

Situation Analysis Report

TARGET

Group XX:

Firstname Lastname

Firstname Lastname

Firstname Lastname

Firstname Lastname

¹ <https://corporate.target.com/about/>

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SAMPLE

EXECUTIVE SUMMARY

Target Corporation is the second largest retailer in the United States following Walmart. The company was founded in city of Minnesota 112 years ago. The company has grown from its humble beginnings of just offering essential goods to a major multibillion dollar company meeting customer's demand in an array of products from retail merchandise of women and men's clothing, apparel, accessories, automotive, gardening equipment and supplies. The company has venture successfully into the grocery market by opening mega super stores that offers the convenience to shoppers of retail merchandise and grocery super market products. The company is a major employer in the United States and Canada with approximately 366,000 employees. Their estimated 1,793 stores make Target a well position company being able to serve customer in multiple segments of the population both nationally and worldwide. The company is divided into many different departments from human resources, risk management, marketing, merchandising, real estate & property management, supply & distribution, and technology. Target mission statement of being a preferred shopping destination for customers while providing a continuous customer support is the company's true mission. For this reason the company is known to set realist and sometimes aggressive goals if needed to make sure the company goal mission is leaving to its promise. The company strives in delivering (1) the lowest prices, (2) providing an appealing shelve space layout (3) facilitating electronic purchases through their website.

Target strengths are is ability to attract customer from different backgrounds by providing fashionable merchandise at low prices along with a portfolio of products

Situation Analysis

Team XX

needed by all customers from different income levels. Target's strengths can also be perceived with happy team members in their stores. The company offers one of the best employee compensation packages in the industry.

In spite of all the great things a company attributes may have there are also weaknesses that need to be address and improve on. One of these weaknesses is the data breach that occurred on May 2014 that exposed customer's confidential information as credit card numbers to cyber thefts. The data breached forced CEO than Gregg Steinhafel to resigned and apologize for the damages done to their customers.

Targets major competitors include Walmart Stores Inc. with 11,000 stores with 71 banners in 27 countries, and Sears Holding Corporation with approximately 1,980 stores, including 449 in Canada.

Target customer segmentation is broken into three sections: the characteristics of its consumers, the market segments, and the industry trends. Target's demographic customer is composed different backgrounds from Hispanics, White Americans, African Americans, and Asians.

After a thorough analysis of Target strengths and weaknesses from marketing, finance, technology, product offering, and consumer demographics and behavior, it has been determine that Target is already to position itself to become a major competitor by introducing a new line of large appliances for the home.

Introducing the new line of appliances and the private label "👁 Bull's-eye" to our guest will demonstrate Target's dedication not only meeting, but exceeding, their needs and creating an engaging shopping experience.

COMPANY DESCRIPTION

Target Corporation was incorporated in Minnesota in 1902 originally known as Dayton Dry Goods Company. They offer essentials and fashionable consumer products, household goods, food assortment such as perishables, dry groceries, dairy and frozen items at a discount price. Target refers to their customers as “guests”. Target leverages their strong supply chain and technology infrastructure, their culture of innovation embraced throughout the organization, and their discipline in managing their business strategically while investing in their future growth.

Target Corporation operated in two segments: United States with a store count of 1,793 and Canada with its first year of operations in 2013 with a store count of 124. The U.S. segment is comprised of four types of store layouts: General Merchandise (16%), Product Fresh (69%), Super Store (14%), and City Target (0.4%)². Target is currently the second largest general retailer in America.

Financial Resource

Target’s performance in 2013 resulted with a decrease of -1.0% in total revenues however; it had a Five-year Compound Annual Growth Rate (CAGR) of an increase 2.3%. Net earnings for the same year resulted with a -34.3% with a Five-year CAGR of -2.3%. A negative factor resulted in a comparison in performance between 2012 which consisted of a 53-week fiscal year versus 52-week year in 2013 as shown on Figure 1.

² See Appendix A

Financial Highlights (Note: 2012 was a 53-week year.)

