Missing the Target: Canada

How Target failed so spectacularly in Canada, and what we can learn from it

Executive Summary

Target is a multi-billion dollar company and one of the largest value-oriented retailers in the United States. In 2010, Target's directors decided to join the international market through a strategic expansion north to Canada. Its first store was set to open in 2013 and news of its arrival was greeted positively by consumers. After much anticipation, however, consumers were let down with a subpar experience. Target reported poor sales and decided to withdraw from its operations in Canada shortly after opening. This report seeks to determine how a highly successful chain in the US failed so spectacularly in Canada. It also contrasts its failures to a similar successful venture performed by Walmart, years earlier, to determine lessons for future organizations.

Target's problems began with its initial analysis of the Canadian landscape, where it underestimated the ways in which it differed from the US, as well as the threats posed by its existing competitors. Using Porter's Five Forces Model, we determined that Target misjudged both consumer behaviour, as well as competitor strength. Instead of having an easy market entry, it would be an uphill battle to both gain and maintain customer support. Target then faced internal cultural and leadership issues, caused by poor strategic vision from upper management. Not only were employees given difficult tasks and impossible deadlines, but their complaints about feasibility failed to be heard.

Target's entry process in Canada ran into a number of issues, as a product of an unnecessarily tight timeline. Most salient were its failures in terms of hiring and technology implementation. High-level employees were brought in from the US, meaning the individuals in power did not have knowledge of the Canadian landscape. Low-level employees were also poorly incentivised to perform well and Target Canada did not have time to train and establish a good working culture. Target's plan to implement an entirely new SAP system within two years, despite the overwhelming difficulty of this task, similarly, ended poorly.

In contrast Walmart, which entered Canada under similar circumstances, gave itself sufficient time to expand, hired high level Canadian employees and worked out technological bugs before opening and was able to succeed overall.

Based on the analysis completed, management acted too impulsively, and was misguided on the consumer culture in Canada. Target, as a result, was one of the biggest, most notable failures of international expansion in recent history. There are, however, many takeaways regarding international expansion that have been reinforced for any company daring enough to enter the Canadian market. Foremost, despite Canada's close geographical proximity to the United States of America, consumers in Canada have different orientations, which translated to different overall expectations.