

Target strategic analysis

Business, Company



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Target Corporation American retailing company headquartered in Minneapolis, Minnesota. Target is the second-largest discount retailer in the United States, behind Wal-Mart. The Target chain discount stores range from 95, 000 to 135, 000 square feet. Super Target chain hypermarkets are approx. 174, 000 sq. ft. Target's beginnings During the Panic of 1893 which caused a decline in retail estate prices, the Westminster Presbyterian Church burned down, and because its insurance wouldn't cover the cost of a new building, the church was looking for revenue.

Its congregation appealed to Dayton to buy the empty corner lot next to the demolished building from the church so it could rebuild. Dayton bought it and eventually constructed a six-story building on that corner lot in downtown Minneapolis. 1902, Dayton, looking for tenants, convinced Reuben Simon Goodfellow Company to move its nearby Goodfellow department store into his newly-erected building. Goodfellow retired and sold his interest in the store to Dayton. The store's name was changed to the Dayton Dry Goods Company in 1903. 1923, Dayton's 43 year old son David died, prompting George to start deferring parts of his business to another son, Nelson Dayton. 1938, George Dayton passed away and Nelson Dayton assumed the role of president of the Dayton Company, a \$14 million business. 1944, it offered its workers a retirement policy, becoming one of the first stores in the United States to do so. 1962 the Dayton Company, using John F. Geisse's concepts,(American Business Man who launched successful retail chains), opened its first Target discount store located at 1515 West County Road B in the Saint Paul suburb of Roseville, Minnesota. 1969, in the same year,

Target's parent company, Dayton, merged with J.L. Hudson Company of Detroit and became Dayton-Hudson Corporation. In 1978, the company acquired Mervyns and became the 7th largest general merchandise retailer in the United States. Target Stores opened eight new stores that year. In 1982, it expanded into the West Coast of the United States. In 1986, the company acquired 50 Gemco stores from Lucky Stores in California, allowing Target Stores to become the dominant retailer in Southern California as the chain grew to a total of 246 units. In 1988, Target Stores expanded into the Northwestern United States. In 1989, it expanded to the Southeastern United States where it entered Florida, Georgia, North Carolina, and South Carolina to a total of 399 units in 30 states with \$7.51 billion in sales. In 1990, it acquired Marshall Field's from BATUS Inc. In 1995, Target Stores opened its first Super-Target hypermarket in Omaha, Nebraska. It launched the Target Guest Card, the discount retail industry's first store credit card. In 1999, Dayton-Hudson acquired Fedco and its ten stores in a move to expand its Super-Target operation into Southern California. In 2000, Dayton Hudson Corporation changed its name to Target Corporation and its ticker symbol to TGT; by then, between 75 percent and 80 percent of the corporation's total sales and earnings came from Target Stores; Dayton's, Hudson's, Marshall Field's, and Mervyns were used to fuel the growth of Target, which expanded to 977 stores in 46 states and sales reached \$29.7 billion by the end of the year. In 2001, it launched its online gift registry. In 2004, Target Corporation announced its sale of the Marshall Field's to St. Louis, Missouri-based May Department Stores.

Target Stores expanded to 1308 units and reached \$46.8 billion USD in sales. 2005, Target began operation in Bangalore, India. It reached 1397 units and \$52.6 billion in sales. 2006, Target completed construction of the Robert J. Ulrich Center in Embassy Golf Links in Bangalore, and Target planned to continue its expansion into India. 2009, Target expanded outside of the continental United States for the first time. Two stores were opened simultaneously on the island of Oahu in Hawaii, along with two stores in Alaska. 2010, Target announces its goal to give \$1 billion to education causes and charities by 2015.

Target began a nationwide closing of its remaining 262 garden centers, reportedly due to "stronger competition from home-improvement stores, Wal-Mart and independent garden centers. 2011, Target announced its first ever international expansion, into Canada, when it purchased the leaseholds for up to 220 stores. The first City-Target opened in 2012. City-Target is the name for a smaller-format, downtown Target store aimed at the urban market. The assortment will be edited towards urban living, but will carry many of the same products.

