Swot analysis of target corporation

Business

Target Corporation (NYSE: TGT) is the third largest “ big box” discount store operator in the United States after Walmart Stores Inc. and Costco Wholesale. Unlike Walmart and Costco, Target has no significant operations outside the United States.

Target suffered heavy losses from a poorly planned and badly executed expansion into Canada, its first attempt to operate outside the United States. Target reportedly lost $5. 4 billion in Canada. The retailer’s reputation was badly damaged when it was forced to shut down 124 stores and pull completely out of the country in April 2015. Target is still suffering significant losses from the Canadian debacle; it reported a net income of -$900 million on July 31, 2011.[1]

Target currently operates 1, 799 stores and 38 distribution centers in the United States.[2] It reported a TTM revenue of $72. 71 billion on July 31, 2015, unlike Walmart Target has experienced modest revenue growth in recent years. Target’s revenue grew at a rate of 2. 77% during the third quarter of 2015, while Walmart’s grew at a rate of . 09%.

To help you see what the future holds for this retailer, here is a short SWOT analysis of Target corporation:

Target Strengths

- Target is a well-established and recognized brand name that is highly respected by customers.
- Unlike Walmart, Target is well liked by customers. It seems to provoke none of the resentment and hostility that Walmart often faces.

- Target is viewed as a fun place to shop, unlike Walmart.
- It has strong expertise in marketing in highly profitable segments of the retail market, including fashion and household furnishings.
- Good relationship with customers that has built a high level of brand loyalty.
- Ability to create an enjoyable shopping experience for customers.
- Target has long had an ability to present itself as hip, fashionable and more appealing to younger customers.
- Target has the ability to present itself as a middle-class brand. This enables it to attract shoppers that find traditional discount stores like Walmart lower class or distasteful.

Target Weaknesses

- Its business model is based on supercenters and other big box stores. Many shoppers seem to prefer the convenience of smaller neighborhood stores.
- Target has failed to change its business model to adapt to changing times. It has plans to open just eight smaller Target Express locations in 2015.[3] In contrast, Walmart was planning to open 270 to 300 smaller stores in the same time frame.[4]
- Target has only recently made an aggressive push into online retail. Its efforts in ecommerce still lag behind aggressive competitors like Amazon. com and Walmart.

- Target is not as large or as diversified as other retail giants, including Walmart, Kroger Inc., Costco and Amazon. com. This makes it more vulnerable to economic downturns and changing shopping patterns than those retailers.
- Target has failed to tap some potentially lucrative areas of retail, including filling stations and financial services, unlike Walmart and Kroger. Kroger is now American's favorite fuel retailer and the operator of 2, 000 filling stations.[5]

Target Opportunities

- E-commerce, especially fashion. Target's reputation as a fashion retailer has strong appeal to online customers. In April 2015 Target's promotion of Lilly Pulitzer products was so popular it crashed the retailer's site.[6]com could attract a large amount of traffic by becoming a go-to site for fashion bargains.
- Declining middle-class incomes in the United States could increase Target's customer base because people with less money are more likely to shop at discount stores.[7] Target is well poised to benefit from this trend because unlike Walmart or dollar stores, it is a discount store that is not viewed as a lower-class retailer.
- New sales channels, such as smaller neighborhood stores, same day online delivery and click and pull, could increase Target's sales volume. In click and pull, customers order online, but store employees take the goods from the shelves and prepare the order for customer pick up.

Unlike Walmart, Target is participating in Google’s Express same-day delivery experiment.[8]

- Target is an urban brand in a country that is becoming more urbanized. Target has strong expertise in retailing in popular urban areas where younger Americans prefer to live, such as Brooklyn.
- Target is better suited to attract millennial shoppers (persons that have entered adulthood after the year 2000) whose lifestyle is more urban and less car-oriented than their parents.[9] Millennials also have less disposable incomes, which makes them more likely to shop at discount stores like Target.

Threats to Target

- Falling incomes in the United States mean that average Americans have less buying power. This could reduce profitable purchases, including those of big ticket items at Target and make people less inclined to shop.[10]
- Growth of dollar store or small box discount retailers, which offer convenience and low prices. The largest small box brand, Dollar General (NYSE: DG), now operates 12, 198 stores in 43 states. Dollar General reported revenues of $19. 68 billion that were growing at a rate of 7. 87% on July 31, 2015.
- Online retailers, particularly Amazon. com, which offer very low prices and the convenience of shopping at home. Amazon subsidiary Zappos has become a strong competitor to Target in fashion. Walmart has been aggressively promoting its online retail operations in recent years

as well. Many younger shoppers prefer e-commerce to traditional shopping. Target has been forced to match Walmart and Amazon's prices and free shipping deals just to stay competitive online.

- Amazon is far better established online and has a far better reputation with e-commerce shoppers than Target.
- Grocers, particularly Kroger Inc. (NYSE: KR), which has become a direct competitor to Target by opening Marketplaces, its version of a supercenter, that stock many of the same products as Target.[11] Kroger also has demonstrated an ability to match or undercut Target's prices for many items in recent years.
- Walmart Stores Inc. (NYSE: WMT). Walmart has made aggressive moves into some of Target's areas of business in recent years. It has expanded its online operations and opened hundreds of its smaller Neighborhood Markets, often in urban and suburban markets served by Target. Expect Walmart to ramp up these efforts as its traditional supercenter business becomes less profitable.[12]
- Younger shoppers, including millennials, that are less inclined to shop at large general merchandise discount stores like Target. Some news stories indicate that millennials prefer to shop online or at more convenient dollar stores and Neighborhood Markets.[13]
- Costco Wholesale (NASDAQ: COST). The club store giant has been able to capture a large segment of middle- and upper-class shoppers—traditional Target customers—with a fun shopping experience, consistently low prices and high-quality merchandise. In recent years,

> Costco has been able to expand its sales of home furnishings and clothing products, traditionally viewed as Target specialties.

Target faces a difficult retail environment filled with aggressive and often sophisticated competitors. This retailer will find itself in a brutal struggle for customers and survival in the years ahead.

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[2] http://pressroom. target. com/corporate

[3] http://pressroom. target. com/news/target-announces-store-growth-plans-for-2015

[4] http://corporate. walmart. com/_news_/news-archive/2014/02/20/walmart-us-accelerates-small-store-growth

[5] http://ir. kroger. com/File/Index? KeyFile= 25335031

[6] http://entertainthis. usatoday. com/2015/04/19/lilly-pulitzer-target/

[7] http://www. nytimes. com/interactive/2015/01/25/upshot/shrinking-middle-class. html? _r= 0

[8] https://www. google. com/express/

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[10] http://www. advisorperspectives. com/dshort/updates/Real-Median-Household-Income-Growth. php

[11] https://www. kroger. com/topic/kroger-marketplace

[12] http://www. usatoday. com/story/money/2015/10/14/walmart-shares-plunge-lower-earnings-forecast/73921190/

[13] http://business. time. com/2013/09/11/millennial-shoppers-big-on-browsing-not-splurging/