

Target corp strategic recommendation

[Business](#), [Marketing](#)



Target Corp. Strategic Analysis MAN4720 Section 22 -Wednesdays 7: 30pm

Team: Risky Business Christine Majewski Jake Morgan Kristin Stearker Cory

Verez Executive Summary ? The purpose of this analysis is to inform the board of team Risky Business' strategic proposal related to Target Corporation's Health & Wellness category. Target is already a multi-million dollar company, but after analyzing the company, our team has come up with a few strategic recommendations to aid in the continued success of Target.

We have found that Target strives to combine top of the line innovation, excellent customer service, and unparalleled value at attractive prices to customers using their Expect More. Pay Less® brand promise. The Target Corporation has many strengths that will help our recommendation succeed including a wide scope of products and brands, strong internal logistics, convenience of online shopping, and an already strong brand and financial position. We feel that Target creates a sustained competitive advantage by leveraging the different aspects of their integration strategy to attract customers.

Target is able to keep volumes high, driving costs down to offer lower prices on the differentiated products that Target's guests have grown to love and expect. ? Team Risky Business's strategic recommendations for the Health & Wellness sector include expanding initiatives and educational programs associated with organic and gluten free lifestyles. Target already has brand exclusive organic lines and our team recommends making consumers more aware of the products offered as well as benefits their guests can reap from changing their lifestyles.

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We suggest increasing advertising in order to promote these product lines to a market that is increasingly more health conscious than ever before. As with any strategic option, there are fall out risks associated to this plan that include increased costs and a potential lack of interest or demands. The full analysis gives a more in depth look at the current position of the company and future problems it could face along with the strategic recommendations we have chosen, and potential fallout risks associated with our solutions.

Identify your client's current vision and mission and analyze your client's strategy ? Target's ultimate goal is to become the most favored shopping destination for customers throughout all existing channels. The company plans to achieve their overall vision by continually being a top innovator in the industry, delivering outstanding customer experiences and terrific value at attractive prices, and by constantly fulfilling their brand promise of Expect More. Pay Less®. Target tries to live up to their statements and this can be seen throughout many areas of the company.

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Pay Less®” when they shop at Target. Target combines innovation, value, and commitment to their brand promise through their actions, such as partnering with popular fashion designers to create affordable lines specifically for Target. This combining of differentiated products with lower prices is one way that Target incorporates its mission statement into their everyday operations. Target is still working on reaching its end goal of becoming the preferred outlet, as shown by its #2 market share position in the discount department store industry. Target is surpassed in market share only by Wal-Mart at this time (Biesada, 2013). Three segments are operated by Target; US Retail, Canadian, and US Credit Card. Two branded credit cards, the Target Card and the Target Visa, and one Target branded debit card, offer credit to customers through the US Credit Card segment (Reuters, 2013). In 2012, the total REDCard penetration was 13.6%, up from 9.3% the prior year. Although more people are signing up for credit, the total revenue generated from this segment has been declining since 2010 (Target Corporation, 2013). See Exhibit 1 for US Credit Card segment details. The Canadian segment includes the recently acquired Zeller’s, Inc. store locations in Canada. Start-up costs for this segment were \$272 million in 2011 and \$74 million in 2012 (Target Corporation, 2013). ? The US Retail segment includes Target’s online business, its general merchandise stores, and SuperTargets (Reuters, 2013). Target.com is designed to allow guests to purchase products directly from online and/or to assist them in locating the product in a store near them. To aid in differentiating themselves, Target uses the web platform to sell not only its general merchandise, but also to introduce six brands sold exclusively through this medium (Target Brands,

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Even through the 2008 recent recession, Target's sales revenues have continued to increase within this segment (Target Corporation, 2013). Sales revenue overall, including all three segments, also has been rising since at least 2007. Although revenues continued to increase through the recession, net earnings dropped from \$2,849 million in 2007 to \$2,214 million in 2008. Target's net earnings recovered and have been increasing every year since the recession (Target Corporation, 2013).

In addition to increasing sales revenue and net earnings, Target's stock prices have also been above both the S&P and Dow Jones indexes for the last 10 years (Target Brands, Inc. , 2013d). See Exhibit 3 for US Retail Segment sales figures and Exhibit 4 for other selected financial data. ? The Target Corporation currently operates 1, 784 of these SuperTarget and Target stores in the United States, as well as their online site, Target. com. Target recently began expansion into Canada; 24 stores are operational at this time (Target Brands, Inc. , 2013b).

