

“Expect More. Pay Less.”

**Final Paper**

Andreana Harrison

Target was founded by George Dayton on June 24, 1902 which was originally called Goodfellow Dry Goods. Target’s headquarters is located at Minneapolis, Minnesota and has 1,803 locations all over the United States (Target Corporation). Target is the second largest discount store retailer in the United States and is number 38 on the Fortune 500 companies. Their mission statement is “We fulfill the needs and fuel the potential of our guests. That means making Target your preferred shopping destination in all channels by delivering outstanding value, continuous innovation and exceptional experiences—consistently fulfilling our Expect More. Pay Less. Brand promise” (Mission Statement of Target).

 Target’s merchandise consists of beauty and health products, home furnishings-bedding, furniture, housewares, small appliances, clothing and accessories, jewelry, shoes, toys and games, electronics, sporting goods, office supplies, books, pet supplies and food. Their customers are a median age of 40, median household income of approximately $64,000, 43% of customers have children at home and about 57% have completed college (Corporate Fact Sheet). In addition, their customers are upscale and trend customers, home and fashion designers and those who want better quality at a great price.

 Target does not have a vision statement, but they do have six company core values that they call “What We Believe In.” They are: great shopping anytime anywhere, celebrating diversity and inclusion, designs for all, community support and engagement, more for your money, and a fun and rewarding place to work (Purpose & Beliefs). Target is a well-established corporation, but the problem is that sales have been declining in the past 5 years. Target needs to change things around to continue being the second largest retailer and they can do so by modifying their advertising and marketing strategy, location and expansion strategy and innovative strategy.

 The internal environment for any company comprises of the companies strength and weaknesses. The strengths of a company are firm resources and capabilities that can lead to a competitive advantage (Harrison & St. John, 2014). Target has much strength within the company and a few are: strong brand awareness, good quality products, customer oriented, competitive retailer, and image of cleanliness, fashion and design forward thinking.

 Target is very well known for their brand because their logo is a red target and when shown, 96% of American consumers recognize the Target Bullseye logo (Target Corporation). Their brand awareness is their main strength along with being on the S&P 500. They are more than the cheap low price that Walmart has to offer and care about their customers. Target offers good quality products that are trendy, and give more style to the everyday person who wants more than a low price. Target has a huge market all over in the United States and has diversity of its store chains like Super Target, Urban stores and Target Green land. Target is the second largest retailer behind Walmart and that is strength because it shows how well the company is doing in the retail business. They offer a variety of products at their stores and provide a shopping environment that is clean, safe and family oriented. In addition, target is well known for their charity. Target donates around 5 percent of its pre-tax operating profit to the communities in which it operates (Target Corporation).

 Weaknesses are resources and capabilities that a firm does not possess but that are necessary, resulting in a competitive disadvantage (Harrison & St. John, 2014). Target’s weaknesses are: revenue declining slowly, not open 24 hours, no locations outside the United States, online purchases don’t compare to Walmart or Costco and have quality products that increase their prices. Weaknesses within a company are important because it shows what the company is not doing and what their competitors have over them. With Target’s demographic only being in the United States they are losing out on sales and their increased competition globally. Target stores are not open 24 hours and this is a big weakness because their main competitor, Walmart is open 24 hours and when customers need to buy something after 10p.m. they know that Walmart is the place to go. Also, some shoppers like to do their shopping at night and get grocery when they know lines aren’t too long and they can shop in peace and quiet. Target has a no-solicitation rule at its properties, as it seeks to provide a “distraction-free shopping experience for its guests” (Target Corporation). Lastly, in order for Target to provide consumers with quality products that effect increases their prices so Target has a perception that their products are more expensive than other discount retailers, like Walmart.

 It is important for Target to analyze their strengths and weaknesses because it can teach them how to position their business for success. Overlooking their strengths can create problems and Target should continue capitalizing on them. Overlooking their weaknesses will lead to them missing a chance to succeed and addressing weaknesses can make them more profitable, more efficient and better recognized in their industry (Johnston).

