Target Corporation

**Abstract**

Target Corporation is one of the largest retail companies in the United States. It has operated in many parts of North America but has exited some due to stiff competition. Like any other business in the universe, Target Inc. as its commonly known is greatly affected by government actions and regulation that aim to shape the dynamics of business operations. Over the past few years, the federal government has implemented rules and regulations that have changed the operation of the retail industry. Some of these rules have adversely affected the industry, but others have contributed to its development. This paper describes how government actions and political process impact the business operation of Target Corporation. It also highlights an example of these laws and the effect it has done in the retail industry and especially to Target Corporation. The paper starts by giving a brief profile of the business. The business profile highlights the industry occupied by the business and states the market share it controls in the industry. Moreover, the paper outlines the key opportunities and threats facing the business. It continues by describing the role of the company stakeholder including the project teams in response to government regulations. The paper concludes by describing the current environment of the business including the initial reaction of the company to the current situation and the position taken by stakeholders.

The Impact of Government Action

1. **Business Profile**

Target Corporation, commonly known as Target, is an American retailing organization. Its headquarters are in Minneapolis, Minnesota and its ranked second in the retail industry, behind Walmart. The organization was initiated in 1902 as the Dayton Dry. Initially, it was referred to as Goodfellow Dry Goods (Matsa, 2011). Its first store was opened nearby Roseville in 1962. Target grew and eventually developed to be the largest branch of Dayton Hudson organization, culminating in the organization being renamed as Target Corporation in the year 2000.Target operates in the most flooded retail industry and has established a reputation for quality goods and services. The organization controls a huge market share in the retail industry. Recent statistics indicate that the institution controls a market share of 2.08 percent in the retail industry (Target, 2017).

Besides of being the second largest retailer and mass merchandiser in United States of America, it sells both daily essentials and fashionable, distinguished merchandise at discounted amounts. However, it is quite obvious that Target Inc. is among the top competitors we have in America and the world at large as far as the retail industry is concerned, since it has a fair market share of approximately 2.08% in the sector of real estate. Still, according to the CSI Market who compared it’s sales versus those of its competitors in the 3 quarter 2016 year on year, Target Inc. total revenue decreased by -6.65% even though most of the firm’s competitors recorded a revenue of 3.19% in the same quarter (CSIMarket.com, 2016).

**Competition**

Just like Walmart and other big retail companies in North America, Target operates by giving discounts to its customers. Target largest competitors in the retail industry are Walmart, Safeway, and Cosco. Statistics show that Walmart still controls the largest market share in the retail industry. It controls 14.26 percent of the overall market share while Cosco controls 3.28 percent of the same industry (Matsa, 2011).Target keeps up with this stiff competition by providing its customers with more fashionable, trend-driven products than its competitors. The company is also aggressively increasing its stores across the United States. However, the company does not have any significant operations in other parts of the world apart from the United States. Its first attempt to operate outside the US was in Canada where it lost over five billion dollars due to poorly organized expansion strategy.

**Opportunities and Threats**

One of the greatest opportunities Target has in E-commerce, is particularly fashion. The company reputation as a trend-driven retailer has a strong attraction to online consumers. Additionally, Target Consumer base could be improved by the decreasing middle-class incomes in the US because individuals with less income are probably going to buy from discount stores. Target Corporation is more suited to appeal to millennial shoppers whose living style is less car-oriented and urbane than the previous generation. Nevertheless, Target is not without threats. One of the most disturbing threats the company faces is the declining incomes in the US. This translates to average shoppers having reduced shopping power. In turn, this reduces profitable purchases, comprising those of big ticket products at the company and make an individual less likely to shop. Correspondingly, online retailers, especially Amazon competitively provide low prices with the suitability of shopping at home. The company subsidiary Zappos has becomes a fierce rival to Target Corporation.

**B. Governmental Action**

Retailers with a large scope of goods and services offering face governmental and political challenges due to goods and services safety concerns from customers such as violation of product safety measures and contaminations in food and drugs. This poses a significant hazard as expenses incurred through fines, litigation and recalls are extremely high, and the customer's trust may be ruined leading to large losses.