Total Revenues

IN MILLIONS



2013 Change: -1.0%
Five-year CAGR: 2.3%

EBIT (Earnings before interest expense and income taxes)

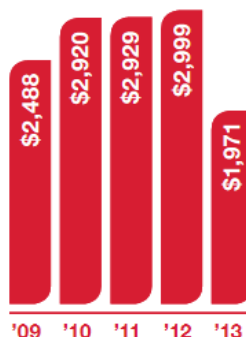
IN MILLIONS



2013 Change: -21.3%
Five-year CAGR: -0.8%

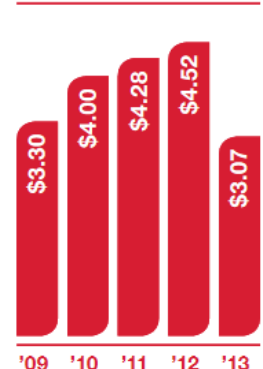
Net Earnings

IN MILLIONS



2013 Change: -34.3%
Five-year CAGR: -2.3%

Diluted EPS



2013 Change: -32.1%
Five-year CAGR: 1.4%

Figure 1 Target 2013 Annual Report

In addition, Target experiences a data breach during the fourth quarter of 2013 in which hackers obtained sensitive payment card and other guest information. (Target 2013 Annual Report, 2013, pp. , 2). A total of \$61M of pretax expensed were recorded related to the data breach which impacted approximately 40 million credit card and debit card accounts of our guest who shopped at our stores between November 27 and December 17, 2013. Additional expensed are expected as the investigation, legal and professional services with the data breach continues in future periods (Target 2013 Annual Report, 2013, pp. , 18).

Human Resources

As of 2014, Target employs 366,000 team members worldwide (Corporate Fact Sheet, 2014). The United States make up over 300,000 team members who support the

corporate offices and 1,793 stores, Canada has over 700 team members with its 124 store operations, and India facilities make up over 2,500 team members with focus on Information technology roles. They are comprised of various positions located in a corporate, store, or warehouse facilities.

Corporate level positions are made up of various levels of management, human resource, finance and accounting, legal and risk management, marketing, merchandising, real estate & property management, supply & distribution support, and technology services. Senior management reside here and the majority of the strategic plans and major decisions are made in these facilities. Each division is group in its own hierarchy of senior managers and their direct reports based on job functions.

Store level positions range in multiple levels of management roles, merchandise & visual display, account roles, human resources, loss prevention, cashier & operations, and maintenance positions. Each member of this team has a direct impact on the store execution of operations or guest services such as front register interaction or visual display and stock position of merchandise.

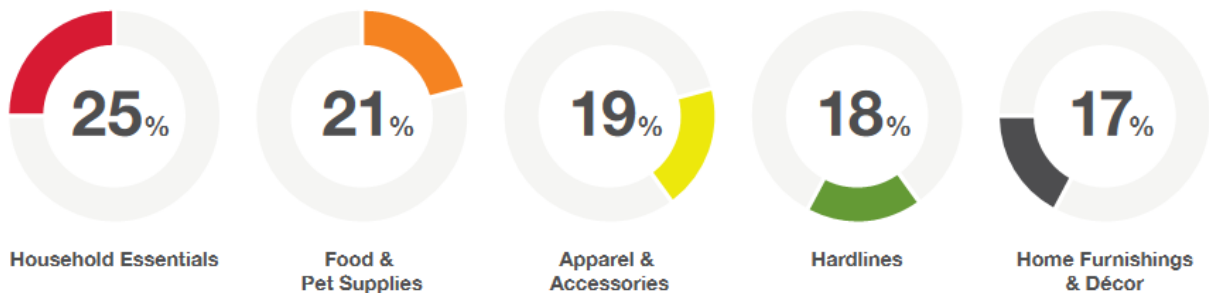
Warehouse facilities consist transportation drivers, mechanics, warehouse associates, and stockroom staff responsible to unload/load and sorting of the merchandise based on destination. Each member is focused on delivery of product to the proper destination in a timely manner to service the guest indirectly.