 The external environment for a company consists of their opportunities and threats. Opportunities are conditions in the broad and task environments that allow a firm to take advantage or organizational strengths, overcome organizational weaknesses, and/or neutralize environmental threats (Harrison & St. John, 2014). Target’s opportunities are: expanding nationwide, implementing a fresh produce section in stores, providing longer shopping hours, increased celebrity endorsements and self-checkout systems.

 Threats are conditions in the broad and task environments that may stand in the way of organizational competitiveness or the achievement of stakeholder satisfaction (Harrison & St. John, 2014). Target’s threats are: competition is already well established making it a tough market, barriers to entry for going globally and competitors competing for the lowest prices. Target’s competitors consist or Walmart, Costco, Dollar General, K-mart and other discount retailers.

 It is important for Target to analyze their opportunities and threats because it can help Target be prepared for the unknown that it will encounter in the external environment. Growth in business requires seeking out new opportunities, including new potential customer groups, broader product distribution, developing new categories or products and services and geographic expansion. Discovering opportunities allows Target to take advantage of them right now and to forecast longer term opportunities. It is important for Target to address their threats because it will reduce the risk of threats when Target takes the time to develop contingency plans to quickly implement should the threats become a reality (Hill).

 After recognizing the SWOT analysis for Target, Target can look into their strategies and implementation on how to make the company more successful. Target wants to become the number one discount retailer and in doing so they need to address their issues that were identified in the preceding paragraphs. One way Target can achieve this goal is to revamp their advertising and marketing strategy.

 Advertising consists of many ways being television, radio, magazines, billboards, social media, etc. Advertising will increase brand awareness, help introduce new products and appeal to a mass audience. Target doesn’t have any major celebrity endorsements and should consider it because according to Marketwatch, just one endorsement can spell an increase in sales by 4%, almost immediately (Olenski, 2016). Since Target is a trendy, fashion store they should get celebrities who are in the fashion business to endorse their products and brand. Chrissy Teigen is an American model and is well-known for her fashion appearance and would be a great celebrity to use in Target’s advertising. In addition, Jeannie Mai is an American fashion expert and would be an excellent celebrity because she is well-known for her day time show with four other women on The Real. Getting a celebrity to advertise for any company is expensive, but the outcome of having a celebrity endorsement is rewarding to the company. When a customer sees a celebrity using a product from Target and they like the celebrity, then the customer will purchase the product, which will increase sales. Also celebrities have many followers on their social media site and they can promote the products to users that Target has not yet addressed. Well-known companies with large advertising budgets and market-wide name recognition can have a significant competitive advantage over fledgling competitors. Companies with large budgets can also create counter-campaigns to negate the effects of new companies’ advertising efforts (Ingram). Target has a market share of 35.8% (IBISWorld). Target should capitalize on their market share by increasing their advertising budget and bring in celebrities to improve sales and increase their competition in the industry.

 A second strategy for Target is their location and expansion strategy. Target is currently opening small formats near colleges that will carry an extended home department of apartment and dormitory furnishings. The goal of these smaller format stores is to win over the business of millennial customers. The nearly 30 new locations will be situated in college towns or densely populated areas (Target Corporation). Expanding into college communities is a great place for Target because there is a demand from college students who want a walking distance discount retailer that they can go to for their everyday needs. This will increase profits for Target and Target could give back to the college town by offer student discounts to certain clubs or organizations of the school. Target could also donate a percentage of the money to the school which will increase their social responsibility and charity work. Target will often donate its unused, returned or seasonal merchandise (particularly clothing) to Goodwill Industries (Target Corporation).

 With Target only being located in the United States, expanding globally will be a major source of income to the company. Target’s main competitor, Walmart is well-established in the international area and is the reason why Target is the second largest retailer. Target needs to expand internationally to increase their competitiveness, which will allow them to start in a new environment. This will lead Target to do things better in the new location that they did wrong the first time and test any new ideas. The benefits of expanding globally are faster revenue growth, diversified revenue stream, improved return on capital and increased reinvestment rate (Cryan, 201). To successfully expand globally Target needs to make sure their reputation is intact. Reputation is important within the department stores industry; therefore, it can be difficult for new entrants to attract customers if they are not already known and established within the market (IBISWorld). Overall, whether expanding internally or externally Target can increase profit and achieve their goal of becoming number one in the industry.

