

Re-predict and Improve the Outlook for The Overall Decline of The Big-box Retailer Industry: Case of Target's Tailures in Canada

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Abstract. The rise of e-commerce in the 21st century has dramatically impacted the Canadian and global consumer markets. During this period of high economic volatility, many big-box retail chains have gone out of business due to ineffective modes of business. Through the case study of the rise and fall of Target Canada between 2013-2015, and cross-referencing the company's statistics with the successes of other surviving competitors such as Walmart, many flaws of its operations were exposed. The four fundamental flaws in Target Canada's operations were found to be: Overly-aggressive expansion into a foreign market niche; a high level of competition with other retailers due to a lack of specialties in merchandise; Low brand loyalties due to poor consumer experience, and Lack of user-friendly online shopping platforms, mobile app platforms, and other auxiliary services. This study has concluded that Target Canada's lack of implementation of technological innovations and its ineffective logistical planning were the two major causes of its ultimate downfall. Suggestions for correction and improvements are discussed, which may give insight to current and future entrepreneurs who wish to enter the Canadian market as a retailer.

Keywords: Target Canada; Retailer; Zellers; Logistics; Innovation.

1. Introduction

Technological advancement and innovations of the 21st century have enabled the rise of e-commerce, the global economic integration and the rapid development of information processing technology and modern communication technology have also led to the rapid growth of e-commerce, which drastically changed the playing field of traditional brick-and-mortar retailers[1]. With the increase in the number of Internet users, the use of the Internet for online shopping and payment by bank card has become increasingly popular, and its market share is proliferating. Due to the high technological and innovative pressure, the intensity of competition today is unequivocally high, as all aspects of business are interconnected domestically and internationally[2]. Those corporate players that chose the path to innovate stood a better chance to survive and expand. In contrast, others that fail to adapt to the contemporary market environment are destined to be eliminated through natural selection[3]. Target Canada was one such corporate player that failed its mission of gaining a competitive edge over others in a foreign market territory. This study aims to identify the key factors that hindered Target Canada from turning a profit after entering the Canadian market. More precisely, the company's supply chain management and its financial health will be closely examined. In mid-August, the Hudson Bay Company (Canada) announced that it would reinstate the nostalgic Zellers brand that went out of business ten years ago. The content of this paper will summarize the mistakes of the former big-box retail brands that have failed and provide insight into the types of leading practices or innovations that contemporary consumers may like to experience in the new Zellers that is reopening in 2023.

2. Literature References

This case study examines the downfall of Target Canada, a traditionally styled brick-and-mortar retailer under the influence of e-commerce. This research speculated that retailers' financial health largely depends on the effectiveness and efficiency of their logistic management and planning. The

lack of functional logistic management and planning could translate into poor competitiveness and financial health over time. The scope of this study is limited to Target Canada and consumers of the Canadian market, and only literature relevant to logistics and innovations is selected to be reviewed.

Upon examining a list of scholarly works of literature, this research has discovered a pattern of critical focuses that can be grouped into three categories. The first cluster of literature conducts case studies directly on Target Canada, which qualitatively reviews the speculated causes of its downfall. The second category of literature focuses on consumer loyalty and brand awareness, which quantitatively evaluates how Target Canada was doing between 2013-2015. The third category of literature focuses on the benefits of innovative technologies for logistics management and planning or the lack of them. This literature offers valuable insights on how technology could enhance the effectiveness and efficiency of logistics in the retailing industry.

Upon reviewing the selected scholarly studies, the downfall of Target Canada was largely due to its poor logistic management and planning, and the company failed to address its logistic needs at the first opportunity. Furthermore, the lack of precaution by its executive management had indulged an overly aggressive expansion mode of business of the company to the point that sales could no longer keep up with its operating costs, which explains its 2.1 billion deficit by 2015. The ineffective and inefficient logistics management and planning can be attributed to the lack of logistics software and other digitized management tools. Therefore, the thesis of this paper is that those corporate retailers that chose the path to innovate stood a better chance to survive and expand, while those that do not are destined to fail.

3. Organization of the Text

3.1 Case Description

Target Canada was once a discount big-box retail store chain that sold beauty and health products, bedding, clothing and accessories, electronics, food, furniture, housewares, jewelry, lawn and garden, pet supplies, shoes, small appliances, sporting goods, toys/games, etc. Its parent company Target Corporation is the eighth-largest American big box department store chain in the United States. Target Corporation saw the downturn of the global economy as an opportunity to enter the Canadian market. It swiftly took over the lease rights of the former Zellers from its parent company Hudson's Bay Company, via a series of corporate acquisitions.

The first Target store opened in Canada in March 2013, and the brand name quickly expanded to over 133 branch locations by 2013. In reality, most of the merchandise retailed at Target (CA) was also sold by its competitors at competitive pricing. Ultimately, Target's overly-aggressive expansion campaign ended in Canada in 2015, racking up heavy losses that amounted to 2.1 billion USD.

For this assignment, this research will set out to determine the fundamental factors that contributed to Target Canada's downfall. It is essential to identify and learn from these mistakes so that the big-box retail chains' management can truly understand the dynamic nature of the current consumer market. Zellers was out of the game in 2011, and then Target Canada failed to succeed after taking over most of Zellers' leases. Now that the Hudson Bay company has announced that it will resurrect Zellers as its subsidiary in 2023, its management needs to understand the significance of technological innovations in enhancing customer/brand loyalty. This is also true for any other remaining retailers such that they can better cater to the needs and wants of their potential customers efficiently and competitively.

3.2 Analysis

Upon conducting a literature review and cross-examining Target Canada's financial reports between 2012-2015. There were four challenges faced by the company that contributed to the company's ultimate downfall.