The stores will still look and feel like Target but many will be multilevel stores in existing landmark buildings, not the usual strip mall or stand-alone locations.

_____ II. Company's Statements 1. Mission Statement Our mission is to make Target your preferred shopping destination in all channels by delivering outstanding value, continuous innovation and exceptional guest

experiences by consistently fulfilling our Expect More. Pay Less brand promise.

2. Vision

Target envisions vibrant thriving communities that they help, in which all residents have access to social and financial equity to ensure constant growth and a long term plan to sustain success.

3. Values

- * Design for all It's our belief that great design is fun; energetic, surprising and smart should be accessible and affordable for everyone. When we talk about our dedication to good design, we don't just mean how something looks, but also how it satisfies a need, how it simplifies your life, and how it makes you feel.

Great guest service

In stores or online, we work hard to ensure your Target shopping trip is always enjoyable and exciting. How do we do it? Friendly service from team members ready to assist with your list, fully stocked shelves and a speedy checkout process—and that's just the start.

- * More for your money We think a lot about your budget and how to give you the best value every time you shop with us. In addition to our already low prices, we offer other ways to save you money; including price matching in our stores and an additional 5%.
- * Fun and rewarding place to work

Our team is our greatest asset, so we invest in the growth and development of all team members, and have fun in all we do. And we're committed to building a team that does the right thing for our communities, our shareholders and, above all, our guests.

- * Legacy of giving and service Community giving is—and always has been—a cornerstone of our company. We give our time, talent and business strengths to make our communities strong, healthy and safe. We invest in career development and well-being of

our team. And from the start, we've given 5 percent of our income, a commitment that does not waver based on the economic climate. . Goals* To incorporate diversity into every facet of their business. * To make sure that the diversity of their employees mirror the diversity found in the communities in which they are located. * As a company: To search for and find the most qualified applicants who are high-performing, highly motivated, and bring with them diverse experiences and talents. * The goal of the councils is to jointly help individuals to further develop their careers at the same time as improving the Target workenvironmentas a whole. Torespectand value the individuality of all their team members and guests. Target today * Target stores tend to attract younger and more educated and affluent customers than Wal-Mart, among other competitors. * The median Target shopper is 41 years old, the youngest of all major discount retailers that Target competes directly against. * The median household income of Target's customer base is roughly \$63, 000. * Roughly 76% of Target customers are female. * More than 45% have children at home. * About 80% have attended college and 48% have completed college. 97% of American consumers recognize the Target Bulls eye logo.

_____ III. External Analysis 1. Environmental Analysis: a. Economics b. Demographics c. Governmental 2. Industry 3. Competition 4. Opportunities and Threats

_____ 1. Environmental Analysis: a. Economics * Target plans to have

between 100 and 150 stores open in Canada by 2014. The company has also launched a new store concept plan called City-Target.

These stores are aimed at urban shoppers who live in cities, so these stores won't carry big bulky items customers can't carry. The corporation has also done remodeling to stores so they now have fresh produce and grocery items. All these new additions to the Target Corporation have been an aid in the growth of the company in the past years. * Target can access helpful economic trending data compiled by the Organization for Economic Cooperation & Development (OECD), including economic forecasts for growth, weakness, instability, as well as GDP and aging indexes. Target stores are rapidly growing and opening in almost every city in America and show no signs of downsizing. * To boost sales, the company has increasingly promoted its company issued credit & debit card. * As the economy has faltered, more consumers have become price-conscious and Target has adapted to such needs by creating \$1 bins, offering bulk paper product and household goods, and scaled back on home decor items.

