# Michael porter's 5 forces for target

Business

Your full full April 02, Michael Porter's Five Forces for Target Operating over 1700 discount stores across the country, Target Corporation is the second largest retailing company of the United States. The company has been on the top positions of the Fortune 500 companies' list for many years. In this paper, I will analyze Target Corporation using Michael Porter's Five Forces model. I will rank the forces in terms of their importance for the company.

Threat of New Entrants (High)

In my view, threat of new entrants is the most important of all five forces for Target Corporation. Because of reduced entry barriers, both new and existing retailing companies are opening more and more discount stores in the country offering similar products to the customers. As Labrador states, " the lower the barriers are, the easier it will be for competitors to come in". Future competitors of Target include both local and international retailing companies. Therefore, to remain on the top positions in the country, the company continuously monitors its business strategy of providing best quality products to customers in the lowest prices.

Suppliers' Power (Moderate)

The bargaining power of suppliers is neither very strong nor very weak. Although Target provides good support to suppliers' businesses, suppliers have been able to retain the power to control products' prices because of increased competition between the discount stores operating in the United States. Along with increased competition, lowering of import barriers and low cost international labor are some of those factors, which have directly affected the bargaining power of suppliers.

Buyers' Power (High)

" The ability of consumers to buy substitute goods leads to the buyer power force" (Vitez). Buyers have a strong bargaining power in the United States. Although Target is operating a number of discount stores all over the United States, but the ever increasing number of other discount companies has strengthened the bargaining power of buyers. Customers can move to some other store if they find that store offering low prices as compared to Target. Target needs to keep the prices low and competitive in order to maintain its market share.

Threat of Substitutes (Low)

Target has low threat of substitute products. The reason is that discount stores of Target and all other companies offer low prices to the customers as compared to general stores. Customers always want to buy products from the stores, which offer low prices. Although used products' stores also offer low prices, but customers prefer to buy new products with the same prices that used products' stores offer. Therefore, Target is far away from the threat of substitutes.

Intensity of Rivalry (High)

The intensity of rivalry seems to be high for Target Corporation. As Halasz states, " competitors struggle within the industry to increase or simply maintain their position". The reason is that competitive rivalry in the United States is getting high day by day. Target is not the only retail store in the country which offers discounted products to the customers. Considering the indicator of industry concentration, Wal-Mart is the company's only major competitor. However, Target needs to develop effective business strategies to become the leader of the discount retailing companies of the United States.

Works Cited

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