Asst 7.1 The Last Days of Target

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After we read the case study, we agree in these following changes that Target could introduce into the Canadian market, here we will explain our suggestions and also what it could be avoided to prevent the financial and overall problems they went through in the Canadian market.

One of the major issues Target had was to rush the process of entering the Canadian market by purchasing 220 Zeller stores and committing to expand the market quickly to avoid financial insatiability non-operational stores. Target should have chosen a slow and methodical expansion.

Target would gain a proper insight and understand Canada's cultural nuances by pursuing to expand its market slowly into Canada, Even with a reputation of being one of the largest retailers in the US, It underestimated the risks such as the difference in the Canadian marketplace, language barriers and culture differences.

Target should have opted for a better expansion strategy by not opening fewer stores initially and expanding over time by understanding the market then Target would not have faced a major failure. This would help Target refine the operations and their supply chain in parallel to the customer needs.

Target should have opted for a Joint venture with Zeller stores rather than taking over them completely, which lead to Target hiring new employees from the US resulting in negative publicity and deteriorating the Local customer experience.

Due to the lack of time and little room for errors expanding Target across borders to the Canadian market became challenging. The company should have understood the challenges of implementing new and adequate systems to handle the differences and put forth a methodical and gradual entry and shouldn't have rushed in building 3 distribution centers without having proper organizational changes that were required in Canada and differ from the US.

Secondly, they went wrong was the technology they used for the process. The technology which they implemented was new and complex. Moreover, the employees were not familiar with it, nor a proper training was conducted to educate them to use the system properly. All this led to problem in the year 2012 where the shipment quantities were not fitting the containers, means there was fault in measuring, calculating and ordering products and arranging their shipment. This failed their whole distributing system, nor did they have a centralized approach to the distribution.

They were in a rush to implement this new tech and they had already invested so much into Canadian markets that they could not afford to hire experience and well-trained staff. So, they took it lightly and hired fresh out of college staff to work on these software systems. The data was wrongly fed to the supply chain software which controlled the movement of goods. SAP is a bit complex software and employees without training were finding it difficult to operate which lead to breakdown. Later, they now had to spend more money on rectifying problem. So, this would have not happened it they had slowly moved into this new technology.

SAP is a good software, but it takes time to get it in the flow. Their mistake was that they wanted to implement the best tech in a very short time. They hired Accenture to perform the task, invested a lot of money, hired lots of employees from India. But, at the end they failed because they pushed a lot to meet the deadline which lead to mistake in feeding the data into the software. On the other side all their major competitors like Walmart, Loblaw and Costco had invested more than 5 years to install SAP and have all data in right place on it, and brought it to function smoothly. If a proper systematic approach was implemented SAP would have brought success to the company in Canada. It was not the finances but the rush to beat the computers.

So, the expansion method, technology failed. But they could have succeeded if the implemented a hybrid structure. Hybrid management style would give freedom to those departments who needed to work on the fields with different customers in different geographic areas inside the Canada across different locations. And to those departments like Research and Development which needed time to install the software. Target Canada approach to Foreign direct investment for acquisition went wrong because they ignored many factors that affected the takeover in a foreign market

The third important change to consider it is about how Target trained its employees and the lack of consideration for their feedback and opinions. Target Canada made several mistakes regarding management and leadership. After Target toke all Zellers retailers shops locations, their Managers decided to hired employees that do not have enough experience in this field and without technical skills, most of these new employees were totally fresh and from Zellers stores, they only hired 1 % of them, they lost these human resources with experience in retailer stores and they were already known by local customers and this mistake was a result of negative propaganda, and the local consumers had a negative image of the brand even before they opened the stores, for all these people that they left without job and also when they started attended to the stores they noticed their lack of experience and different quality of service they used to have.

They could not make a good impression to its brand and new customers, they failed to impress old and loyal customers, their prices were higher as were expected, compared to United States prices, were totally different and higher. Therefore, customers were disappointed because they had the impression that they were still in Zellers stores just with a different name and kind of renovated locations. They did not train their employees enough to be ready with their soft and technical skills and be more efficient with SAP software in place. It made situation worst with empty shelves and unavailable products that employees did not consider in orders and that they did not skilled enough to identify problems in the stores on time.
Target underrated the impact of Canadian union, while in US only 10% are in unions, in Canada is a different perspective. This made Target neglected Zellers employees, this did not get well with Canadians. Again, they forget the impact of local perspective, the impact of the cultural perspective and social impact of their process and management.
Target did not understand Canada's cultural view and that even Canadians had a similar market to United States, there are different cultural views that make local customers and employees unique. For example, Canadian costumers tend to compare prices with other retailers and quality of products. Canadians consumers were disappointed to see that prices were higher to other retailers and also, they prefer fresh groceries and tendency for organic and high-quality products.

Also, their purchasing department and vendors providers could be from local companies instead than all US companies' providers, if they would consider more local vendors, local employees and local customer needs, it might be a different story.

To recapitulate, it can be said that Target had an ambition of expanding their business in Canada and it was the win-win situation for both the Target and their customers. It stimulates the customers for getting the American goods at cheaper prices and company found it beneficial because Canadian welcomed them at the initial days of the opening. Moreover, the company sales were skyrocketed & the actual demands were higher than the company expectations. Which epitomized the opening of more than the half of the stores in total in a year. However, there was a turning point after 3-4 months of the openings. The Target was not able to fulfil the customers satisfactions which created the obstacles for the company which shows us they weren't completed the homework before coming to Canada. They were in rush at every stage of the business from expanding to the installation of the technologies. Even they didn't read the Canadian market because it is so versatile, and the labor laws are so different from Federal that's why they bear lot of cost and not able to recoup the operating cost. Drastically the CEO of the company thought to stop the expansion process and start winding up process to close the stores.