Large retailers such as Target Corporation must abide by this array of rules and regulation to prevent incurring heavy loses to legal actions. The common political and government actions impacting Target Corporation include:

1. Employee laws like minimum wage requirements.

2. Financial laws like increased rates of interest or consumer credit laws.

3. Information privacy security laws.

4. Protection of environment regulations.

Alterations of these regulations result to increase in the cost of operation and create legal hazards for retail companies like Target Corporation which in turn impacts the bottom line. For instance, the federal minimum wage requirements laws affected Target Corporation. In 2009, the government enforced laws that targeted to increase workers’ wages in different economic sectors. The alterations required that all workers would be paid at least 7.25 dollars per hour (Belman & Wolfson, 2014).Target had to adhere to this new law, and failure to do so would lead to serious legal consequences. Even so, adhering to this law would adversely affect the company. It would mean that the company would incur more expenses on remunerations resulting to a significant reduction in its profit margins (Belman & Wolfson, 2014).

**C. Organization and Teams**

***Management structure in the stores***

Director Stuart Machin is the managing director of Target Corporation. Machin and his team have greatly enhanced a through organization transformation, which includes advancement in sourcing, e-commerce, supply chain, ranging, operational productivity as well as new store format. The stores are managed by the Store Team Leader. Below them but still regarded to be managers are the Executive Team Leaders (ETLs). The Executive leaders monitor large sections of the store such as the soft lines, food, Human Resource, cash registers at the store and protection of assets (PA) in the store. Under the ETLs are the Team leaders who are responsible for controlling all activities within the ETL’s area. Below them, are the specialists who are in charge of particular sections within the Team leader’s area such as electronics, shoes, and signing. They are often regarded as the employees with special responsibilities and the specific area they are supposed to stick to. Finally under the specialists are the Team members. They include people like sales representatives and sales associates (Target, 2017).

Over the past years, the company has used these teams and its branches across the United States to influence the government actions. For instance, the teams have been used in demonstrations forcing the government to reconsider some regulations affecting the retail industry. Additionally, the company has used the team leaders in training programs. These training programs were made mandatory by the government in order to enhance employee safety in the organization (Yue et al., 2013). Besides the Human resource, finance, IT and the marketing department, Target has set up a governmental affairs department that directly deals with matters relating to the government. This department hires lobbyists to influence governmental actions and policies. It also deals directly with the regulatory bodies that make decisions relating to various subjects. The department also controls governmental actions through mainstream media.

**D. Target Corporation Stakeholders**

The company internal stakeholders include the employees, shareholders, management, and employee unions within the organization while the external stakeholders include the customers, communities and the suppliers. Target Corporation owners include external, internal and related external shareholders. The company has very few internal shareholders with less than five percent concentration of ownership. Target Corporation shareholders are becoming block holders and not individuals. The major external shareholders are Mutual Fund and Institutional Owners. The number of an institution which holds shares in Target is 1063("Target Corporation - Strategic Analysis," 2017. The institutional holders control 42.12 percent of ownership concentration while Mutual Fund holders control 14.40 percent of the ownership concentration. The largest institutional holders are State Street Corporation (9.40), Franklin Resources, Inc. (5.18), Vanguard Group, Inc. (5.96) and FMR, LLC (4.26). The largest Mutual Fund holders are Franklin Custodian Funds-Income Fund (3.14), Vanguard/Windsor II (2.09) and Vanguard Total Stock Market Index Fund (1.63). The individual controlling a small percentage of ownership, solely depend on the representation of the board of directors ("Target Corporation - Strategic Analysis," 2017.