b. Demographics * Target shoppers have a median age of 46 — the youngest among major retailers. The median household income of Target guests is \$55, 000. * Forty-three percent of Target shoppers have completed college. More than half of Target guests are employed in professional or other managerial positions. * Eighty to ninety percent of Target guests are female. * Thirty-eight percent of guests have children at home — or in a red shopping cart with them. This figure is consistently more than any other discount store's customer profile.

c. Governmental * Long-standing commitment to equal opportunity Employment has increased the diversity of the work force. In 2005, Target

became the first national retailer to voluntarily decide to place all cough, cold and allergy products containing pseudo ephedrine behind the pharmacy counter. In stores where we do not have a pharmacy, products containing pseudo ephedrine will not be sold. * Target does not sell real guns, or toy guns that can be mistaken for real guns. * Refrain completely from use of child labor. Child labor as being below the minimum legal working age according to local law, or under the age of 14, whichever is greater. Wage calculations are done in all factories to verify that the workers are being paid according to local labor law as well as for all of the time worked.

2. Industry Target Corporation operates in the Services industry, specifically in the Discount, Variety Stores sector. Target remains a high performer, with a market capitalization of 43.2 billion dollars, second only to Wal-Mart. Market Positioning Analysis Industry Classification = Discount Department Store. Categories * Household * Pharmacy, beauty, personal care * Toys * Electronics * Music, movies, books Sporting goods Apparel * Apparel for women, men, boys, and accessories * Food and Pet Supplies * Dry grocery, dairy, frozen food, beverages * Home Furnishings, Furniture * Lighting * Kitchenware, small and Decor appliances, home decor * Bath and bath accessories. * Automotive

3. Competition Target faces strong competition from wholesalers such as Wal-Mart and Costco as well as department stores like Macy's and Sears Holding Company. Nevertheless, it has secured a strong position in the market, holding a 33.4% department store market share while the Super Target represents 3. % of the Warehouse Clubs & Super Centers in the US.

a. Barriers to Entry: Despite the expansive network of suppliers needed to become a viable company in this sector, successfully

adding a company to the mix in order to compete against the likes of BJS, Costco, Wal-Mart and Target is highly unlikely. Especially because of the nature of the business- to provide all types of quality items at a low cost, unless one angles to come in as niche discounter (like with the 99 cent/Dollar stores), there are enough barriers to entry in place to keep most companies out of the discount retailer competition. b.

Substitutes: There are very few substitutes for discounted retailers, thus making it a profitable industry. Either consumers shop at traditional retail outlets with higher prices, or stay within the industry itself. c. Buyers: Though feeling the pinch of a weakened economy, are still looking towards Target and its peer competitors for the best products at the lower prices. While demand in the sector has slowed little, Target continues to perform well above industry. d. Suppliers: Individual discount retailers have a vast network of suppliers from all over the globe and even under their own private label.

Target has its own label for furniture and home goods that operates in Minnesota. Many of its competitors, including the Family Dollar Chain and the 99 Cent chain also have networks of suppliers, mostly in Asia, in addition of their own in-house suppliers. 4. Opportunities and Threats e. Opportunities * Global Expansion * Entering untapped US Markets * Continued growth in private label products * Financial Services- (credit cards) * Demand for Top quality, luxury, comfort * Demand for organic products * Technology (Internet, credit cards, reservations) f. Threats * Costco and Wal-Mart are heavy competition. U. S. Economy * Economic forces effect many areas negatively, but are expected to improve. * Interest rates are rising * Increase in online

shopping * Decreased Customer Spending

_____ IV. Internal Analysis 1. Target's Strategic Business Units: a. The Stores: i. Target Discount Stores Is a chain of discount stores that are about 95, 000 to 135, 000 square feet, and carry hardliners, soft lines (clothing), and a limited amount of groceries, mostly non-perishable. Specifically, Target stores carry lothing, shoes, jewelry, healthand beauty products, electronics, compact discs, DVDs, bedding, kitchen supplies, sporting goods, toys, pet supplies, automotive supplies, and hardware supplies. They also carry seasonal merchandise such as patio furniture during the summer and Christmas. ii. Super-Target Is a chain of hypermarkets that are about 174, 000 sq. ft. (16, 200 m²) and feature double entrances on one-story stores. These stores offer everything found in a regular Target as well as a full grocery selection, fresh produce, bakery and deli, with most locations having a Target Optical.