Target plans to continue with its growth tactics through 2013, bringing its Canadian fleet up to 100-150 stores (Biesada, 2013). At the same time that Target is expanding into new markets, the company is also penetrating further into existing markets with plans to remodel more of its store formats and to include additional food assortments. According to Hoovers, “ nearly 900 Target stores (up from 462 last year) now feature expanded food assortments...In fiscal 2013 Target plans to remodel an additional 230 general merchandise Target stores ...” (Biesada, 2013).

The remodeled stores, with better food assortments and innovative design changes, seem to be part of a strategic effort to stay competitive with the only company out-performing them, Wal-Mart. ? Finally, the Target company operates using an integration strategy, and is one of few companies that has found success using this type of strategy. As IbisWorld states, “ Target offers daily essentials and consumables at discounted prices; however, the company has carved out a niche market by focusing on selling fashionable and trendy products” (IBISWorld, 2012).

Target is unique because it has successfully managed to operate with low costs while providing differentiated products that satisfy their customers' needs and wants. Being able to continuously offer quality, innovative products while keeping costs low lays a foundation for the company to create competitive strengths on. Analysis Strengths: ? A couple of strengths that we found Target is posting is their large variety of product and brands. They offer a wide arrangement of goods that can attract an excessive amount of consumers to come through the store.

Another strength that Target holds is a strong internal logistics structure. Their 37 distribution centers located across the US gives them a strong chance to open more stores, and reach more potential customers. (Target Co.) They also offer the convenience of online shopping for all of their customers, not only offering ease of shopping, but also allowing those who may not have a target nearby still enjoys their goods. We also found that Target is in a unique position in respect to their current sales, over the last few years they have consistently posted growth in revenue, and gross profit.

Weaknesses: ? A weakness that was found through our research was a decrease in liquid capital over the last 2 years, potentially making it difficult to manage working capital and operational needs. Furthermore, they have increased the total debt that they are obliged to, making the lack of current assets evermore detrimental. Another possible weakness is their lack of exposure to countries other than the US, they are currently only operating inside the US which could pose many problems due to their dependence on one market. Target Co.) Opportunities: ? There are plenty of opportunities for Target when it comes to the expansion of their company into new

markets. In 2013 Target will take its first step into an international market when they expanded in to Canada, creating Target Canada Co. (Target Co.) Target has opportunities to expand their products, and broaden the breadth of their goods, especially the expansion of private label brands. Threats: ? The largest threat to target is that it is in a highly competitive market.

There are a plethora of other stores selling the same goods, as well as the threats of counterfeit goods in the industry. (Target Co.) Another threat is the potential of change in consumer preferences, creating a lack of demand for Targets goods. Threat of Substitute Products: ? We feel the threat of substitute products is high, there are many stores that offer similar goods that could be considered more attractive than buying from target; usually this is derived from the desire to obtain private label goods. Intensity of competitive rivalry in the Industry: The competitive rivalry within the industry is high, there are many companies competing against each other for the same customers, and market share. On top of the brick and mortar traditional shopping, there are now arising e-commerce competitors that intensify the competition within the industry. Threat of new Entrants: ? Considering the wide arrangements of goods offered by Target, we believe that the threat of new entrants is high. It's also a highly competitive market, will low barriers of entry, so the combination of those two things creates an ease of entry for new ventures.

Power of Buyers: We find that the power of buyers is high at Target, while they may not have much negotiating power within the store; they do have many options on where they are going to buy the particular good, which gives them the power to shop around and find the price that they like. Power

of Suppliers: ? The power of suppliers at Target is low, since there has been a decrease in import barriers that has caused an increase in competition between suppliers. So the power of the suppliers to name the price has nearly been eliminated.

Sustainable Competitive Advantage ? To operate effectively in the discount retail industry you need to be able to master some key functions, not only to achieve competitive advantage, but also to make it sustainable. Target displays a couple features we have noticed, that we feel allows them to obtain a sustainable competitive advantage. These SCA factors consist of the ability to manage and perform off a highly effective supply chain and the ability to achieve high economies of scale, due to their huge market presence and mix of private branding. One of the factors that helps Target obtain an effective supply chain is the wide geographical coverage of their distribution centers. They currently control and operate 37 distribution centers ranging from the West Coast of Lacey, Washington all the way to the North East location of Wilton, New York. By having multiple disperse locations they have allowed themselves the opportunity to expand across the whole country. They have the capabilities to service any of their 1, 700 plus stores in a timely manner.

This in turn creates a larger geographical market to operate in effectively that some of their smaller competitors may not have the means to. ? A second important factor that Target masters is its offering of diverse products coupled with high economies of scale. Target offers product lines in departments such as; household, hardline goods (non-informational goods), apparel and accessories, home furnishings and food and pet supplies. By

doing this they create a one stop shop effect which holds a high convenience factor in the eyes of consumers.