The board of directors comprises of ten to fifteen members with Brian C. Cornell as the chairman of the board and the CEO of the company. The company mainly operates in the United States, and hence its customers are mainly in the United States. Target major suppliers are Emerson Radio Corporation, Cherokee Inc., Gaiam and JAKKS Pacific Inc. The company employees are mostly from the United States

A variety of political processes and government actions impacts on the business performance. It is the work of the stakeholders to make sure the government actions do not affect the business negatively. Target stakeholders influence the political process in various ways. For instance, shareholders call for conferences that aim to influence the process of establishing policies that affect the businesses they own. They also lobby other business owners not to support policies that adversely affect the operations of their businesses. The manager and board of directors also play a role in supporting or advocating for non-support of policy makers or certain policies that affect the business. The employees also rally in order to protest against regulations that are contrary to the business interests, especially those that directly affect them (Yue et al., 2013).

**E. Current Environment**

The company has been striving to achieve fifteen percent or more for their income per share over time through demonstration of effective corporate governance and good leadership. Over the past few years, the firm's returns on capital employed have been reducing significantly. This implies that Target has not been utilizing its capital effectively. Its income has increased, but the overall assets have increased more than its earnings before interest and taxes. Nonetheless, the firm’s economic value added has been increasing over the past few years. Furthermore, the firm’s free cash flows have been improving. The capital expenditure is reducing while the flow of cash from operating practices is increasing. This implies that the company may have started getting profits from its past investments.

The company has gained customer loyalty over the past few years. According to a research, twenty percent of the company shoppers are loyal to the company. The loyal shoppers comprise more females than males, majority of them being college educated and between upper and middle income range. These shoppers are also not price sensitive and earn at least 63,000 per year. The companies intended market tends to be families. They have designed to provide services for different ages mostly middle aged mothers and children. The retails stores are conveniently situated for this purpose.

Target management understands that uniqueness is a fundamental thing in the flooded retail industry. They have therefore differentiated their business by providing more fashionable clothing choices and home furnishing. Moreover, they offer price matching for standard drugs, to compete with the low prices Walmart offers ("Exclusive: Target increases minimum wage to $10 an hour - sources", 2017).They also differentiate themselves by providing exclusive promotions and products such as customer service, reward programs, price, brand identification, credit line management and a variety of choices to increase their revenue and keep up with the fierce competition.

The company has reacted to the federal government minimum wages by increasing the minimum pay to ten dollars per hour. Recently the management has informed all its employees about the surge. However, the employees are still pushing for the minimum wage of fifteen dollars per hour. The company’s decision reflects rising competition for employees in a progressively strong job market. Its last reaction to the minimum wage laws was in April 2015, where it increased the minimum wage from 7.25 dollars per hour to 9 dollars per hour ("Exclusive: Target increases minimum wage to $10 an hour - sources", 2017).

The move has been supported by the company’s stakeholders although it will make it hard for the company to achieve its profit projections. Due to this move, the company stock has been downgraded to underweight from overweight. This has worried the shareholders but they hope that with time and economic advancement, the company will meet its profit projections. Currently, the company is considered to be a good employer because of its competitive wages than many competitors.

Government regulations play a vital role in establishing the dynamics of the retail industry and may negatively or positively affect business operation. Some regulations like the minimum wage laws may affect the business financial position. The business stakeholders should come together and decide which regulations to support and which one to advocate not to support. The policies and regulations formulated by the government should satisfy the interests of all business stakeholders without weighing heavily on any side.

**Business Environment**

The governmental action affects the financial condition of the firm, but the particular impact solely depends on the nature of the action. Increased political and governmental actions simply mean an increased workload for management in the business sector. This is because it will take lots of effort and time to adapt business operations to make sure that the new rules and regulations are being adhered to in the right manner. For instance, the Trans-pacific partnership rejection by Donald Trump will have detrimental effects on business operation and financial condition. This move by Donald Trump means that the imposition of quota will continue to impact the business sector in the Asian and American markets.

This will heavily impact the business agenda of companies like Target, which might have resolved to expand their operation to the overseas market. Their expansion strategy will have to be reorganized to include the effects of quotas. It will be much more expensive to expand than it was initially with the Trans-pacific partnership in place. Other governmental actions like the minimum wage requirements will also affect the financial status of companies in the United States (Belman & Wolfson, 2014). With the capping of the minimum wage, companies will have to increase the employee remunerations to the required wages. This implies that the remuneration expenses will increase and thereby affecting the company’s revenue. In essence, the economic conditions should determine the workers’ pay. Governmental actions that aim to regulate the worker’s salary always have detrimental effects on business performance and financial condition.

