Effects of Federal Minimum Wage Requirements on Target Inc.

**Abstract**

The success of businesses is always influenced by a broad range of issues that work together. One of the business units is Target Corporation. Target is a discount company that has been actively operating in the United States for over a hundred years. The company operates in a competitive environment. However, the government regulations also play a role in shaping the dynamics of the industry. Consequently, this paper examines how specific rules and regulations by the government have affected the operations of the company with regards to the imposition on minimum wage demands by both the federal government and the states.

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**Business profile**

Target Corporation is an American-based discount store that has been in operation for more than a century. It was started in 1902 and was initially known as Goodfellow Dry Goods. However, over the time, through mergers and acquisitions, the name evolved and is currently referred to as Target Corporation or Target. Since 1967 when the division was created and the name formed, the company has been raking in profits and is listed as one of the most successful institutions (Auerbach, 2013). The company operates in the often crowded food distribution industry and has created a reputation for excellent services. Concerning its market share, it is worth noting that the institution has a huge marker base in the United States and only comes second to Walmart. That means it controls a significant portion of the industry. According to the 2016 statistics, Target Corporation had a market share of 2.08% in the real estate sector. It is a fair share since the market is crowded and the competition is very stiff.

With the statistics above, it is easy to treat Target as one of the top competitors in the retail industry. Notably, Wal-Mart is still miles ahead of the rest in terms of market share. Other outlets are also coming up and it is incumbent upon Target to adopt necessary measures that would make sure that it is not left behind by the other giants that currently are ahead of it. However, the company does not get help from the fact that some of the policies that the government is developing may restrict its growth agenda.

**Direct competitors**

Target operates by offering discounts to customers on various goods to earn revenues. Instructively, there are a large number of retailers who use the same technique to attract customers. The leading direct competitors that Target has are Walmart and Cosco (Matsa, 2011). The firms also offer various discounts on their goods to improve their sales volume. Consequently, the competition is always very stiff. Records from the 2016 statistics indicate that Wal-Mart stores still has the largest portion of the United States Retail market with its share standing at 14.26%. On the other hand, Costco has a portion equivalent to 3.28 % of the market. Accordingly, the two companies present the greatest level of competition to the Target.

**Opportunities and threats**

Just as in any other organization, Target has a plethora of Opportunities that it can exploit to improve its activities in the market. At the same time, some threats pose serious challenges to its agenda. On the top of the list of opportunities that the retailer has is its competitive edge over rivals regarding fashion distribution. The application of E-commerce by the company is a chance that it can exploit to achieve its desired objectives. Statistics indicates that the middle income earning class in America is shrinking and that means most people would prefer to shop at the discount stores (Yue, Rao & Ingram, 2013). That would result in improved sales volume and improved profit margins. On the threats, the entry of other online distribution firms such as Amazon threatens to eat into the customer base of the company. Besides, the fact that average incomes in the country are falling and that means the buying power will be affected tremendously.

**The Federal minimum wage requirements and how they affect Target Corporation**

From the 24th of July 2009, the Federal government, through the Department of Labor, enforced a raft of measures that were intended to improve the wages of employees in various sectors of the economy. The changes were contained in the Fair Labor Standards Act. It required that employees would be paid a minimum of 7.25 dollars for an hour. Companies such as Target have an obligation to adhere to the provisions or face legal problems that would not help its image. However, some states have adopted their minimum wage rates which invariably still affect the operations of the company. The bottom line is that in this kind of economy, the market forces should determine the remunerations. Any imposition of minimum wages is likely to affect the operations of the institution.

With the shrinking middle class, the volume of sales is likely to go down significantly. Should the company retain the same number of employees, it would mean the expenses would remain high as the as the sales decrease. In the long run, the company would be in trouble of experiencing reduced profit margins or even recording losses (Belman& Wolfson, 2013). That t is a typical scenario in which an action of the government is likely to have an impact on the business activities of business. Ordinarily, it is expected that the market forces would determine the wage distribution in the system. However, with the provisions by the government, the game changes.

**The effects of President Donald Trump's rejection of Trans-Pacific Partnership on Target's business agenda**

A short while after President Donald Trump was sworn in as the 45th American president, he took a bold step of pulling the United States from the Trans-Pacific Partnership. The partnership was a trade agreement that was negotiated during the tenure of Trump's predecessor President Barrack Obama. Essentially, the rejection of this agreement is likely to have far-reaching effects on business entities such as Target Corporation;

Firstly, the TPP, as was originally designed, was to enable the American business community to do business with other countries without the imposition of quotas. America was going to have an opportunity to receive goods from other nations and also allow the corporations to take their businesses abroad. In this case, Target would have found it easy to conduct business in the Asian continent. As a result, the corporation may not exploit the opportunity to improve its profitability through trading with other countries.

**References**

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