Target recruits team members with a diverse background, skill level and educational degrees. They range from entry level positions, pharmacist, veterans, and college graduates. Target invest in the growth and development of all team members and are committed to build the best team suited for the community they serve. (Careers, 2014)

Product Portfolio

Target carries a variety of goods which are broken up into five major areas: Household Essentials, Food & Pet Supplies, Apparel & Accessories, Hardlines, and Home Furnishings & Decor. In figure 2, it demonstrates a breakdown by these categories for the U. S. market for 2013. Household essentials contribute to 25% of the

Total U.S. Segment Sales: \$71.3 Billion



total annual sales in the U. S. market followed by Food and Pet Supplies with 21%.

Figure 2- Sales by product category³

³ Target 2013 Annual Report

Household essentials consist of Beauty Products, Personal Care, Pharmacy Products, Baby Care, and Cleaning and Paper Products. Some of the well-known brands in this category include COVERGIRL, L'Oréal, Neutrogena, Clorox, Bounty, Tide, Milkbone, Purina One, and others as the list is too long to mention all brands⁴. This is a clear indication Target's guests are shopping for daily essentials and not exclusively for fashions in apparel and accessories.

STRATEGIC FOCUS AND PLAN

Mission

Target's mission is to become your preferred shopping destination in all channels by delivering outstanding value, continuous innovation and exceptional guest experiences by consistently fulfilling our "Expect More. Pay Less" brand promise. © (Mission & Values, 2014)

Goals

For the coming three years Target seeks to achieve the following goals:

- Nonfinancial goals (Goals & Reporting, 2014)
 1. To increase sustainable seafood selection to 100% by 2015,
 2. To increase organic food offerings by 25 percent by 2017,
 3. To enhance at least 50 owned-brand packages designs to more sustainable by 2016,

⁴ Appendix C

4. To improve transportation efficiencies 15% by 2015,
 5. To increase ENERGY STAR certifications buildings for at least 75% by 2015,
 6. To reduce water usage by 10% per square foot by 2015,
- Financial goals (Target Corporation Financial Community Meeting - Preliminary, 2013)
 1. To generate \$7.20 of EPS in the US by 2017,
 2. To increase US sales 5% annually,
 3. To achieve an annual dividend of \$3 or more by 2017,
 4. To achieve \$6 billion in annual sales in Canada by 2017,
 5. To earn \$0.80 in earnings per share in Canada by 2017,
 6. To open 150 stores in Canada by 2017

Core competency and sustainable Competitive Advantage

In terms of core competency, Target Corporation seeks to achieve a unique ability to (1) deliver lowest prices on very broad assortments with a focus on value by providing a more upscale, differentiated assortment in discretionary categories and a curated assortment of branded hard goods (2) combined with the superior in-store experience and great prices and (3) the growth in development multichannel digital world to better handle their guest's shopping habits through Target.com, mobile business, and in store terminal leveraging their new innovation center in San Francisco

and the technology talent in that area. (Target Corporation Financial Community Meeting - Preliminary, 2013)

To translate Target's core competencies into a sustainable competitive advantage, Target Corporation will establish partnerships with key name brands such as The Walt Disney Company, Levis Strauss, Converse, Ben & Jerry's, and iTunes just to name a few. In addition, increase their private label sales such as Archer Farms, Market Pantry, Merona, Play Wonder, Xhilaration, and Room Essentials of which 10 brands generated more than \$1 billion in annual sales independently (Target Corporation Financial Community Meeting - Preliminary, 2013).

SITUATION ANALYSIS

SWOT table (Strengths, Weakness, Opportunities, and Threats)

Internal Factors	Strengths	Weaknesses
Management	New CEO has executive leadership experience	Target CEO resigned in May and left a void in leadership
Offerings	Good mix of products and many discounts & rewards for loyal customers	Undiscounted prices are high for irregular customers
Marketing	Differentiate with appealing stores and fashionable low priced merchandise	Disappointing sales in new stores in Canada

Personnel	Good benefits which boost motivation	Elimination of health benefits for part-time workers lowers morale
Finance	Target has continued to make a positive net income	Target data breach hurt sales for first half of year
External Factors	Opportunities	Threats
Consumer/Social	Physical stores allow consumers to get needed merchandise right away	Low prices and next-day delivery offered online
Competitive	E-commerce allows big-box stores opportunity to downsize buildings	Online retail only businesses have less overhead costs
Technological	Internet increasing access for consumers to shop online	Online shopping allows consumers to compare prices
Economic	Increase in U.S. consumer spending	Consumers not shopping in stores as much

Table 1 SWOT for Target Corp.