In 2010, the highest percentage of sales was in household goods at 24%, the lowest percentage was food and pet supplies at 17% (Target 2012 10k). These statistics support the idea that Target is not just specialized in one department, but has been able to offer a wide variety of products, all of which hold a high demand. Coupled with the wide diverse product range, Target has been able to do this while achieving high economies of scale. They have incorporated 30 plus mixed and licensed brands which helps keep their operating cost low, giving them a higher profit margin.

In addition, Target outsources their goods to multiple countries which helps generate lower costs. They currently have 27 offices in 18 different countries. Problems Moving Forward ? Looking forward, Target may continue to see problems in a couple areas. They currently face the struggles of competing with Wal-Mart internationally, driving traffic through their store/online website and the ability to implement quality control. ? The biggest current problem is competing with their largest competitor, Wal-Mart, at an international level and depending solely on the American market.

It is known that the American economy has taken a hit in the recent past and that can be reflected in Target's recent profits. Being solely dependent does not allow them to mitigate their risk, which Wal-Mart has done by tapping into different countries. This may not be an existing problem for long. Target is exploring the Canadian market and expects to have 125 of 135 stores remodeled and opened in the years 2013-2014. This shows some promise because over 30, 000 Canadians currently hold Target's REDcard, which <https://assignbuster.com/target-corp-strategic-recommendation/>

shows a strong brand presence (FOX). A second problem Target faces is driving consumer traffic through their stores and website. With the new emerging strategy of E-Commerce, consumers now have the ability to shop online in the comfort of their own home. This adds more competition to the market that Target already faced and these new entrants have the option to operate at a minimal cost. ? The last pressing issue Target may face for the future is quality control. Dating back to the start of 2012 and currently into the 2013 year, Target has recalled over 55 products sold.

This damages the image of Target and the products it offers. We do not believe this should hinder their operations too heavily but it is something to take notice of and work on fixing for the future (Target). Strategic Recommendation Our strategic recommendation for Target is to implement a comprehensive, multi-pronged, in-store advertising campaign that focuses on organic and all natural products sales and promotions. Target's commitment to healthy living and high wellness standards is consistent with the benefits of this growing organic market.

Target is able to add to their bottom line by tapping into this already established market, stealing market share from other retailers, and creating a new demand with non-organic users. Organic food sales in the U. S. comprise nearly half of global organic food sales. The global organic market reached \$54. 9 billion in 2009, more than triple the \$18 billion recorded in 2000 (Organic Agriculture in Wisconsin). Target has met the needs of the rapidly growing demand of healthier foods, more effective forms of exercise, and a booming interest in organic products, but have not taken full advantage of the market opportunity.

Recently Target and Harris Interactive carried out a survey that polled American families and found that consumers are confused about how, why and where to shop for organic foods. Many families are unfamiliar or even unaware of the benefits of the organic foods and products. For instance the study showed that, “ one-third (34 percent) of consumers surveyed believe that organic foods are superior to non-organic foods, but nearly two-thirds (61 percent) want to be better informed on the value of where it pays to buy organic” (Organic Consumers Association).

It is not enough to just offer organic food and natural products, Target needs to educate their consumers and persuade them to buy those products offered at Target. " People want to know more about organic products and where to best spend their money on them," says Dr. Susan Mitchell, registered dietitian and SuperTarget Health and Nutrition Expert. " Target provides their guests with product choices for the whole family; products that enhance their lives in an affordable and accessible way.

When it comes to feeding your kids, certain conventional choices are fine, but parents should be informed on where organic is the better bet. With the new Archer Farms organic product, Target has made it easy for parents to make better decisions on what to feed their families" (Organic Consumers Association). Not until recently have a vast percent of our generation been diagnosed with allergies related to gluten, wheat, soy, etc. This is growing allergies are found to be passed on through genetics, and is only treatable through dietary changes.

This means that the market will only continue to grow in future generations, not only by people who have the allergies, but also chose to limit their

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nutritional diet by choice for health reasons. Many companies now carry gluten free and organic food lines permanently and these product lines are continually growing. “ a 2011 survey by the Organic Trade Association found that more than three-quarters—78 percent—of U. S. families are buying organic food, up from 73 percent in 2009. Forty percent of families say they are buying more organic food now than they were a year ago” (Organic Trade Association).