 The last strategy for Target is innovation. This is for their customers so Target can provide a better overall experience and let them know that they do care about their main stakeholder. Target can introduce new clothing lines that they partnered with designers, offer their own brand clothing, provide more loyalty programs and promotions, and cut more from their supply chain to continue offering high-quality merchandise at low margins. Target could bring in coupons into the company since they don’t have any. They could offer print and digital coupons for everyday use to anyone, not only to customers who have the Target Debit Card. The downside of the Target Debit Card is that customers have to sign up for the card, get credit approval and have to purchase merchandise on the card in order to get the 5% discount. Offering coupons like Dollar General’s $5 off a $25 purchase brings in customers. Customers will spend more to get the discount, which makes it a win-win for Target and the customer. According to Advertising Age, 87% of all shoppers use coupons, 95% of all shoppers like coupons and 60% actively look for coupons (Reece). Target should implement coupons because it will increase their market area, attract new customers and bring back old customers. This will also help off-set their perception of their products being more expensive.

 Finally, once Target accurately implements the three business strategies above they can become a more successful company in the discount retail industry. Recommendations for Target are to work within their management style and give more effort in employee satisfaction, which will lead to better performance, a better store and overall, a better company. The daily operation at Target is to focus on customers who are their top priority and to provide a positive shopping environment for them. In conclusion, Target needs to focus on expanding their stores in the United States and globally, offer prices that compare to other discount retailers, bring in celebrity endorsements, and improve global brand awareness. In doing so, this will ensure that Target will meet their objective of becoming the number one leading discount retailer.

# Works Cited

(n.d.). Retrieved March 9, 2017, from IBISWorld: www.ibisworld.com

*Corporate Fact Sheet.* (n.d.). Retrieved April 3, 2017, from Target.

Cryan, J. R. (201, April 16). *Chief Executive*. Retrieved May 2, 2017, from 4 Real Benefits form International Expansion: http://chiefexecutive.net/4-real-benefits-from-international-expansion/

Harrison, J. S., & St. John, C. H. (2014). *Foundations in Strategic Management.*

Hill, B. (n.d.). *Why Perform a SWOT Analysis?* Retrieved April 20, 2017, from Chron: http://smallbusiness.chron.com/perform-swot-analysis-5050.html

Ingram, D. (n.d.). *Advertising & Its Impact on Business*. Retrieved May 2, 2017, from Chron: http://smallbusiness.chron.com/advertising-its-impact-business-3605.html

Johnston, K. (n.d.). *The Importance of Looking at Companies' Strengths & Weaknesses*. Retrieved April 18, 2017, from Chron: http://smallbusiness.chron.com/importance-looking-companies-strengths-weaknesses-69789.html

*Mission Statement of Target*. (n.d.). Retrieved March 28, 2017, from Strategic Management Insight: https://www.strategicmanagementinsight.com/mission-statements/target-mission-statement.html

Olenski, S. (2016, July 20). *How Brands Should Use Celebrities For Endorsements*. Retrieved May 2, 2017, from Forbes: https://www.forbes.com/sites/steveolenski/2016/07/20/how-brands-should-use-celebrities-for-endorsements/#62d382ac5593

*Purpose & Beliefs*. (n.d.). Retrieved April 3, 2017, from Target: https://corporate.target.com/about/purpose-beliefs

Reece, T. (n.d.). *How to Use Coupons to Promote Your Business*. Retrieved May 3, 2017, from Business Know How: http://www.businessknowhow.com/marketing/couponing.htm

*Target Corporation*. (n.d.). Retrieved April 3, 2017, from Wikipedia: https://en.wikipedia.org/wiki/Target\_Corporation