Many Super Targets feature Starbucks Coffee, Pizza Hut Express, Taco Bell Express, Target Pharmacy, The Studio @ Target (a portrait studio), TargetPhoto, Target Mobile (a Wireless kiosk), and a Wells Fargo Bank or U. S. Bank. iii. Target City: The Chicago store allocates approximately 55, 000 sq ft (5, 100 m²) to its sales floor. City Target stores carry groceries, prescriptions, cosmetics, clothing, electronics, toys, and apartment essentials such as furniture, linens, and kitchen utensils. Certain items too bulky for urban apartments or for customers to carry are not stocked in City Target stores. v. Target Greatland Is a chain of general merchandise superstores, with a size of about 150, 000 square feet, they carry a larger

selection of general merchandise than basic Target store; however, they do not have a full-line of groceries like meat, bakery, deli, produce and dairy. b. Financial and Retail Services (FRS) Formerly Target Financial Services (TFS): issues Target's credit cards, known as the Target RED card (formerly the Target Guest Card), issued through Target National Bank (formerly Retailers National Bank) for consumers and through Target Bank for businesses.

The Target Debit Card withdraws funds from the customer's existing checking account, and allows for up to \$40 " cash back. " The debit card allows customers to save five percent of each purchase, as well as designate a school for Target's Take Charge of Education program, and accumulate pharmacy rewards. c. Target Sourcing Services (TSS): This global sourcing organization locates merchandise from around the world for Target and helps import the merchandise to the United States. TSS has 27 full-service offices, 48 quality-control offices, and seven concessionaires located throughout the world.

TSS employs 1, 200 people. d. Target Commercial Interiors: Provides design services and furniture for office space and originated in the home furniture department at Dayton's. Currently, Target Commercial Interiors has an unusually high market share of Fortune 500/1000 business customers, and are expanding to attract small to medium sized businesses, as well as home offices. e. Target Brands: Owns and oversees the company's private label products, including the grocery brands Archer Farms and Market Pantry. f. Target Forensic Services

Target also operates two sophisticated criminal forensics laboratories, one at its headquarters and the other in Las Vegas. Originally, the lab was created
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with the role of investigating internal instances of theft and fraud and other criminal actions that have occurred on its own properties. Eventually, the company began offering pro bono services to law enforcement agencies across the country. Target's Forensic Services has assisted agencies at all levels of government, including federal agencies such as the United States Secret Service, Bureau of Alcohol, Tobacco and Firearms and the Federal Bureau of Investigation.

The labs have become such a popular resource for law enforcement that Target has had to restrict its assistance to violent felonies. g. Target. com: Owns and oversees the company's e-commerce initiatives, such as the Target. com domain. Founded in early 2000 as target direct. 2. Financial Analysis (Also Attached) 3. Strengths and Weaknesses a. Strengths: * Strong Marketing Initiatives * Brand Quality * Leading Market Presence * “ Going Green” Trend * Online shopping with free shipping to the local store * Design-trend * Innovative Marketing Techniques * ActiveSocial Media* Favorable Real Estate Locations Size and Cost Advantages * CustomerLoyaltyat Target is Essential * Target Has Efficient Operations * In Store Credit Card b. Weaknesses * High employee turnover at store level * Food margins lower than general merchandise * Stores vary little by region * Their store brand can be the same price as well-known brands item * None or no enough self-service register * No whole sale. c. Financial trends and projections Target Corp. (TGT) may represent one of the best choices in the retail sector. There are many pluses to consider regarding this retail stalwart given today’s rapidly changing retail environment.

