

**The Target Review:**

**What's Behind the Success of one of America's Most Successful Retailers**

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### **Abstract**

This report reviews the qualities that Target Corp. has that has propelled it to be a leading retailer in America. Together, we understand why the consumer returns to Target Corp. for their every-day needs, and what sets them apart from their competitors such as Walmart and Amazon. Target has claimed strategic goals for their future and are constantly re-evaluating their ethical values and components as well as understanding what drives the consumer. Their visual appeal, shopping ease, and luxury feel help stand out even though they are a mass store and move a mass amount of goods every day. Target Corp. has the upper hand in consumer experience and consumer appeal because of their continuous intentions to always put the customer first.

In order to successfully expand internationally, picking a country with similar values and characteristics to that of America is crucial. Canada has been found to reflect America the most within the culture and people. While America has supersized everything, even to the point of a Super Target, Canada is not as supersized. Beginning the expansion with several small-format stores in larger cities will be essential to Target adjusting to the Canadian culture, but also the Canadian culture adjusting to Target.

*Keywords:* consumer, experience, ethical, luxury, appeal

### **Executive Summary**

Target Corp is a general merchandise retailer within the United States. The first Target store was opened in 1962 under the Dayton Company. Brian Cornell is the CEO, he has been in charge since 2014. Their headquarters are located in Minneapolis, MN, and their slogan is “Expect More, Pay Less” and that line has been put in place since 1994. Target employs over 350,000 team members. Target’s mission statement is “To help families discover the joy of everyday life.” The Target logo a bullseye with three rings, alternating between red and white. This has grown to be an easily recognizable logo as 96% of American shoppers know what the bold bullseye represents (Target Corporate). The vision statement for Target Corp. is “Guided commitments to great value, the community, diversity, and the environment” (Purpose & History: Target Corporation).

Some of Target’s short-term goals are to keep introducing and expanding into the small-format stores needed across America, and to offer the same low prices for the products. Target Corp. is working on increasing the representation of women in color. Which has had improvement of +7.3% in women of color in salaried positions so far (Dunn & Bradstreet, Inc.) Another goal Target has set to be accomplished by 2025 is to reduce food waste within their own operations by 50% (Dunn & Bradstreet). By creating these short and long term goals, Target is allowing for growth and improvement and they have a set vision for their company and exposure.

Target’s long-term goals are to trace its palm oil supply chain to the mill level, transition to only cage-free shell eggs, pending the supply available, and to source 100% renewable electricity for global operations by 2030 and 60% by 2025 (Dunn & Bradstreet, Inc.).

## **External Analysis**

### **Competitors**

Target's main competitors are Walmart, Amazon, Home Depot, and Costco. Walmart is one of the top competitors, because both Target and Walmart sell similar products like clothing, toys, groceries, beauty etc. While Amazon is not a physical store someone can walk into, Amazon sells a variety of products that can be found in stores or unique products that are not sold in stores. The ease of use and accessibility of Walmart and Amazon make them larger threats to the success of Target.

### **Economic Factors**

One factor that impacts Target's economic outcome is the Walmart price check. Walmart is about, everyday low costs and if they can guarantee that they will provide that to their customers, people will be more likely to shop there if they have confidence in their policies. While not many people will go to all of the trouble on researching and price checking for everyday items such as groceries, when it comes to larger purchases such as furniture or electronics, this policy is something Target might want to consider for their own stores. Target must constantly be up to date on pricing that both Target and Walmart sell. If Walmart price for toothpaste went down, Target must try to match the price of the toothpaste, so that people will still buy from Target (Frue, 2017). Adapting to consumer needs is another factor. What are people know days buying. Does Target have the latest technology, the latest trend of clothing. A huge economic factor was expanding into Canada. Target did not too well in Canada which lead to a loss of \$5.4 billion.

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### **Sociocultural**

Target is not a high name brand, but the products they sell is of higher quality, and is frequently updated to follow the growing trends. Targets pricing is slightly higher, but it is reasonable and comparable to that of their competitors. A pair of jeans from a high-end store can be up to \$40, but at Target it would be \$15-20. People will shop at Target, because of the reputation they have established as an affordable and accessible source for many goods.

### **Suppliers**

Target has many suppliers; their suppliers are so different from one another. Some of their suppliers and ethical committees are National Minority Suppliers Development Council, Women's Business Enterprise National Council, National LGBT Chamber of Commerce etc. (Target Corporate).