SWOT Description

Strengths

Target is a large upscale discount retailer that offers both owned-brand and exclusive brand merchandise. Target seeks to differentiate itself from other retailers by providing everyday items along with fashionable merchandise at easy-to-navigate stores for a great guest experience. Target offers good benefits such as health insurance, 401k plans, vacation days, and tuition reimbursement which keeps employees

motivated (Target 2013 Annual Report, 2013). Target offers price matching and discounts such as the REDcard which allows guests to link their debit card to a Target REDcard and get 5% off all purchases and free shipping from online purchases and price matching to ensure Target lives up to its “Expect More. Pay Less” brand promise (Mission & Values, 2014). Target recently appointed Brian Cornell as Chairman and CEO which brings a sense of innovation as this would be the first time Target has appointed a CEO outside of the company. It brings a sense of stability and allows interim CEO John Mulligan to return to his position as CFO (Zionbro & Lublin, 2014). Target has remained in positive territory for 2013 and thus far in 2014 (Target 2013 Annual Report, 2013).

Weaknesses

Target had a troubling slow start in 2014 due to the data breach that lowered consumer confidence in the retailer. Target CEO Gregg Steinhafel resigned in May 2014 after mounting pressure from top executives. Target stores in Canada performed poorly and the data breach added negativity to the retailer which eventually led to his resignation (Zionbro & Lublin, 2014). Target followed suit with other retailers in eliminating its health benefits for part-time workers. If not managed properly it can lower employee morale (Berman-Gorvine, 2014). Target’s differentiation strategy relies heavily on consumer trust and loyalty. Target’s image was damaged by the data breach and poor sales in the first half of 2014 reflected this (McGrath).

Opportunities

E-commerce has shifted the way consumers are shopping in the 21st century and Target can use this to its advantage. Target can begin to downsize its large buildings to decrease cost. Online retailers such as Amazon offer low prices due to not having physical stores and only selling products online. Stores are still needed because online sales only make up a small percentage of overall retail sales. Target can compete by lowering overhead cost of the buildings and increase sales online (Welch, Burritt, & Coleman-Lochner, 2012). As the U.S. economy continues to rebound and add more jobs, this will add to consumer spending (Sharf, 2014).

Threats

Retail giants have become too big and left themselves exposed to decrease in shoppers at physical stores. The retail environment is shifting as many consumers prefer shopping online and comparing prices with different stores to find the best deal. Amazon took advantage of this gap and started an online retail business with no physical stores. It has taken market share from big-box stores due to its low overhead cost allowing it to offer low prices. The lack of consumers buying merchandise in the physical stores increases overhead cost to Target. (Reingold & Wahba). Target must not mismanage the way it downsizes its stores because most retail sales are still done in physical stores. Online sales are growing so there is a need to take steps to ensure there are enough physical stores in opportunistic locations along with an increase in e-commerce tactics to ensure continued growth and stability (Welch, Burritt, & Coleman-Lochner, 2012).

Industry Analysis: Trends in the Retail Industry

Consumer behavior over the last decade has shifted to purchasing merchandise online. Many online retail stores such as Amazon can offer low prices and compete with big-box stores like Target and Wal-Mart. Best Buy Co. is closing down 50 of its big stores. Target is in a better position than Best Buy because they are diversified in the products they sell whereas Best Buy is heavily focused on Consumer electronics. Target and Wal-Mart have recently been shifting their business to smaller stores. Physical buildings aren't the problem as much as they must shift their business models to match the consumers of today. Many consumers are price sensitive and some like to make purchases online. Target and other big-box retailers need to work to increase online sales revenue and lower cost to compete in today's retail environment (Welch, Burritt, & Coleman-Lochner, 2012). Retailers in the U.S. are having trouble because they have a large square foot per capita of retail space and the trend towards online shopping do not help the cause. American stores have a 52.4 square footage per capita whereas other countries have a lot less, such as Germany who has 16.4. The industry shows an overall trend towards square footage reduction with many retailers opening smaller stores and also an increasing competition in the e-commerce market. Online sales currently only account for 6.4% of overall retail sales in 2014 but they continue to outpace in-store sales on a year over year basis (Reingold & Wahba).