The first problem was the company's overly-aggressive expansion into the Canadian market. The market entry into Canada, led by Gregg Steinhafel, the then CEO of Target, was ill-planned and

oversized. It was a rushed decision of Target to take over the 220 leases of Zellers, which went out of business in 2013. Despite the desperate remodeling need for the spaces acquired from Zellers, Target pushed forward and opened its first stores within the initial months. The company was soon unable to keep up with the expenses generated by the 120 plus new stores that followed within ten months [4]. The unanticipated financial footprint was one of the primary reasons for the company's incapacity to turn a profit. The lack of implementation of sophisticated management and planning software was perhaps something that failed to spot and warn Target's executive management of the risks of overly-aggressive expansion at an early stage.

The second problem was that retailers generally do not produce their merchandise. Other competitors are likely to offer the same or similar products to the consumer. As a result, Target Canada does not wield any competitive advantage over its competitors, namely Walmart, Loblaws, Shoppers Drugmart, etc. The intensified competition amongst these top corporate retailers strangled Target Canada to keep up with its publicized "expect more, pay less" brand image. As Target's consumer loyalty dwindled in the Canadian market, the company could not break even in sales. This raises the question of whether Target Canada should specialize in the merchandise sold at its local branches so that the company could distinguish itself from other competing retailers to avoid direct competition.

Thirdly, retailers are generally the first line of communication/interaction with their customers. As a result, consumer experience is critical in securing foot traffic and making sales. However, Targets has failed to adequately remodel the Zellers stores that it had taken over, which falls short of giving the Canadian shoppers a refreshing experience upon walking into their newly opened local department stores. As a direct result, a significant fraction of the customer population has felt nothing worth mentioning had changed since the former Zellers transitioned into the Target stores. In other words, Target did not take adequate innovative measures to ensure that the company did not repeat the path chosen by its predecessor, Zellers.

One of Target's top issues was managing its inventory efficiently. Products arrived at the wrong warehouses, which resulted in products going to the wrong stores. Retail stores would receive large shipments of some goods, while other products would never arrive. This left many shelves empty and without essential everyday items such as milk and eggs. As a result, building customer loyalty was hard for Target. Competition in the market was stiff, and Target was not up to par.

Fourth and lastly, Target Canada failed to recognize the importance of e-commerce. Their Canadian subsidiary did not put much effort into investing in a well-developed online platform for its consumers to take advantage of. Target was out-competed by its competitors in the realms, including mobile order, order and pick up, free and expedited shipping and delivery, etc. The lack of these features essentially drove its potential customers away, while its competitors were able to thrive in the new market niche of e-commerce[5].

3.3 Suggestions

To prevent the grand opening of the new Zellers from repeating Target Canada's mistakes, a few suggestions can be offered to the executive management of Zellers Canada for consideration.

The new Zellers' debut into the Canadian market should be paced, and it is ideal for the company to have a lean start. For instance, the new Zellers may choose to implement some of the leading management planning technologies to assist its management team in determining when the next appropriate point to expand will be, such that the company could have a reduced footprint in operating expenses. Using the right innovative tools could effectively enable the management to collect and interpret consumer information. Sophisticated AI could provide an updated advisory report for the leadership at various stages of business development. For example, during the planning phase, technologies could advise the management on the optimal locations and the square footage needed when planning on the establishment of a new retail branch based on the software's advanced analysis of a given geographic location's population demographics, consumer foot traffic, consumer brand awareness, and loyalties, etc. [6]. During the launching phase, the technology could interpret big

consumer data and suggest the best means to advertise to reach a given audience. During the operating phase, the planning technology could advise the branch management on when to restock inventories, hire, and wage planning[7]. Even though the upfront cost of these technological upgrades may be high, it would still be worthwhile over the long run due to the more considerable saving on operating expenses. After all, the ultimate goal is to turn a profit as soon as possible so that the same successes can be duplicated at future expansions.

As a new player enters the market, the new Zellers must know the market niche and have a solid plan to succeed. Another suggestion for the new Zellers is that the company should consider specializing in its merchandise to avoid direct competition with its potential competitors. One fatal mistake from Target Canada was promoting its brand image as a “discount store,” which the company failed to keep up with due to heavy competition. When Walmart and other retail stores were already selling the same products, it was impractical for Target to discount further, slowly driving its consumers away[8]. As a result, the new Zellers may collaborate with alternative suppliers to distinguish its brand from other retailers. Additionally, the retail stores could consider choosing an interior and exterior design to make the store’s physical appearance memorable to the audience[9]. The idea is to invest in its brand image as it is one of the necessary means to promote sales.

In this day and age, a significant proportion of the user population chooses to shop online. As a result, another improvement that the company could implement would be a user-friendly online platform. An easy-to-navigate online/mobile app platform would greatly enhance consumers’ shopping experience[10]. This would directly translate into an increase in the company’s revenue generated from online sales. Other auxiliary services are also advised to be considered by the executive management. For instance, offering expedited delivery services to consumers would directly cater to the demand of those in urgent need of particular products, hence increasing the likelihood of making sales[11]. Incorporating curb-side pick-up service is another way to serve those shoppers who are frequently on the go. As more of these innovative services gets incorporated into the daily shopping routine of the consumers, super retail stores may even be rendered obsolete one day.

4. Conclusion

This study confirms my speculation that the incorporation of logistic management and planning tools must be an integral part of any retailer. The lack of innovative logistic management and planning tools could result in a higher operating cost for the company, hindering its financial health. When logistics become a problem, it may also damage the company's brand image and lose customer loyalty over time. Therefore, those retail players that choose the path to innovate their logistics management and planning strategies will stand a better chance to survive and out-compete their competitors.

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