### **Legal Political**

Every year, Target Citizens PAC contributes hundreds of thousands of dollars to political associations (Target Corporate). These funds are split in half and evenly distributed to different Democrat and Republican associations, as well as Bipartisan groups. Target requires that all funds are used for educational and association management activities, rather than strictly for political contributions. Target also works closely with other retailers to combine resources for contributions to candidates that support issues important to the retail industry.

### **International**

Target has failed to expand into the international market. 133 Target stores were opened in Canada but failed miserably in 2015, resulting in all these locations being shut down (Evans, 2015). The failure to expand internationally is holding Target back in their success. Once international expansion is successful and prosperous, Target and Walmart will be competitors not

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only on the national level, but the international level. The key to overcoming this international barrier is to ensure that Target slowly migrates over the border and into Canada in a small, and quaint manner. Accomplishing this goal will require small-format stores in their high urban areas and not overwhelming the population with a bunch of Super Target's at once.

### **Customers**

Target is a family friendly store. Its target market is just about everyone, in Target people can find their everyday necessities. They offer a wide range of clothing, shoes, makeup, technology, produce, and other household items that one might need in their everyday life. They also have partnerships with Starbucks and CVS where people who are shopping can pick up a treat or their prescription. By doing this, they are reiterating that they can be a one-stop-shop for groceries, prescriptions, clothing, technology, household items, and décor.

### **Technology**

With the COVID-19 pandemic of 2020, online orders have been steadily increasing. People have the ability to order from Target.com and their items are shipped to their house, or available for curbside pick-up. There is also another option such as Target pick-up, instead of going to Target to get groceries, in the Target app, people can choose what they need and have a worker from the store do the shopping for them, and they will pick it up themselves. With technology expanding, there are more self-checkout lanes for people who are in a hurry and do not want to wait for a cashier to check them out. A standout difference between Target, and its competitor Walmart is that Target usually has five or more registers open without including the five or six self-checkout stations. By doing this, they might have a lot of people in line, but because they are all in more stations with shorter lines, it is less daunting to any customer who is debating their purchase. The checkout can make or break a customer's overall experience, but

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Target has mastered the art of their customers leaving happy because their shopping experience was efficient.

### **Labor Market**

The Target hiring process is very strict. “Target expects all facilities to have a functioning human resource department that enforces the policy that no candidate can be hired until approved by human resources” (Corporate Target, n.d.). A full-time work can work up to a maximum work hour of 60 hours. Everyone employed at Target will get the same treatment. For foreign and migrant workers, they will be given the same wages, benefits, and work condition to be fair like everyone.

### **Natural**

In 2018, Target has started a Freshwater Stewardship approach. Target has partnered with the World Wildlife Fund to create clean water that can be used in the facility and for others. Target goal with this approach is to “Improving water quality. Optimizing water efficiency and increasing access to clean water” (Target Corporate). Target’s climate policy to is reduce the use of greenhouse gas, and transition to a low-carbon economy (Target Corporate). Target plans to reduce “Scope 1,2 and 3 greenhouse gas emissions by 30 percent below 2017 levels by 2030” (Target Corporate).

## **Four Management Functions**

### **Plan**

Market research will play a large role in the success of Target expanding into Canada. Picking and choosing the correct products to offer to the different culture will make or break this expansion. The goal of this international expansion plan is to successfully plant 10 small-format stores in the Ottawa area where the suburban/urban lifestyle is booming. This project will only

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be made possible if executive decisions are made and accomplished in a timely manner, but it is necessary that the research and the actual consumer behavior match up. There should be more communication between the bottom and the higher ups, in that there is an open window for suggestions and concerns.

### **Organize**

The innovation process will begin with lots of research and tracking the consumer behavior, what consumers look at, what they end up purchasing, and any trends associated with demographic, or geographic differences that could be substantial to this expansion. Even though stores in Canada have failed before, in our opinion, making these calculated risks is worth it. While we are at it, we believe that attempting to create an equal playing field between store level associates and the executives could be beneficial considering that we would be starting small and getting the Canadian culture accustomed to the Target brand. Human resources will find and screen all employees for a clear background, but also train those with little to no experience. We want Target to be a source of jobs and worker's benefits for our employees. Our goal is to train our associates within the small-format stores, and once the Canadian culture becomes accustomed to this style of shopping, that when we begin to open larger stores, our well-trained and loyal associates will be well prepared to run a larger store.