Competitor SWOT Analysis: Walmart Stores Inc.

Is by far the biggest retailer in the world with multipurpose stores in the United States, Canada, Mexico, and to other parts of the world. Their stores consist of super centers, supermarkets, and warehouse clubs. It also includes business in e commerce such Walmart.com. The company offers an array of products through its stores. In the supermarket arena the company offers meat, dairy, bakery, frozen foods, as well as alcohol, and stationary products. Their retail stores are supplied with various are section into different departments such electronics, health products, automotive, footwear, communication equipment, and gardening outdoor products. The company has an approximate of 11,000 stores under 71 banners in 27 both domestic and international.

Walmart SWOT Analysis

Internal Factors	Strengths	Weaknesses
Offerings	Being able to compete in smaller venues like supermarkets	Low profit margins are always a risk
Marketing	Resources to improve ecommerce	Needed improvements in ecommerce
Personnel/Management	Professional growth opportunities	Lower benefits offer to employees

Finance	Increases in revenue	Loss in revenue due to shoplifting
External Factors	Opportunities	Threats
Consumer/Social	Openings of smaller stores serving smaller communities	not being a good citizen of the planet with respect to environmental
Competitive	Continue growth in the opening of super centers	Opening mega stores requires big cash out flows
Economic	Consumer confidence is increasing	Lowering product prices reduces profits
Legal/Regulatory	New wages could increase consumer spending	New legislations to increase minimum wages

Table 2 SWOT for Walmart

Walmart strengths and opportunities summary

Strategically located small stores in small communities position the stores as major competitor with supermarket chains, pharmacies, and local retail stores. " A store manager of a Walmart store located in a small community states "For us, it's all about the customers being able to come in and get their immediate needs met," this gives the company the diversity in being to compete not only on large venues like superstores, but smaller business venues as well (Placek, 2014).

Walmart continues its expansion of opening new super centers in Canada. The company continues to gain consumer confidence in the Canadian market by providing

one stop shop. The goals of the superstore are well supplied with grocery items normally found at the local supermarket chains. The company expects to increase its market presence by opening more super center stores (WalMart Stores Inc International Conference for the Investment Community Merchandise Growth Strategies - Final, 2012).

The company is able to make profits in spite losses. The company was able to increase net sales by \$11.9 billion even with losses of \$5 billion from currency exchange rate fluctuations and \$730 million benefit expenses from acquisition cost (WalMart Stores Inc International Conference for the Investment Community Merchandise Growth Strategies - Final, 2012).

"Economic perceptions signaled positive momentum as global job prospects, personal finances, and spending intentions cautiously edged up in Q1 2013," said Dr. Venkatesh Bala, chief economist at The Cambridge Group. The consumer confidence has increased in several key economies including United States that increase four points over the last quarter. The consumer confidence has also extended into part of Europe and Asia, for example, in Germany the growth increase four points while Asian countries such Hong Kong, Japan, South Korea, experienced double digit growth (Nielsen: Q1 2013 Consumer Confidence Climbs in Economies Around the World, 2013).

Walmart weaknesses and threats summary

The company continues to struggle in the ecommerce business sector. Rivals such as Amazon.com who are continually aggressive in package goods are costing sales revenues in the ecommerce. As the ecommerce continues its expansion into urban markets Walmart will just have to “take another stab” in reaching upscale consumers, and instead build more small stores. The company has made some new efforts in hiring ecommerce experts to establish a strategy to catch up with the well established competitors such as Amazon.com (Neff, 2011).

The public perception has a negative effective on the company revenues. An internal marketing report by Walmart’s then agency stated “bad corporate citizen who doesn’t treat employees well and isn’t acting as a good citizen of the planet (Kabel, 2007) this claim is of no surprise since it is not uncommon to see news stories of Walmart being involved in litigation issues about employment discrimination, and environmental issues (Meeks, 2011).