While some governmental actions lead to increased workload and time for companies in the economy, others can be viewed as opportunities for companies. In other words, not all actions by the government are detrimental. In our case, the minimum wage requirements can be viewed as both a threat and an opportunity for the company. Target can use the minimum wage requirements as an opportunity to attract more talented employee to boost its operation. Surely, business savvy individual knows that effective business operation is dependent on the employee performance. The more the company has talented workers, the more effective its operations will be, for the long haul. If Target, increases its minimum wages to surpass the one set by the government, it will attract talented employees from Walmart and even Cosco. Though the financial liability will be unimaginable, the move will result in a myriad of benefits for Target Corporation.

**Sustainability**

Governmental and political actions, affect the economic potential and market rules of sustainable businesses in the globe. As the adage goes, “Businesses and corporations are government’s creations.” The governmental actions are changing regularly and are an important aspect of the dynamic operating businesses environment. A sustainable business is heavily focused on increasing the shareholders’ value, increasing profits and having a positive impact on the economy. However, this is always made difficult by governmental actions that aim to alter the operations of the business. It also affects the business’s corporate social responsibility efforts (Carroll & Buchholtz, 2014).

For instance, initially, the capping of the minimum wage will result in a reduction in profits for Target Corporation (Belman & Wolfson, 2014). In order to avoid making losses, Target will be compelled to increase its product prices. This will affect the customer counts. Although this effect may only be felt in the short term; it will have adverse impacts on the sustainability of the business. First, it is not possible to increase the shareholder's values with the company experiencing a reduction in the customer counts. Before the customers accept the surge in product prices, Target will experience a reduction in revenues. In turn, dividends will have to go down, and the company will have to rethink its strategies. If for example, Target resolves to expand its operation in North America by increasing their stores, they will have to put this move on hold and deal with the minimum wages first. Corporate social responsibility is an essential aspect of business sustainability agenda (Carroll & Buchholtz, 2014). Nevertheless, with reduced profits, it is almost impossible for the business to engage in CSR. Meaning that, it will be hard to give back to the community.

**Internal Resources**

Given that Target is a large corporation; it has a vast employee base. Their employees are organized in teams for effective operation. The company can use these teams to respond to any unfavorable policies set by the government. Clearly, the rejection of the Trans-pacific partnership was politically motivated. If in any case, the move does not favor the organizational strategy of the company, it can use the employees in holding demonstration aimed to compel the government to accept the agreement.

Unfortunately, it will be hard for the company to counter the minimum wage requirement policy with such moves like a demonstration. The move favors the employees, and they will never advocate for its rejection. Interestingly, though, Target has a governmental affairs department that deals with governmental matters (Target, 2017). It can, therefore, use this department to influence the government in nullifying the minimum wage requirement policy. So, whether the company is well organized to tackle political or governmental action depends on the matter in question. There are certain matters beyond the company’s control.

**Communication**

Increasing competition and globalization in the corporate industry means that good stakeholder’s relationship is an important element which an effective business operation should be built. The input of stakeholders is paramount to business success. The stakeholders should be categorized according to the degree to which they are impacted by the decisions and actions of the business (Carroll & Buchholtz, 2014). In responding to governmental and political actions, primary stakeholder’s inputs are mostly required. The company needs to put in place effective communication channels to promptly reach out to its stakeholders when the need arise.

Good managements regularly check in with the companies stakeholders. This ensures that all the stakeholders support the company’s strategies and measures in advocating or combating policies that do not work in their favor. It is essential to communicate all strategies to the concerned stakeholders. One of the most effective ways used by Target in communicating with its stakeholders is through meetings. The company prefers this method because it maximizes every second of the taken in the meeting to have dialogue. For instance, when the Trans-pacific partnership was rejected by Donald’s regime, Target held a meeting with its stakeholders to discuss the next course of action. Target, however, uses other forms of communication to reach out to its stakeholders. The company communicates through social media platforms like Facebook, Twitter, and LinkedIn. They also use newspapers in their communication strategies. For example, the stakeholders meeting to discuss the Trans-pacific partnership rejection was communicated through newspapers.

