

Team Five: Coleman, Davis, Figgins, Holsey, Simmons

Contemporary Business Issues

Target Analysis

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## **Abstract**

The purpose of this research is to provide you with information about the Target Corporation. Target is a major retailer in America for consumers to purchase what they need. Target has a great reputation and provides excellent customer service as well as strong business ethics when it comes to their employees. Target has also experienced some not so great press when it comes to their store, they have had issues with the breach in security and political issues with the North Carolina law for transgender. This research paper will provide you with detailed information about some of the major issues, current and past that Target is experiencing. It will bring to light the reasons for some of these issues and how the CEO, John Mulligan is dealing with them. The research will also show some of the causes and effects the business is experiencing and show how competitors are using Target's issues to their advantage and how Target is fighting to stay on top. Target has been in the media lately with some political issues that are going on in today's society and research will show how they are reacting to this news. This research will also show the similarities and differences between Target and their competition. The strengths, weaknesses, opportunities and threat that the corporation faces and how they will deal with them.

## **Introduction**

Target is one of the largest companies in America and delivers on their promise to its consumers. Target is well known for providing the 5% discount when you use the Target Red Card and their strong business ethics. Target has faced some major issues lately, the breach was a major damage to the store and when the CEO stepped down, it caused more of a delay in moving forward in a positive light. This research paper will provide you with an introduction to the history of Target and how they developed their strong business ethics. The mission statement and their values will also be highlighted. We will also provide you with the issues that Target is facing and what they have done to fix these problems. Target's new CEO is facing many problems that he is aiming to fix, we will discuss in detail those problems and his plans to put Target back on top. Target faces many issues in today's society and struggling to recover from the resignation of its CEO and the Target breach. Target has many opportunities to gain the competitive edge in the retail market. They already provide great customer service internal and external, they have a great opportunity to expand to the online market while still offering that 5% discount to its consumers. Target has also endeavored into the political and social issues by agreeing with the new transgender law, they failed to realize or conduct research to see how their consumers would react.

## **Motivation**

The issues with Target have caused the CEO to stay in constant battle to keep its store at the top of the market. Individual groups are responded to the trending topics of Target being in favor of the Transgender bathrooms, keeping the shelves stocked for consumers in many of their stores,

the recent data breach, losing the cheap chic brand, the grocery store industry and the Canada stores. Social Issues and Political issues will be addressed and solutions offered as well as customer service, financial and the competitive environment. Target is in a recovery phase and designing and implementing new ideas and ways to increase revenue and maintain its customer base. Target is in the recovery phase; with the new CEO he has been rebuilding the Target brand and addressing some of the current and past issues with the company. The new CEO is making great strides in getting Target back in competition with its competitors. Target has a good reputation in providing great quality products, good customer service, and top level management. The new CEO can only improve what is already a great company. Although Target has experienced a few setbacks, the greatest motivation is that of Target's loyal customers.

## **Results**

In this research, we aim to provide the reader with websites to further understand what we are explaining and to provide them with more information on the subject. Online research and personal experience and values will also be cited. This research will provide you with how Target began and their mission statement, values and how they operate. The major issues that Target has experienced past and present, we will explore each of them and how they affect the economy and the environment. Target is a major chain store and provides a lot to the community and offer goods and services consumers need. Consumers should be engaged in the issues with Target and keep current on how they plan to address these issues and solve them.

## **Analysis**

Target has much strength that has allowed them to remain one of the top retailers in the industry. Target is well established and has made a name for itself by providing great customer service and being a fun place to shop. Target offers many name brand selections and a variety of choices to its consumers all at great competitive prices. Target offers a high line of fashion products, keeping with the trending styles for all age consumers. Every business that has strengths offer weaknesses as well, Target has failed to keep in standing with some of its competitors. Target does not offer online shopping like many of its competitors, and also has not offered many other features. Walmart offers filling stations to its consumers; Target has yet to endeavor into that market. If Target added filling stations it could create an enormous amount of revenue for the company. The opportunities that Target has to become more successful in the near future are endless. Black Friday is a major shopping day for retailers that have many products to offer, if not in store then online. Target has the opportunity to increase its customer base with online shopping for those who do not wish to visit the stores or not having the time to do so. Other major competitors that offer products and services to their consumers that Target has yet to offer stand a chance to beat the retailer in the market. Target has to close the gap on its competition by keeping up with technological changes and the needs of its consumers. Technology is growing rapidly over the years and Target may need increase its knowledge of the technological changes occurring around the world. Some of Target's competitors have self check out which is