### **Lead**

Target places an emphasis on a transformational leadership approach to their employees. People who work for Target are given a judgment free atmosphere where creativity and new ideas are encouraged. Leaders in the organization are promoted to take calculated risks to help the company grow. We have to address the failures that previously occurred in the expansion to Canada to help employees get motivated and hop on board with the vision.



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### **Control**

Culture is a big part of how people in organization will handle certain situations. Canada's culture is different from the U.S. What they need is different from what America needs. The types of products that are sold will be based on what people in Canada need more, and Target will be exposed to Canada by small-formats of Target and then see what people demand more of. In order for Target to get big, what the Canadian demand from the small-formats of Target, we will get a better vision on what to sell in each. It is import

### **SWOT Analysis**

#### **Strengths**

Target has grown each year by an average of \$3 billion ever since 2017 (Dunn & Bradstreet, Inc.). Partnership with brand name items and Starbucks. Capitalization of multi-channel sales has helped with company growth and a high inventory turnover ratio. *See Appendix A.*

#### **Weaknesses**

A lawsuit over improper disposal of waste such as batteries, aerosol cans, and fluorescent light bulbs cost the company \$7.4 million. In 2015, the credit cards and personal information of over 110 million consumers was exposed. This cost the company \$202 million dollars in lawsuits, settlements, and repairs to their security to prevent another data breach. (Dunn & Bradstreet, Inc.)

#### **Opportunities**

Since Target sells a very wide variety of products, they have a great opportunity to not only choose the best products to put on their shelves, but they also have the opportunity to expand different areas or specialties. In recent years, Target has gradually expanded their home

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décor and home goods departments with the partnership with Magnolia Farms by Chip and Joanna Gaines. With the recent addition of sustainable and natural cleaning products, Target has been able to satisfy the needs of a new consumer group. Target's digital sales have increased during the pandemic of COVID-19. The curbside pickup has been utilized to Target's advantage. Their ability to adapt during the unknown times has propelled them to the top.

### **Threats**

Walmart and Amazon have both been expanding at exponential rates much higher than Target. Walmart has grown by about \$10 billion a year since 2017 and Amazon has been growing by around \$70 billion a year since 2016 (Dunn & Bradstreet, Inc.).

Third party and supply chain risks, competitor expansion with Walmart and Amazon, and regulations international, national, and state.

### **Market and Location**

Target primarily serves moms and families with the availability of their goods. However, a very diverse group of people shop at Target on a regular basis. The clients of Target are somewhere between 18-44 years old and some are opposed to shopping at Walmart. They are focused towards people who are looking for a mass-produced, typical item, however with a nicer shopping experience and product display. When Target begins their international expansion, it will take some trial and error, but also our research has found that Canada closely resembles the American culture. *See Appendix B.*

### **Organization and Management**

The owner of Target Corp. is Brian Cornell. He is a board chairman as well as the CEO. The board of directors consists of Douglas M. Baker Jr. the Chairman and Chief Executive Officer at Ecolab Inc., George S. Barrett the Former Chairman and Chief Executive Officer at

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Cardinal Health, Inc. Brian Cornell, the CEO, Calvin Darden from Darden Petroleum & Energy Solutions, LLC.

Target's span of management is made up of 12 Executives. Brian Cornell, the Board Chairman and CEO is the head of the entire business. John J. Mulligan is the Executive Vice President and Chief Operating Officer, he is responsible for the stores, and global supply chain as well as merchandising operations, properties and flight services. Michael Fiddelke is the Executive Vice President and Chief Financial Officer, he oversees everything related to the finances, partnerships, mergers, taxes and so forth. Stephanie Lundquist is the Executive Vice President of Food and Beverage, she manages the full spectrum of merchandising and operations for all food and beverage and the development of those services. Rick Gomes, the Executive Vice President, Chief of Marketing, Digital and Strategy Officer, he is over all marketing strategies and advertising. Michael E. McNamara, the Executive Vice President, Chief Information Officer. He is in charge of elevating the shopping experience by using data analytics and technology roadmaps. Christina Hennington, the Executive Vice President and Chief Merchandising Officer, Hardlines, Essentials, and Capabilities. She is leading the beauty, essentials, services, planning and capabilities, as well as works closely with their partners to create strategies for product presentation, pricing and promotion. Jill Sando, the Executive Vice President and Chief Merchandising Officer, Style and Owned Brands. She manages the enterprising buying, merchandising, and partnerships for apparel and accessories and home goods. Melissa Kremer, the Executive Vice President and Chief Human Resource Officer. Melissa oversees the hiring of Target's 350,000 team members from the recruitment, development, and diversity and inclusion as well as employee engagement. Mark Schindele, the Executive Vice President and Chief Stores Officer. He leads over 300,000 team members and