Target is much more than its 1, 787 retail stores in the United States and Canada. Target's credit operations and rapidly evolving online presence both offer strong prospects for growth. From a fundamental perspective, Target appears attractively valued on many fronts. Although the company trades at a below-market valuation, even more importantly it currently trades at a strong discount to the quality premium that the market has historically awarded their shares. As a result, Target Corp. offers an above-market dividend yield of 2. 1%. That has grown on average, by close to 20% per annum since calendar year 1999.

During the five years' time frame, the earnings growth of 10. 6% remains consistent with Target's longer-term historical growth achievements. The fact that Target's price (the black line) is touching its intrinsic value (the orange line) illustrates that there exists good value in their shares. Projections The consensus of 19 analysts reporting to Standard & Poor's Capital IQ expect Target to grow earnings at the rate of 10% in fiscal 2013, 15% in fiscal 2014, and 12% thereafter out to calendar year 2018 (see Chg/Yr at the bottom of the graph).

If these estimates were to prove true, then a current position in Target offers the potential to generate returns in excess of 13% per annum over the next five years. d. Strategic key factors (SKFs) Compared together, Wal-Mart and Target are very close competitors. They are all retail-variety discount stores making their existence known throughout the world, except Target, is newer in the global market. These companies are constantly vying for the reputation as the lowest priced retailer.

In the competitive profile matrix, the most critical success factor would be advertising Target does a lot more advertising than Wal-Mart and Kmart. Price competitiveness, Wal-Mart, remains above all competitors. Product quality, Target's products tend to be top brand products. Customer loyalty many people prefer better products no matter how much it costs, especially if they get other benefits they might not get elsewhere, such as, customer service, store cleanliness, more visual organization appeal, etc.

_____ V. Long Term Objectives and Strategies 1. Objectives * The company's long-term objective is to attain \$100 billion or more in sales and \$8.00 or more in earnings per share by 2017. * Target plans to donate more than \$500 million by the end of 2015 to support education, doubling its support to-date, for a total of more than \$1 billion. The financial commitment is part of Target's new reading initiative, Target Read With MeSM, aimed at helping more U.

S. children read proficiently by the end of third grade. As part of the initiative, Target also announced a reading pledge, a donation of up to 2 million books to kids in need, and plans for an innovative reading center that will reach communities across the country through a physical and virtual presence. 2. Strategies * Target has partnered with other fast-food chains like Taco Bell and Pizza Hut, again to cater to consumer desires for food while they shop, hoping to increase same store sales.

The fact that Target has been able to infiltrate the urban market at a much better rate than Wal-Mart has helped to make these strategic partnerships successful. * Target's efficient marketing, multi-channel strategy, product

innovation, compelling pricing strategy, and new merchandise assortments, should drive comparable-store sales and operating margins in the long term. We expect the company to gain market share, and believe that more focus on consumable items should boost sales and earnings in a sluggish consumer environment.

_____ VI.

Implementing Strategy Integral to the success of the corporate strategy is what the company prides itself in the most, it's pioneering nature in store design. Target designs their stores to be easy and intuitive to shop, with related departments conveniently placed next to each other (decor next to home improvement, toys next to sporting goods) and a "racetrack" central aisle to speed you on your way. They also work hard to make sure the shopping experience is consistently enjoyable, with a clean environment, friendly team members and feel-good details on all sides. This commitment to excellence, to stylish and chic, yet affordable items presented with the user in mind has allowed the company to gain and maintain a strong foothold in the industry, carving out its own niche and distinguishing it from competitors. The company's strategy has also allowed Target to remain flexible and able to change significantly with its consumers, allowing it to seek substantial growth opportunities in various branches and extensions of the brand. Targets performance can be attributed to many things, including a corporate decision to follow a path of brand extension and cautioned expansion.