a great investment for the customers that would rather check themselves out and not wait in line for a cashier. The political issues of gender based isles and how consumers responded, social responsibility goals and progress by Target, financial issues with the company and how they are doing in the stock market, how the company respond to its competitors, (Wal-Mart and Amazon, etc.), and real life customer service statements and issues with Target will be analyzed.

The financial issues for 2016 began when Target's stock market and sales declined early 2016 and this is mostly due to the sale of the Target's in-store pharmacies to CVS. Although the sales declined, the numbers are still considerably higher that they were a year ago. Due to the rise in sales Target experienced it allowed Target to have a significant gain over some of its competitors. Although Target earnings may increase over the next few years, they may also add Dollar stores as a competitor. Dollars Stores have started to be a threat to Target because of its convenience and low prices.

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### Contributions:

Lisa Figgins, team leader is responsible for typing all information. I began the research for the abstract and then passed it along to the other team members.

Fantella Coleman read the initial abstract and made changes and added her comments and additional research information to the paper.

Tiffany Williams picked up the next section, reading all information that was already in the document; she then made the necessary changes and added additional researched information to the document.

Star Simmons was able to read the entire document and make additional comments as well.

Audrey Davis was also able to read the document and make additional updates and changes as well.

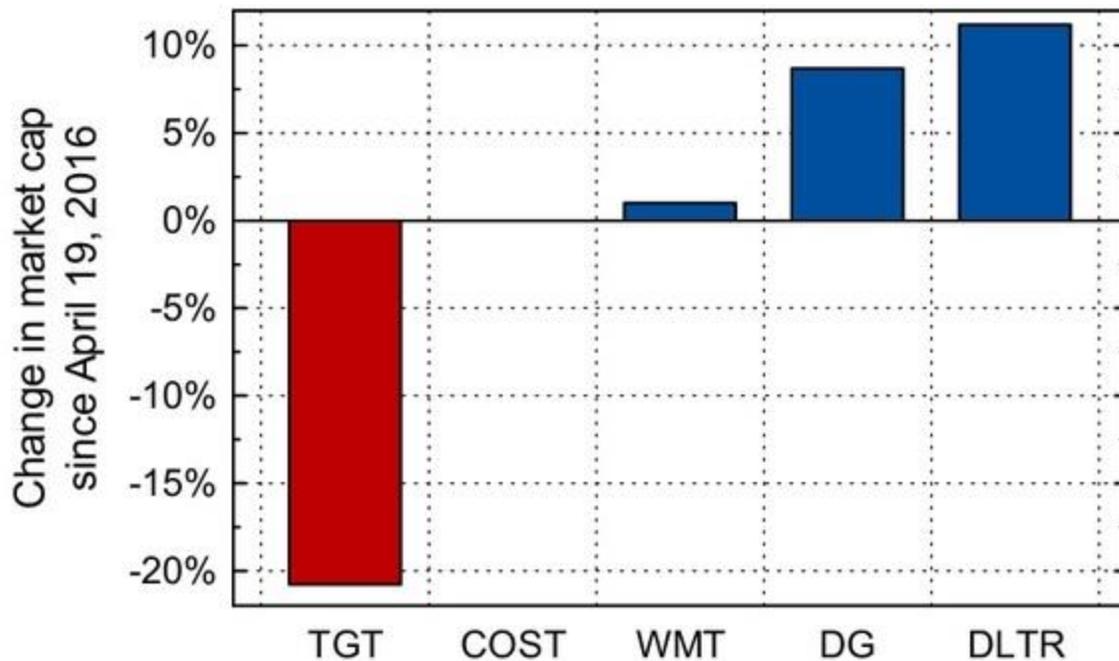
The group has decided that we will all come together after class once we have taken the exam and discuss further due dates. We are in the process of finalizing our paper by discussing the introduction and conclusion. We plan to write the introduction as a group and then conduct research and write our individual papers and come together afterwards on an assigned date and complete the conclusion.