State your “educated” opinion regarding “gaps” in the market: Targets, Positions

While both companies Sears Holding and Walmart target their own customer segmentation whereas is by demographically, geographically, internal customer relationship management, they both experience a market gaps when it comes to delivering the expectations consumers have in mind when trying to satisfy their needs. Sears shows signal of market gap in the service repair and sales. This was revealed when their projected revenues sales in the service home improvement fail short with the Canadian home improvement consumer. As for Walmart it also reveals market gaps in it are the ecommerce section side of their business. They have not been able to fully

grasp that market business segment, and considerable efforts has been made to improve ecommerce sales, but little progress has been made. In order to close the market gaps more effort and resources need to be invested in developing a buyer-seller relationship that given the right elements may extended on future periods.

Competitor SWOT Analysis: Sears Holding Corporation

Sears Holdings Corporation operates retail stores in the United States and Canada. The company operates under two company names: Sears and Kmart. Kmart offers merchandise under “Jaclyn Smith, Joe Boxer labels, and Alphaline labels.” Sears provide different departmental products such as women and men clothing, electronics, garden equipment. The company is supplied by well-known brands such as Kenmore, Craftsman, Diehard, Lands End, just to name a few. Other services include home improvement services from installations of household equipment to repairs. The company is composed of approximately 1,980 stores in the United States, and 449 stores in Canada.

Sears Holding SWOT Analysis

Internal Factors	Strengths	Weaknesses
Offerings	New stores designs	Stock between Walmart and Target economic demographic

Marketing	Increase revenues with holiday promotions	Stop running promotional adds
Personnel/Management	Strong management team	Declining personnel in service department
Finance	Sales of store offset losses	Declining profits in Canadian chain of stores

External Factors	Opportunities	Threats
Consumer/Social	Increases in electronic and communication equipment	IT Staff not proactive, but reactive
Competitive	Kmart is a well-known company name	Competing against well establish competitors like Walmart and Target
Economic	Projected US economy to increase through 2014	Conflicts between congressional budget legislation could slow growth
Legal/Regulatory	Product recalls regulatory	Possibility of class action law suit due to collection practices on customers who filed bankruptcy

Table 3 SWOT for Sears Holding Corp.

Sears Holding strengths and opportunities summary

The US in the Consumer Electronics category is expected to grow at 2.86% between 2012 and 2017. The biggest growth will be in the communications equipment with a potential increases in revenue to approximately 5.98% (Consumer Electronics Retailing in the United States: Market Snapshot to 2017, 2014).

The US treasury department has forecasted increases in the general economy extending through 2014. The Treasury is predicting a 9% increase from the year 2013. This was possible by the congress approval for the budget, therefore, reducing hurdles in future economy (PROSPECTS 2014 Q2: US Economy, 2014).

In an effort to increase sales the Kmart stores are undergoing in a new store design

In an effort to increase sales, Kmart stores are being redesign to attract customers. This is the story of a famous sisters name: Kim, Khloe and Kourtney Kardashian that brought 29 year old mother who normally shops at Nordstrom Rack to stop at a Sears store in the mall. "Normally I wouldn't shop at Sears at all," but a "\$38.99 black jumpsuit looked promising compare to \$68 at other stores." By combining Sears brand, and reputation in customer service the company is strong in attracting new customers (Kmart Offers One-Stop-Shopping Destination for Families, 2011).

Sears Holding weaknesses and threats summary

The company is struggling to capture profits in its Canadian stores. The posted \$11-million loss in its most recent second quarter, however, the company losses could have been worse provided that they were able to vacate two Toronto stores, therefore, lessening their losses (Shaw, 2013).

The continue struggle in agreements among congressional representatives could halt the economy. These budgets are in indirect cause an effect to the general economy since they affect the largest government agencies such as the defense industry, which accounts for a large percentage of government fiscal expenditures. Any disruption in

the flow of funding in these government agencies could slow the economy growth yet affecting retail sales among other businesses (Gray, 2014).