Target has created a corporate culture conducive to a constant call of innovation and a group of people who are committed to the success of the brand. Target employees praise the "flexible" corporate structure that offers "frequent chances for promotion."

1. Functional Areas

a. Management Most directors have established a good working relationship with one another through previous business dealings. They are educated and successful business people and all directors and staff. Strong Management Leadership in Target Corporation's executive office that provides leadership for all divisions.

The divisions are encouraged to share advances in technology and coordinate purchasing and financial management. Target Corporation has experienced accelerated growth in sales and earnings under the management leadership of Robert Ulrich, Chair ; CEO.

b. Marketing The Marketing Planning team identifies marketing opportunities and develops integrated marketing campaigns. Additional responsibilities include writing creative blueprints, developing media plans, overseeing project execution and managing budgets.

The Marketing Creative team communicates the Target brand through various advertising media and campaign strategies including in-store marketing, promotions and packaging.

c. Human Resource Target's philosophy is an example of the resource based perspective of strategic human resource management (HRM), in which a firm's collective human resources are believed to have implications for firm performance and provide a unique source of competitive advantage that is difficult to replicate. The formal mission of Target's HR organization is to "drive

company performance by building a fast, fun, and friendly team committed to excellence. To fulfill this mission, over the past four years the HR function has translated Target's competitive strategy into four core HR strategies and processes in the following areas: * Organizational culture * Staffing * Employee development * Employee retention

d. Strategy and Research The Strategy and Research group explores new business opportunities, strengthens existing business relationships, and applies consumer insight to marketing messages. The Market Research team analyzes shopping behavior through focus group interviews and observation.

The Strategy team uses the resulting data along with other tools to recommend changes regarding product mix, content, display and marketing.

Target gives back to the community * Target ranked No. 22 in Fortune Magazine's " World's Most Admired Companies" for 2010, largely in part to the donation efforts of the company as a whole. * Target donates around 5 percent of its pre-tax operating profit; it gives over \$3 million a week to the communities in which it operates. * Target gives a percentage of charges from its Target Visa to schools designated by the cardholders.

To date, Target has given over \$150 million to schools across the United States. * Target House complex in Memphis, Tennessee, a long-term housing solution for families of patients at the city's St. Jude Children's Research Hospital. The corporation led the way with more than \$27 million in donations, which made available 96 fully furnished apartments for families needing to stay at St. Jude over 90 days. * Target donates to local Salvation Army chapters through its grant program and annually to the United Way of

America. * During disasters, Target has been a major benefactor for relief efforts.

It also allowed its store properties in the affected area to be used as command centers for relief organizations. * Target will often donate its unused, returned or seasonal merchandise (particularly clothing) to Goodwill Industries. Bibliography " Capstone Analysis: Target. " Capstone Analysis: Target. N. p. , n. d. Web. 25 Mar. 2013. Carnevale, Chuck. " Target Corp Offers Solid Value And An Above Market Yield. " Forbes. Forbes Magazine, 15 Mar. 2013. Web. 27 Mar. 2013. " Corporate Fact Sheet. " Fact Sheet: Quick Facts About Target. N. p. , n. d. Web. 4 Mar. 2013. " Target Corporation. " Wikipedia. Wikimedia Foundation, 23 Mar. 2013. Web. 23 Mar. 2013. " The History of Corporate. " Target Corporation. N. p. , n. d. Web. 23 Mar. 2013. " Target Corporate: SocialResponsibility, Careers, Press, Investors. " Target Corporate: Social Responsibility, Careers, Press, Investors. N. p. , n. d. Web. 24 Mar. 2013. " Target Corporation: Company Analysis and Evaluation. " Yahoo! Contributor Network. N. p. , n. d. Web. 25 Mar. 2013. " WikiWealth. " Target (TGT) SWOT Analysis -. N. p. , n. d. Web. 24 Mar. 2013