In order for Target to fully tap into this growing market, they will need to continue expanding their current food departments in Target stores or convert them into Super Target stores. Target invested \$500 million in 2010 in a new push on groceries, retrofitting some of its general merchandise stores with full-blown food sections. Sales and traffic at stores with the new grocery areas are about 6 percent higher than at similar stores without them, the company says (NY Times) Last year, nearly 1, 000 Target stores offered an expanded food layout.

At these Target stores, approximately 10, 000 square feet is dedicated to a vast array of fresh food choices, including a curated assortment of fresh produce, fresh packaged meat and pre-packaged baked goods, in addition to dry and frozen offerings. By the end of 2012, more than 1, 100 Target stores offer the expanded fresh food layout compared to 450 in 2010 (Target Press Release). Annette Miller, Target’s senior vice president for grocery, said she expected an expanded food department to move into most Target stores eventually.

While the gross margins of the grocery business are about 18 percent, well below those of retail, which are about 30. 5 percent, groceries both drive <https://assignbuster.com/target-corp-strategic-recommendation/>

visits and make existing stores more profitable, said Colin McGranahan, an analyst with Sanford C. Bernstein (NY Times). Target and Super Target carry many private labels and brands that specialize in healthy lifestyle and organic products. The Archer Farms brand offers organic products while remaining exclusive to Target, and continues to expand their brand with new product introductions regularly.

Both Super Target and Target stores will continue to offer a variety and vast selection of organic products to meet the needs of all their consumers (Organic Consumers Association). Since Target Corp. has been successful with the launching and selling of their exclusive organic product lines, as well as mainstream brand organic products, we feel they need to focus on this demand instead of starting a new venture. " Target is committed to helping guests see the value of organic products and their role in maintaining a healthy lifestyle," says Greg Duppler, senior vice president, Target. We want our guests to have one-stop access to the healthy products they need without sacrificing the convenience and value that Target consistently delivers through our owned brands" (Organic Consumers Association). There is a lot more opportunity in this market than they have tapped into and we feel they should expand their educational programs and initiatives for them to fully take advantage of the organic product demand. Since Target Corp. already has the brand equity and brand awareness, we want to make their consumers more aware of the benefits and facts about living a healthy lifestyle and using organic and all natural products.

Although Target has different advertisements and programs about healthy lifestyle, we feel they could incorporate a greater amount of product

promotion and educational programs to increase their both their sales and brand image. Target Corp. needs to focus some of their advertising dollars on promoting these organic product lines. Not only the food and produce, but also the organic body care lines, and organic cleaning and household products. Organic is not just food. Over 2 billion worth of organic fiber, cosmetic, and household products were sold last year (Consumer demand for organic food boosts sales).

They should increase and reposition their in-store signage and displays to create buzz and inform the shoppers of what organic products they carry. Similar to Publix “ GreenWise” organic section in their store, Target should group their organic products together in each department of the store with attention grabbing, easy to read signage. Each department will include an organic aisle or section with end-cap aisle displays. Within these displays they will include informative, educational facts or promotional videos explaining the benefits of the organic products versus the non-all natural products.

Larger signage and end-cap aisle displays will increase awareness and curiosity. Many people do not want to take the time to research the information about organic products, but if Target offers it in the store, the consumers will be more likely to read it and become interested in the product lines. ? Many shoppers associate organic products and food to Publix and Whole Foods, but we want consumers to also include Target in this category. This advertising boost is more of an initiative than a campaign, to increase awareness and drive profitability in the all-natural product market.

We want to enhance Target's brand image by incorporating more healthy lifestyle programs. Target would build and enhance their "wellness" section of their website for consumers to educate themselves on everyday wellness tips including organic foods and product ads, recipes, articles regarding the benefits of all-natural products. This would also include fitness tips, Target ads for exercise related products, vitamins, and more. We will focus this initiative towards mothers or heads of the households who do the family shopping. Why do people buy organic food? Parents tend to be motivated by health concerns.

The Organic Trade Association found that nearly half of parents surveyed—48 percent—were motivated to buy organic food because they believe it is healthier for themselves and their children. Other motivators for parents include concerns over the effects of pesticides, hormones and antibiotics on children, and avoidance of highly processed food and artificial ingredients (Haumann). Many organic consumers are mothers who care about the wellness of their children and families, so we will focus mainly on healthy lifestyles for families. We will also offer special shopping lists and recipes for food allergies.

Many mothers already shop at Target for their everyday needs and we want them to also buy any of the food products they can while they are there, especially organic. Based on these numbers, the organic food and beverage industry presents an opportunity for growth in both revenue and jobs during the downturn. Target has a huge advantage with their Red-card, that shoppers who have this credit or debit card receive 5% off their entire purchase every time they shop at Target or Super Target. This is another

discount on top of Target's everyday low prices compared to Whole Foods, Publix, and World Market.

