whether they are market related, legally based or social trends that affect the environment.

For this analysis, we will focus on Target Corporation, and their main competition (Bateman & Snell, 2004, p. 56). Overall, the retail industry has seen continued strength the last year. This is partially the result of falling petroleum prices, which has led to increased trips to the store, and increase in spending. Adding to the optimism is an increase in confidence in the stock market. Forecasts are for retail sales to continue to increase as they ramp up for the November-December holiday season. In response, the retail industry and Target alike has continued expansion in the e-commerce arena- highly optimistic that forecasts achieve their estimate of 5% over last year (O'Donnell, 2006, p. 1). Other demographic factors include the continuing trend of families migrating from the city to rural areas, the movement of retirees to western states such as Arizona and Nevada, in addition to the

continuation of retirees flooding into Florida. To capitalize on these opportunities, several initiatives have been seen in the industry (PRB, 2006, p. 1). Target has continued a steady yet comprehensive expansion project estimating the addition of 60-65 new stores this next year, with an overall growth rate of 8%.

This expansion includes the Super Target stores, which are designed to compete with the Super Wal-Mart, providing grocery as well as retail consumer service (Target Annual Report, 2005, p. 3). Targets advertising costs have increased by \$24 Million, double the increase from the previous year. These expenditures are primarily in the newspaper and media circular areas, but Target also increased expenditures on focused advertising campaigns targeting college students as they return to class in the fall (Target Annual Report, 2005, p. 29).

This type of advertising has proven fruitful. This is an example of how Target is carving their niche in the market by focusing on a part of the marketplace that has specific needs (Bateman & Snell, 2004, p. 524). Another contributing factor to the overall increase in budget was the result of a, "... decline in viewer ship of the national networks and the increase in media fragmentation" (Target Annual Report, 2005, p. 11), which has caused a fundamental shift in advertising, utilize more web based services (Target Annual Report, 2005, p. 11).

To capitalize on the continued growth of on-line marketing and distribution, Target renewed its agreements with Amazon reiterating their commitment to, "...remain focused on our core strengths of merchandising and design,

and while continuing to benefit from Amazon's innovation and expertise” (Target E-Commerce, 2006, p. 1). The article goes on to explain how Target's goal is to provide the ultimate on-line shopping experience to the customer. This methodology helps ensure Target remains a viable competitor in the on-line retail industry.

Distinguishing itself from the competition, Target continues to maintain a vibrant image through its promise to ensure its, “...distinctive merchandise provides style, timeliness and quality at “ best in class” prices” (Target Annual Report, 2005, p. 5). As part of this brand recognition initiative, Target continues to build relationships to enhance the shopping experience with industries such as Starbucks and Pizza Hut (Target Annual Report, 2005, p. 5). This is an important part of its effort to distinguish itself from the rest of the retail environment.

A study done by Moorehouse in 1984, shows that states that strictly regulate store-opening hours have fewer large stores. In these cases, the consumer pays more for the products in the larger stores, because operating costs are so much higher. This could affect many of the Target stores because it will cost the company more money to operate to give their customers more shopping flexibility, or they have to increase the prices. Target has tremendous growth and profits are high. From the studies, it appears that Target has kept their prices at the same cost, no matter what.

Some of these states include many smaller towns that would not survive without the “ big box” stores and welcome companies like Target. Many times even if the cost is higher, the profits are high because of the demand

(Tanguay, 519). Globalization is a concept of the international marketplace that influences increased trade, economic interdependence and decreased market barriers primarily due to increased connectivity (Bateman & Snell, 2004, p. 538). Target has been no exception with recent expansion of services in India described “ to perform business functions more productively” (Target Annual Report, 2005, p.). This global expansion is a direct result of the environment, which fosters global interconnectivity, and more cost- effective operations sourced by major industry, lower labor costs, technology, and an ever-expanding international market. Recommendations Target Corporation has increased advertising dollars to ensure the corporation is targeting customer’s needs. The increase has done well for the company due to increase in profits over time. The internet-shopping arena is a huge business in the United States. Target’s plan to renew a contract with Amazon was a good decision.

This enables customer’s greater flexibility. Many consumers do not like to drive to find the product they need and this helps Target increase profits. One recommendation for the company would to promote more internet shopping in their advertisements. This will especially help with the stores located in certain states where there are stricter regulations on store hours. This helps the consumer in those areas and gives them more flexibility. This will also help the retail chain gain more profits than the competition in those areas.

In the smaller towns where companies like Target are considered the “ big box” stores, the company can become more competitive with the local

businesses. Many “mom and pop” stores in smaller communities consider Target a threat because they can offer lower prices on many products. Target should evaluate the markets in these smaller towns to see what the consumers are looking for and at what cost. Globalization has a huge impact on the retail industry. A survey of American organizations shows that in 1996 \$100 billion were spent by large organizations on outsourcing contracts.

This helps companies like Target build more alliances over seas and reduce costs in technology and labor. This helps the retail chain spend more money on advertising and marketing ventures in the United States. Target should continue. On the other hand, the company should look into how many jobs that they are providing here in the US. Consumers like to see major companies consider the welfare of the job economy in the states (Greco, 50). One recommendation is for Target to consider working better with charities. The Target Corporation decided to eliminate any charities soliciting for money inside or outside of their stores.

This was a huge headliner when the company stated nationwide that they were not going to allow the Salvation Army (bell ringers) outside of their stores during the holidays. Target’s defense was if they let the Salvation Army in, they would have to let all charities at their store. This created uproar with many consumers. Many customers will no longer shop at Target stores because of this. One of Target’s biggest competitors, Wal-Mart has an advantage because of this. Many of the Target locations are relatively close to the Wal-Mart stores and because of the cost proximity Target is losing business. The best decision for Target is to let the Salvation Army back for

the holidays. This will increase their profits during that season and may potentially bring back old customers. This does not mean that they have to let all charities at their stores. Allowing this major nonprofit organization will help with the competition tremendously. In summary, Team B found in the analysis that Target Inc. provides steady competition with the “big box” stores including the availability of substitute products and threats of new entrants.

The analysis of the remote environment found new regulations and shifting demographics that influence Target’s success. Our recommendations for overcoming the threats and capitalizing on the opportunities were to increase internet shopping, become more competitive in smaller towns, globalization, and allow the Salvation Army to solicit donations during the holidays. References Bateman, T. and Snell, S. (2004). *Management: The new competitive landscape*. 6th ed. New York: McGraw-Hill. Greco, JoAnn. (1997). *Journal of Business Strategy*. Outsourcing: The New Partnership”. 18(4), 48-55. Retrieved from the Thomas Gale database on October 4, 2006. Human Resources Department Management Report. (2005). How 'Closed-Loop Analytics' at Albertsons Reduces Turnover & Saves Millions of Dollars. 5(3), 2-4. Retrieved from EBSCOhost database October 6, 2006. Kijoo, K. , and Kim, E. (2006). Suggestions to enhance the cyber store customer’s satisfaction. *Journal of American Academy of Business*. 9(1), 233 – 240. Retrieved from EBSCOhost database October 6, 2006. O'Donnell, J. (2006). USA TODAY: Holiday Season Sales Forecast. Retrieved October 5, 2006 from USA Today web site: <http://www.usatoday.com>.

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