Customer Analysis

In terms of customer analysis, the components in this section describes (1) the characteristics of consumers (2) market segments and (3) industry trends

Customer Characteristics at the industry level

Consumers that shop at Target represent a broad range of demographic, socioeconomic and behavioral characteristics.

“Demographically, Target mostly consists of women of the median age 42, with 50% of them having children at home and 48% of shoppers have completed college and earn approximately 63 k per year. The target market tends to be families with lower income brackets and parents with children. It emphasizes on wholesale and convenience for long-term home and grocery shopping” (Target Corporation’s Environmental and Consumer Behavior, 2012). Target also has a higher affinity with Millennials and Hispanics (Target Corporation Financial Community Meeting - Preliminary, 2013). The company understands that the focus is the attitudinal and behavioral union of consumers who love to shop, consumers who use technology, & consumers who are deal conscious.

Define the segment(s)

The Target market for Target Incorporated could be broken up as follows:

Segment Name	Demographic	Behavioral
Moms of median age	35- 50	Time pressured & family orientated
Middle income families	35-65+	Saving & deal conscious

Woman of median age want convenience for they are pressed in time and have young children who also have a say in the decisions from the household. Middle-income families with an approximate income of \$64K are looking for deals that will best suit their financial needs. Approximately 43% have children at home and about 57% have completed college. (Corporate Fact Sheet, 2014)

Industry trends

Socially

Target is aware of the social media trends and is committed to proving the support to their community through this business strategy. The effect of these trends on the industry level is being able to provide news to a large amount of people at any specific time. "Target has a massive social audience including Twitter, Facebook, Instagram, YouTube, Pinterest, Vine, and LinkedIn followers" (Target on Social Media:

How the Retail Giant Markets to a Social Audience of 138 Million | Simply Measured). They all allow different consumers of different interest to follow to the Target experience they want. This community involvement has strengthened the brand image and reputation of the company.

Environmental

Target is committed to achieving milestones in the business by using resources responsibly, eliminating waste and minimizing carbon footprint. This effect of this trend on the industry is to be more environmental savvy because recent years have proven customers own sense of desire to help the environment. Target is careful about recycling and disposing of electronic waste as well as merchandise and materials used in the supply chain. "Our goal is to reduce our operating waste by 15 percent by the end of the 2015 fiscal year" (Our Carbon Footprint & Resource Conservation | Target Corporate, 2014)

Marketing & Product Objectives

Target's marketing intent is to take full advantage of its brand potential while building a base from which other revenue sources can be mined both in and out of the current retail segments. Our current store locations and on line services will serve as the platform to expand new test markets and further drive our sales revenue potentials. These are detailed in four areas below:

Current Markets

Current markets will be grown by introducing our line of large appliances. This new line will complement our small appliance and electronic departments while delivering or guest the same values as the rest of our merchandise selection. We will be true to our motto of "Expect More. Pay Less" brand promise. ®". This new line will help increase same-store sales over the previous years and continue to increase as our guest awareness increases of this line of large appliances. In addition, this line will solve the gap our guests face large appliances are not easily accessible.

New Markets

Within three years, we will have our new line successfully rolled out in 500 stores (25% of total store count). The initial roll out will take place in the higher volume stores in California, Texas, Florida, and Illinois. These states have the highest concentration of store and will serve as our initial focus group. This will allow Target to compete in a new market which is experiencing an increase in sales volume. Target would be positioned to capture 10% of the total market share of the \$18 billion in annual revenue in the major appliance industry (Household Appliance Manufacturing - Quarterly Update 8/11/2014, 2014). According to Whirlpool, an improving housing industry and a pent up in demand for appliance replacements has resuscitated the market. Whirlpool expects to see an increase in unit shipments in the U.S. by 5% to 7% in 2014 (Tita, 2014).

New Product

Target will introduce a complete suite of large appliances which consist of six major components: refrigerators, stove, dish washer, washer, and dryers. The collections will include LG labels and Samsung Electronics Co both manufactured in South Korea and a private label collection “👁 Bull’s-eye” which is manufactured in the U.S. by Whirlpool. The “👁 Bull’s-eye” label will deliver the highest quality utilizing the latest technology and energy efficiencies at a value price for our guest. It will be backed by Whirlpool’s manufacture warranty. Delivery of the entire line of appliances will be available for delivery within 24 hours from purchase.