No other grocery store offers a credit card that allows a discount every time they shop, on top of sales and promotional items. With this Red-card, we suggest Target offers additional discounts, like Win-Dixie does with their shopping card. The consumers would receive Bo-Go discounts, weekly promotional prices on certain items and more when they use their Red-card to buy groceries. This would increase their credit card sales, total purchases, and especially grocery and food sales (exhibit). The marketing and advertising of this wellness and organic initiative will cost about \$3. million for four months of in-store promotion and an additional \$500k for enhancing Target's website design. Remodeling an existing store to include the expanded fresh food layout requires an investment of around \$1.5 - 3 million, of which about 60 percent is related to merchandising initiatives like the expanded food selection and transformations in Beauty, Home, Shoes and Baby (Target Summary Financials) Our expanded fresh food layout offers around 90 percent of the food categories found in a Super Target with about 60 percent of the items, in approximately half of the space devoted to food in a Super Target (Target Summary Financials).

With every store Target remodels to expand their grocery department, they increase their revenue by at least 6 percent. The advertising and in-store promotions will increase revenue by at least 4 percent within 6 months after we begin the initiative and increase total organic food sales by 12 percent within the year. This is a perfect time to start the in-store organic promotional campaign for Target. Summer and early fall is the highest

revenue time for organic produce. Since the advertising and promotional collateral will mainly stay in-store and online, we can start right away and be ready to launch within 45 days.

The website can be enhanced as soon as possible, as well as the start of training for the current employees. Exhibit 7 in the Appendix shows a proposed timeline for our strategic recommendation for Target Corporation.

Fallout and Summary These are the risks associated with our recommendation 1. Higher prices for organic food and products 2. Lack of demand and interest in organic food and products 3. Increase in a. operation costs for training of employees on education of organic benefits etc. and additional employees b. advertising/marketing costs for signage and promotional advertising of organic product lines and foods c. costs associated with updating website content d. costs associated with creating

and expanding educational programs and sponsorships that promote organic

products and food and healthy life styles "References: 1. Organic Consumers Association. Another Big Box Chain, Target, Jumps Onto Organic Bandwagon.

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Target Corp (TGT). 2013. Web. 5 April 2013. . 8. Target Brands, Inc. corporate fact sheet. 2013. Web. 5 April 2013b. . 9. Target Brands, Inc. shop Target's exclusive online-only brands. 22 January 2013. Web. 5 April 2013. . 10. Target Brands, Inc. stock information. 2013. Web. 6 April 2013. . 11. Target Brands, Inc. Target tops for customer experience. 5 March 2013. Web. 5 April 2013. . 12. Target Corporation. " Form 10K. " 10K. 2013. PDF. 13. Target Corporation - Financial and Strategic Analysis Review. 5-Nov-2012. Web 5 April 2013. reference code: GDRT33397FSA . 14. " Target Remodels 90 Stores to Expand Fresh Food Selection. Press Room. Target Corporation, 24 Apr. 2012. Web. 09 Apr. 2013. . MAN4720 Section 22 -Wednesdays 7: 30pm Team: Risky Business Christine Majewski Jake Morgan Kristin Stearker Cory Verez Executive Summary ? The purpose of this analysis is to inform the board of team Risky Business' strategic proposal related to Target Corporation's Health & Wellness category. Target is already a multi-million dollar company, but after analyzing the company, our team has come up with a few strategic recommendations to aid in the continued success of Target.

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Target is unique because it has successfully managed to operate with low costs while providing differentiated products that satisfy their customers’ needs and wants. Being able to continuously offer quality, innovative products while keeping costs low lays a foundation for the company to create competitive strengths on. Analysis Strengths: ? A couple of strengths that we found Target is posting is their large variety of product and brands. They offer a wide arrangement of goods that can attract an excessive amount of consumers to come through the store.

Another strength that Target holds is a strong internal logistics structure. Their 37 distribution centers located across the US gives them a strong chance to open more stores, and reach more potential customers. (Target Co.) They also offer the convenience of online shopping for all of their customers, not only offering ease of shopping, but also allowing those who may not have a target nearby still enjoys their goods. We also found that Target is in a unique position in respect to their current sales, over the last few years they have consistently posted growth in revenue, and gross profit.