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oversees the operations of Target's 1,900 stores. Don H. Liu, the Executive Vice President and Chief Legal and Risk Officer. Mr. Liu holds a very important position on the executive team. He oversees a team that manages the legal, risk and compliance, governance, and governmental affairs. Laysa Ward, the Executive Vice President and Chief External Engagement Officer. She leads team throughout rapid change, collaborates with Target's stakeholders in order to support their goals and objectives as an organization. All of these executives have a lot of insight and say into every aspect of the company. This team is highly qualified for their positions and they have covered all angles of their billion-dollar business.

The owner of Target Corp. is Brian Cornell. He is a board chairman as well as the CEO. The board of directors consists of Douglas M. Baker Jr. the Chairman and Chief Executive Officer at Ecolab Inc., George S. Barrett the Former Chairman and Chief Executive Officer at Cardinal Health, Inc. Brian Cornell, the CEO, Calvin Darden from Darden Petroleum & Energy Solutions, LLC., Robert L. Edwards the former President and CEO at Safeway Inc., Melanie L. Healey the former Group President North America from the Procter & Gamble Company, Donald R. Knauss the former chairman and CEO at Clorox Company, Monica C. Lozano, the President and CEO at The College Futures Foundation, Mary E. Minnick, a partner from Ocean 14 Capital, Derica W. Rice, the former executive vice president and CVS Health Corporation, Kenneth L. Salazar, a partner from WilmerHale, and Dmitri L. Stockton, the former Senior Vice President and Special Advisor to the Chairman, from General Electric Company (Corporate Target).

All of the different executives on the board play a different role with the bringing together of ideas in meetings and discussions about the expansion of Target. These executives all come from different companies that bring value to Target. For example, Derica W. Rice from

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CVS brings together the two companies of Target and CVS to meet each other's needs within the stores. This relationship is beneficial for both companies to draw from a larger customer base.

Donald R. Knauss from The Clorox Company is a valuable asset to the Target board because not only does Target sell a handful of Clorox Company products, but they also clean their stores with plenty of their products as well. Having Mr. Knauss on their board allows Target to prioritize their product on their shelves, thus increasing sales for both companies (Corporate Target).

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Appendix

# SWOT ANALYSIS

## INTERNAL VIEW

**S**

- Multi-Channel Sales
- Inventory Turnover Ratio
- Growth in Revenue
- Partnership with Brand name items & Starbucks

**W**

- Lawsuit- improper battery disposal
- Data Breach (2015)

**O**

- Launching New Products
- Digital Sales
- Corporate Restructuring

**T**

- Third Party and Supply Chain Risk
- Competitor Expansion- Walmart/Amazon
- Regulations- International, National, State

A.

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# Target International Expansion

Criteria (Described Below)	Population		Economic Freedom		Avg. Income		Individualism		Government		Total
Weight (1-10)	5	6	10	10	8	7	7	7	7	7	
Canada	10	50	10	0	10	100	10	80	7	49	279
Chile	7	35	10	0	1	10	3	24	10	70	139
Guatemala	7	35	5	0	1	10	1	8	10	70	123
Singapore	1	5	8	0	8	80	3	24	10	70	179
Sweden	4	20	8	0	6	60	8	64	7	49	193
Germany	10	50	8	0	10	100	6	48	6	42	240
Great Britain	10	50	10	0	8	80	10	80	4	28	238
Australia	8	40	10	0	10	100	10	80	4	28	248
France	10	50	6	0	7	70	8	64	5	35	219
Russia	8	40	3	0	9	90	4	32	7	49	211

**Criteria Descriptions: Add a description for each criteria category with detailed information that explain why that criteria is important**

Population	Greater than 30 Million, less than 100 Million
Economic Freedom	Above 76.2
Average Income	between 40,000- 63,000
Individualism	above the 75th percentile
Government	Democratic republic variations, second Constitutional Monarchy

B.