## Introduction

Target Retailer is known as one of the largest retailers in the market, third largest after Wal-Mart with competition such as Wal-Mart, Costco and other well-known stores. Target operates 1,799 stores and 38 distribution centers in the United States. (Pestle, 2015). Target only operates inside of the United States where as the competition has stores outside of the US. Target is no stranger to issues inside of their organization. Issues from the past and present still have an effect on the retailer. Target attempted to branch out and extend its services into Canada, but took a loss of \$5.4 billion. Target eventually had to cut its loss and shut down 124 stores. Target issues continue to rise as the company decided to take on social and political issues with their name attached. Target has faced some major issues lately, the breach was a major damage to the store and when the CEO stepped down, it caused more of a delay in moving forward in a positive light. The new transgender policy that Target has instituted inside of its stores has caused a major issue among consumers. Target has many strengths to keep up with the competition, but also has weaknesses that play a major part in its failing areas.

## Social Issues for Target

Social Issues are problems that have an influence on many people within society. Target has been in the spotlight due to the stance they have taken on social issues. The most recent social issue Target has become involved in today is the North Carolina Law on transgender bathrooms. North Carolina's governor signed a transgender bill that allows transgender individuals to use public bathrooms for the sex they identify with. The major retailer has made a decision to allow transgender to use their bathrooms according to their sexual identity. Target has stated they are all about inclusivity and remain loyal to its customer base. This decision did not come easy to many of Target's consumers and employees. Many Consumers and employees are outraged over the decision Target has made. A boycott was formed by the American Family Association against the retailer and is calling for 1 million consumers to protest. This boycott comes on the heels of the allegation that a man was arrested for filming underage females in the dressing rooms. The AFA has made claims that Target's support of this new law is making it unsafe for women and children. Target has also been noted to show a decline in financial area due to the new policy. According to Target CEO, Brian Cornell; "Target has suffered no negative financial impact due to the much hated bathroom policy" (Rayne, 2016). In the chart below, it shows the comparison with Target and its other major competitors and how they have remained steady or increased while Target show a major decrease in finances. The chart clearly shows Target's market cap has a 20.8% decline. Although the CEO claimed that the retailer did not suffer any damage in their financial area due to the recent issues at hand, the chart below provides us with some actual numbers in comparison to the retailer and its competitors. In a recent article by the dailycaller, it states that stocks for Target have dropped since April 19<sup>th</sup>, 2016 from \$84.14 a share to \$79.27 a share. (Jerkovich, 2016).



Target stands firm on its policy of allowing the transgender community to have free reign to use their public restrooms. Target has been noted to state they are all about inclusivity. The proactive stand that Target has taken on this issue is causing boycotts, consumers to feel unsafe and increase their ability to protect themselves and bear arms. The policy has been instituted, but it doesn't mean that it is the best policy, especially if it is causing such an outcry from the public. Target consumers and activist that feel strongly about the new policy have been boycotting and vigorously working to prove why this is such a bad idea. The AFA has warned Target about the risk of this new policy and how dangerous it is for women and children, but still no change. In an article from one news, it states authorities in Texas were in search of a man after a claim that he recorded a young girl in the dressing room. In Idaho, a transgender man was arrested for allegedly taking pictures of a woman changing clothes (Woodard, 2016).