Weaknesses: ? A weakness that was found through our research was a decrease in liquid capital over the last 2 years, potentially making it difficult to manage working capital and operational needs. Furthermore, they have increased the total debt that they are obliged to, making the lack of current assets evermore detrimental. Another possible weakness is their lack of exposure to countries other than the US, they are currently only operating inside the US which could pose many problems due to their dependence on one market. Target Co.) Opportunities: ? There are plenty of opportunities for Target when it comes to the expansion of their company into new markets. In 2013 Target will take its first step into an international market when they expanded in to Canada, creating Target Canada Co. (Target Co.) Target has opportunities to expand their products, and broaden the breadth of their goods, especially the expansion of private label brands. Threats: ? The largest threat to target is that it is in a highly competitive market.

There are a plethora of other stores selling the same goods, as well as the threats of counterfeit goods in the industry. (Target Co.) Another threat is the potential of change in consumer preferences, creating a lack of demand for Targets goods. Threat of Substitute Products: ? We feel the threat of substitute products is high, there are many stores that offer similar goods that could be considered more attractive than buying from target; usually this is derived from the desire to obtain private label goods. Intensity of competitive rivalry in the Industry: The competitive rivalry within the industry is high, there are many companies competing against each other for the same customers, and market share. On top of the brick and mortar traditional shopping, there are now arising e-commerce competitors that

intensify the competition within the industry. Threat of new Entrants: ? Considering the wide arrangements of goods offered by Target, we believe that the threat of new entrants is high. It's also a highly competitive market, will low barriers of entry, so the combination of those two things creates an ease of entry for new ventures.

Power of Buyers: We find that the power of buyers is high at Target, while they may not have much negotiating power within the store; they do have many options on where they are going to buy the particular good, which gives them the power to shop around and find the price that they like. Power of Suppliers: ? The power of suppliers at Target is low, since there has been a decrease in import barriers that has caused an increase in competition between suppliers. So the power of the suppliers to name the price has nearly been eliminated.

Sustainable Competitive Advantage ? To operate effectively in the discount retail industry you need to be able to master some key functions, not only to achieve competitive advantage, but also to make it sustainable. Target displays a couple features we have noticed, that we feel allows them to obtain a sustainable competitive advantage. These SCA factors consist of the ability to manage and perform off a highly effective supply chain and the ability to achieve high economies of scale, due to their huge market presence and mix of private branding. One of the factors that helps Target obtain an effective supply chain is the wide geographical coverage of their distribution centers. They currently control and operate 37 distribution centers ranging from the West Coast of Lacey, Washington all the way to the North East location of Wilton, New York. By having multiple disperse

locations they have allowed themselves the opportunity to expand across the whole country. They have the capabilities to service any of their 1, 700 plus stores in a timely manner.

This in turn creates a larger geographical market to operate in effectively that some of their smaller competitors may not have the means to. ? A second important factor that Target masters is its offering of diverse products coupled with high economies of scale. Target offers product lines in departments such as; household, hardline goods (non-informational goods), apparel and accessories, home furnishings and food and pet supplies. By doing this they create a one stop shop effect which holds a high convenience factor in the eyes of consumers.

In 2010, the highest percentage of sales was in household goods at 24%, the lowest percentage was food and pet supplies at 17% (Target 2012 10k). These statistics support the idea that Target is not just specialized in one department, but has been able to offer a wide variety of products, all of which hold a high demand. Coupled with the wide diverse product range, Target has been able to do this while achieving high economies of scale. They have incorporated 30 plus mixed and licensed brands which helps keep their operating cost low, giving them a higher profit margin.

In addition, Target outsources their goods to multiple countries which helps generate lower costs. They currently have 27 offices in 18 different countries. Problems Moving Forward ? Looking forward, Target may continue to see problems in a couple areas. They currently face the struggles of competing with Wal-Mart internationally, driving traffic through their store/online website and the ability to implement quality control. ? The biggest

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current problem is competing with their largest competitor, Wal-Mart, at an international level and depending solely on the American market.

It is known that the American economy has taken a hit in the recent past and that can be reflected in Target's recent profits. Being solely dependent does not allow them to mitigate their risk, which Wal-Mart has done by tapping into different countries. This may not be an existing problem for long. Target is exploring the Canadian market and expects to have 125 of 135 stores remodeled and opened in the years 2013-2014. This shows some promise because over 30, 000 Canadians currently hold Target's REDcard, which shows a strong brand presence (FOX). A second problem Target faces is driving consumer traffic through their stores and website. With the new emerging strategy of E-Commerce, consumers now have the ability to shop online in the comfort of their own home. This adds more competition to the market that Target already faced and these new entrants have the option to operate at a minimal cost. ? The last pressing issue Target may face for the future is quality control. Dating back to the start of 2012 and currently into the 2013 year, Target has recalled over 55 products sold.