Target Market

The primary target market for Target’s new line will be new and current homeowners which are looking to purchase/replace an appliance with high quality, energy efficient units at affordable prices.

Target’s pricing strategy will be to offer competitive prices on name brands and exceptional cost savings when purchasing the “👁 Bull’s-eye” appliances in combination with the REDcard savings of 5%. When you add it all up, our guest will be offered an unbeatable price in the market. The initial introduction will be advertised on the front page of the weekly ad distributed via direct mail and supported on TV and Radio broadcast in addition with social media. Our loyal guest will see the exceptional value and trust our brand as we have proven to produce quality products.

Positioning

Target has been known for superb customer service throughout its history as a preferred shopping destination for fashionable trends, innovative products, and a one stop destination. Our guest can now feel confident our knowledgeable team members will be able to service their needs with the large appliance line. Target will offer the best in class in store experience when purchasing appliances versus an unpleasant hardware facility which is limited in team members to offer knowledgeable information. In addition, Target's Price Match Guarantee will ensure our guest will not be under sold when making a large purchase in our store.

Appendix

A.

TARGET CORPORATION

Number of Stores

Annual, Fiscal 1962 to Present

Year-End Store Count by Store Format

Fiscal Year	GM	PFresh	ST	City	U.S. Segment	Canadian	Grand
					Total	Segment Total	Total
2013	289	1,245	251	8	1,793	124	1,917
2012	391	1,131	251	5	1,778		1,778
2011	637	875	251		1,763		1,763
2010	1,037	462	251		1,750		1,750
2009	1,381	108	251		1,740		1,740
2008	1,441	2	239		1,682		1,682

B. Target product selection

Products:

Household Essentials:	Electronics:	Major Products and Services:
Beauty Product	Video Game Hardware and Software	Home Decor
Personal Care	Food and Pet Supplies:	Seasonal Merchandise:
Pharmacy Product	Frozen Food	Holiday Decor
Baby Care	Dry Grocery	Patio Furnishing
Cleaning and Paper Products	Candy	Apparel and Accessories:
Hardlines:	Dairy	Apparel
Movies	Deli	Intimate Apparel
Music	Beverages	Shoes
Books	Meat	Jewelry
Sporting Goods	Snacks	Accessories
Computer Software	Bakery	Services:
Toys	Produce and Pet Supplies	Instore Pharmacy
	Home Furnishings and Decor:	Opticals
	Kitchenware	Food Courts
	Furniture	Clinics and Other Amenities
	Lighting	
	Small Appliances	
	Bed and Bath	
	Automotive	
	Home Improvement	

C. Target Household Essential brand samples

Beauty Brands:	Skin Care Brands:	Household Brands:	Pet Supply Brands:
Boots	Boots	Bounty	Boots & Barkley
CHI	Laneige	Charmin	Milkbone
COVERGIRL	Neutrogena	Clorox	Beneful
e.l.f.	Olay	Downy	Pedigree
Laneige	SheaMoisture	Gain	Purina One
L'Oréal		Method	Fancy Feast
pixi		Seventh Generation	IAMS
TONI&GUY		Swiffer	Arm & Hammer
Sonia Kashuk		Tide	PetArmor
SheaMoisture			Tidy Cats

Samples of featured Brands:		
*Apple Target.com	Huggies	Rachael Ray
As Seen on TV	Johnson's Baby	Room 365
Boho Boutique	Just One You by Carte	Room Essentials
C9 by Champion	Keurig	Rubbermaid
Calphalon	KitchenAid	Shaun White
Chicco	labworks	Simply Shabby Chic
Circo	Leapfrog	Sonia Kashuk
Converse One Star	LEGO	Thomas O'Brien
dENiZEN by Levi's	Lexmark	Threshold
Disney	Liz Lange	TOO by Blu Dot
Dyson	Merona	Xhilaration Home
Fisher-Price	MudHut	
Garmin	Nate Berkus	
Gerber	Pampers	
GE light bulbs	Purina	

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