Target retailer has responded to the issues of the transgender policy and has proposed a \$20 million answer to the boycott. The current Target CEO, Cathy Smith has stated that the retailer has plans to expand its used of a third, single-toilet bathroom in all of its locations, which can be locked by users (Isidore, 2016). The new design of the bathrooms will allow more privacy, and hopefully provide a sense of security for those who oppose the transgender policy. Target has already installed this new design in many of its stores and the remaining stores should be complete by 2017. CEO, Cathy Smith states these newly designed bathrooms have come in response to the large outcry over the new transgender policy. The CEO is still claiming that the 1 million signed petitions in protest of the policy have not had a negative impact on sales at Target. Will this new designed bathroom provide security for Target's consumers? For most consumers, it just does not sit well for a man identifying as a woman to enter the bathroom with small children and women. "I will no longer be shopping at your store and neither will any of my family members and friends," one person commented on Target's Facebook page. "You have all lost your minds." (Abrams, 2016). This is the reaction of many concerned consumers on the bathroom issue that Target has so graciously supported. Target still maintains their all inclusivity motto and has held up their decision in upholding the new policy by allowing the transgender individual to utilize their bathrooms according to their identity.

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Starshemac Simmons

Target Customer Service

Target made many mistakes in handling the data breaching situation in the aspect of customer service of more than 40 million customers. There were many things that they should and should not have done. One of those things was that they should have been more transparent with the issue. Many customers were upset that they had to find out about the data breach through news outlets, instead of the company itself. When critical information such credit information is compromised every second counts and is critical. Target did not report the issue for a total of 19 days after it was noticed. Secondly, Target should and could have used social media to its advantage. Many of Target's customers utilize social media and Target should have used this as a way to reach out to its customers early regarding the breach. The internet is a powerful tool and if a customer has a concern or complaint about a company they can reach millions of people with those complaints by posting it online. Lastly, Target should have been more empathetic to the situation. Many customers felt that Target's formal written response was cold and a bit indifferent. Customers want to feel like the company emphasizes with them and that they understand the trouble the situation has caused them.

The Target data breach continues to have a lingering effect on Target's customer service. According to a report from Market Watch in 2014, due to the data breach Target has witnessed a drop in their customer service scores. A survey done on 2,500 shoppers showed 3.3 percent drop to 71%. A significant drop was seen with Target's upper-income customers of 9 percentage points to 70%. Customers also reported that they were dissatisfied with Target's selection, pricing and quality of their products after the breach. Still during this entire backlash people still

expect Target to recover. The traffic of customers has decreased since the breach, but is expected to pick back up. It is typical for customers to be cautious with their spending with a company after such an event. But with hard work Target can and will earn the trust of their customers back.

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## **Financial**

Finance is important to all businesses-doesn't matter if it is a small business or a large corporation. Without the proper funds, a business will be at risk of a short life. Target is a large corporation that makes thousands of dollars annually. The profit of Target depends primarily on its sales. If sales decline, Target will lose money. The concern of credit card information being leaked at Target was known worldwide and caused many of Target customers to shy away from the company. Customers were afraid of being a part of the scam and decided it would be safer for them to shop elsewhere until the card hacking concerns had been addressed. Target expected sales to decline 2.5% because of lawsuits that were filed and the millions of people that were affected. Not only were sales declining because of a decline in sales but also because shareholders were also revolting. Although Target lost a substantial amount of profit, the company was able to overcome this credit card hacking issue and regain its customer's trust which led to a gradual increase in Target's revenue over time.

Target's transgender restroom concern also caused a decline in revenue. Although this issue didn't cause for huge decline in sales, there was still a decline. The boycotts and online signatures were said to not affect Target's sales but the 7% decline said otherwise. There is no way to prove whether or not the decline was a result of Target deciding to allow transgender to use any restroom they choose but boycott leaders believe it was due to them.

The importance isn't how Target's sales declined but what they can do to increase the sales and strive to repair Target's tarnished reputation with those who were affected with the Transgender restroom concerns. Although, Target still plans to allow Transgender access to the restroom of

their choice however, the plan is also to add private restrooms with locks with hopes of satisfying those millions of customers that are against the transgender policy.