This damages the image of Target and the products it offers. We do not believe this should hinder their operations too heavily but it is something to take notice of and work on fixing for the future (Target). Strategic Recommendation Our strategic recommendation for Target is to implement a comprehensive, multi-pronged, in-store advertising campaign that focuses on organic and all natural products sales and promotions. Target's commitment to healthy living and high wellness standards is consistent with the benefits of this growing organic market.

Target is able to add to their bottom line by tapping into this already established market, stealing market share from other retailers, and creating a new demand with non-organic users. Organic food sales in the U. S. comprise nearly half of global organic food sales. The global organic market reached \$54. 9 billion in 2009, more than triple the \$18 billion recorded in 2000 (Organic Agriculture in Wisconsin). Target has met the needs of the rapidly growing demand of healthier foods, more effective forms of exercise, and a booming interest in organic products, but have not taken full advantage of the market opportunity.

Recently Target and Harris Interactive carried out a survey that polled American families and found that consumers are confused about how, why and where to shop for organic foods. Many families are unfamiliar or even unaware of the benefits of the organic foods and products. For instance the study showed that, “ one-third (34 percent) of consumers surveyed believe that organic foods are superior to non-organic foods, but nearly two-thirds (61 percent) want to be better informed on the value of where it pays to buy organic” (Organic Consumers

Association). It is not enough to just offer organic food and natural products, Target needs to educate their consumers and persuade them to buy those products offered at Target. “ People want to know more about organic products and where to best spend their money on them,” says Dr. Susan Mitchell, registered dietitian and SuperTarget Health and Nutrition Expert.” Target provides their guests with product choices for the whole family; products that enhance their lives in an affordable and accessible way.

When it comes to feeding your kids, certain conventional choices are fine, but parents should be informed on where organic is the better bet. With the new Archer Farms organic product, Target has made it easy for parents to make better decisions on what to feed their families" (Organic Consumers Association). Not until recently have a vast percent of our generation been diagnosed with allergies related to gluten, wheat, soy, etc. This is growing allergies are found to be passed on through genetics, and is only treatable through dietary changes.

This means that the market will only continue to grow in future generations, not only by people who have the allergies, but also chose to limit their nutritional diet by choice for health reasons. Many companies now carry gluten free and organic food lines permanently and these product lines are continually growing. " a 2011 survey by the Organic Trade Association found that more than three-quarters—78 percent—of U. S. families are buying organic food, up from 73 percent in 2009. Forty percent of families say they are buying more organic food now than they were a year ago" (Organic Trade Association).

In order for Target to fully tap into this growing market, they will need to continue expanding their current food departments in Target stores or convert them into Super Target stores. Target invested \$500 million in 2010 in a new push on groceries, retrofitting some of its general merchandise stores with full-blown food sections. Sales and traffic at stores with the new grocery areas are about 6 percent higher than at similar stores without them, the company says (NY Times) Last year, nearly 1, 000 Target stores offered an expanded food layout.

At these Target stores, approximately 10, 000 square feet is dedicated to a vast array of fresh food choices, including a curated assortment of fresh produce, fresh packaged meat and pre-packaged baked goods, in addition to dry and frozen offerings. By the end of 2012, more than 1, 100 Target stores offer the expanded fresh food layout compared to 450 in 2010 (Target Press Release). Annette Miller, Target's senior vice president for grocery, said she expected an expanded food department to move into most Target stores eventually.

While the gross margins of the grocery business are about 18 percent, well below those of retail, which are about 30. 5 percent, groceries both drive visits and make existing stores more profitable, said Colin McGranahan, an analyst with Sanford C. Bernstein (NY Times). Target and Super Target carry many private labels and brands that specialize in healthy lifestyle and organic products. The Archer Farms brand offers organic products while remaining exclusive to Target, and continues to expand their brand with new product introductions regularly.

Both Super Target and Target stores will continue to offer a variety and vast selection of organic products to meet the needs of all their consumers (Organic Consumers Association). Since Target Corp. has been successful with the launching and selling of their exclusive organic product lines, as well as mainstream brand organic products, we feel they need to focus on this demand instead of starting a new venture. " Target is committed to helping guests see the value of organic products and their role in maintaining a healthy lifestyle," says Greg Duppler, senior vice president, Target. We want our guests to have one-stop access to the healthy products they need

without sacrificing the convenience and value that Target consistently delivers through our owned brands" (Organic Consumers Association). There is a lot more opportunity in this market than they have tapped into and we feel they should expand their educational programs and initiatives for them to fully take advantage of the organic product demand. Since Target Corp. already has the brand equity and brand awareness, we want to make their consumers more aware of the benefits and facts about living a healthy lifestyle and using organic and all natural products.

Although Target has different advertisements and programs about healthy lifestyle, we feel they could incorporate a greater amount of product promotion and educational programs to increase their both their sales and brand image. Target Corp. needs to focus some of their advertising dollars on promoting these organic product lines. Not only the food and produce, but also the organic body care lines, and organic cleaning and household products. Organic is not just food. Over 2 billion worth of organic fiber, cosmetic, and household products were sold last year (Consumer demand for organic food boosts sales).

They should increase and reposition their in-store signage and displays to create buzz and inform the shoppers of what organic products they carry. Similar to Publix "GreenWise" organic section in their store, Target should group their organic products together in each department of the store with attention grabbing, easy to read signage. Each department will include an organic aisle or section with end-cap aisle displays. Within these displays they will include informative, educational facts or promotional videos

explaining the benefits of the organic products versus the non-all natural products.

Larger signage and end-cap aisle displays will increase awareness and curiosity. Many people do not want to take the time to research the information about organic products, but if Target offers it in the store, the consumers will be more likely to read it and become interested in the product lines. ? Many shoppers associate organic products and food to Publix and Whole Foods, but we want consumers to also include Target in this category. This advertising boost is more of an initiative than a campaign, to increase awareness and drive profitability in the all-natural product market.

We want to enhance Target's brand image by incorporating more healthy lifestyle programs. Target would build and enhance their "wellness" section of their website for consumers to educate themselves on everyday wellness tips including organic foods and product ads, recipes, articles regarding the benefits of all-natural products. This would also include fitness tips, Target ads for exercise related products, vitamins, and more. We will focus this initiative towards mothers or heads of the households who do the family shopping. Why do people buy organic food? Parents tend to be motivated by health concerns.

The Organic Trade Association found that nearly half of parents surveyed—48 percent—were motivated to buy organic food because they believe it is healthier for themselves and their children. Other motivators for parents include concerns over the effects of pesticides, hormones and antibiotics on children, and avoidance of highly processed food and artificial ingredients (Haumann). Many organic consumers are mothers who care about the

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wellness of their children and families, so we will focus mainly on healthy lifestyles for families. We will also offer special shopping lists and recipes for food allergies.

Many mothers already shop at Target for their everyday needs and we want them to also buy any of the food products they can while they are there, especially organic. Based on these numbers, the organic food and beverage industry presents an opportunity for growth in both revenue and jobs during the downturn. Target has a huge advantage with their Red-card, that shoppers who have this credit or debit card receive 5% off their entire purchase every time they shop at Target or Super Target. This is another discount on top of Target's everyday low prices compared to Whole Foods, Publix, and World Market.

No other grocery store offers a credit card that allows a discount every time they shop, on top of sales and promotional items. With this Red-card, we suggest Target offers additional discounts, like Win-Dixie does with their shopping card. The consumers would receive Bo-Go discounts, weekly promotional prices on certain items and more when they use their Red-card to buy groceries. This would increase their credit card sales, total purchases, and especially grocery and food sales (exhibit). The marketing and advertising of this wellness and organic initiative will cost about \$3. million for four months of in-store promotion and an additional \$500k for enhancing Target's website design. Remodeling an existing store to include the expanded fresh food layout requires an investment of around \$1.5 - 3 million, of which about 60 percent is related to merchandising initiatives like the expanded food selection and transformations in Beauty, Home, Shoes

and Baby (Target Summary Financials) Our expanded fresh food layout offers around 90 percent of the food categories found in a Super Target with about 60 percent of the items, in approximately half of the space devoted to food in a Super Target (Target Summary Financials).

With every store Target remodels to expand their grocery department, they increase their revenue by at least 6 percent. The advertising and in-store promotions will increase revenue by at least 4 percent within 6 months after we begin the initiative and increase total organic food sales by 12 percent within the year. This is a perfect time to start the in-store organic promotional campaign for Target. Summer and early fall is the highest revenue time for organic produce. Since the advertising and promotional collateral will mainly stay in-store and online, we can start right away and be ready to launch within 45 days.

The website can be enhance as soon as possible, as well as the start of training for the current employees. Exhibit 7 in the Appendix shows a proposed timeline for our strategic recommendation for Target Corporation.

Fallout and Summary These are the risks associated with our recommendation

1. Higher prices for organic food and products
2. Lack of demand and interest in organic food and products
3. Increase in a. operation costs for training of employees on education of organic benefits etc. and additional employees b. dvertising/marketing costs for signage and promotional advertising of organic product lines and foods c. costs associated with updating website content d. costs associate with creating and expanding educational programs and sponsorships that promote organic products and food and healthy life styles

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