When it comes to sensitive matters that may affect the company’s image, Target prefers other confidential ways of communication like emails and personal phone calls to the concerned stakeholders. Additionally, the company uses sporting events like tennis and golf to communicate with stakeholders like shareholders. This method uses brainstorming in strengthening communication and building stakeholders trust and support.

**Company Image**

Human minds are designed to secure themselves from anything harmful. In order to be available for any emergencies, the human mind tends to relax and process information using shortcuts. If a company builds a superior corporate image, the constituents will feel comfortable engaging in business activities with the company, without thinking too much about their decisions. People have a trusting relationship with companies that are known to respect the interest of other parties first without considering whether it earns them profits. Protecting the company’s brand is the role of every corporation in the universe (Tran et al., 2015). Securing the brand, which is the company’s identity in the marketplace, begins with compliance with all legal requirements. The image determines the number of returning customers for any business. Target Corporation heavily relies on returning customers, and this is attributable to the company’s brand. Every measure the company implements affect its image either positively or negatively (Tran et al., 2015).

In our case, Target complied with the minimum wage requirement policy set by the federal government. According to Reuters, the company increased its minimum wage per hour up to ten dollars (Exclusive: Target increases the minimum wage to $10 an hour – sources, 2017). This is way above the federal requirement rates. This impacted its image positively. Most employees view the company as one of the best-paying employers in the market as a result of this pay surge. With a good reputation, the company is in a position to attract more talented employees and thereby enhancing its business operation. This move also helped the company to avoid lawsuits which sometimes affects the reputation of the business. Companies known to be continually involved in litigations do not have a good reputation. It is hard to trust a company that does not respect the rule of law. The right company image builds a bond of trust between the company and the marketplace (Tran et al., 2015).

However, compliance with the minimum wage requirements means that the corporation will have to increase its products and services prices. This will adversely affect the customers buying power. The customers will view Target as the most expensive store in the industry and thereby negatively affect its image. The minimum wage requirement will not affect stakeholders in the same way. The move will benefit employees, and therefore they will see the company as the best in the market. Conversely, the consumers will be negatively affected by the move, and they will avoid the company.

**Response**

There is numerous way of responding to legal and political requirements. In our case, Target has a variety of options to consider when responding to these new minimum wage requirements. The following are the range of options to consider;

1. The company can decide to keep the employee salaries the same but reduce or eliminate overtime. In this regard, the organization will be required to closely monitor employee activities and working hours to restrict overtime. This move will also have an ethical implication because it considers the health of the workers. Forcing employees to work more hours is not ethical.

2. The company can also consider raising wages and salaries to the new set limits, enabling the organization to require voluntary or unpaid overtime of experienced workers. This move will have adverse short-term implication but will be beneficial in the long run. In the short term, the company expenses will increase due to increase in employee wages and salaries, but it will also motivate the workers to work harder and thereby increasing revenue in the long run.

3. They can also keep salaries as they are, and pay overtime. Financially, this is a sound strategy and will be beneficial if overtime is irregular or restricted and the present remuneration is at the low end of the current minimum. Again, the company will be required to track employee working hours.

4. The other option will be to lower wages and offer overtime payment. With this move, the expenses remain the same, but will probably result in disgruntled workers and increased turnover. Nonetheless, the financial condition will remain the same.

5. The last option will be to employ more workers. In case the company requires more overtime from the present workers, the company should consider employing more hourly employees to service the extra hours. However, this will increase the operational cost of the company because it will be required to increase the number of the supervisor as a result of the increase in the number of employees.

**External Resources**

Third parties are needed because it is often hard for companies to influence the government into nullifying policies that affect the companies negatively. Sometimes the relationship between the businesses and the government is complicated, and there is need to involve third parties and external sources (Henry, 2015). For instance, lobbyists are used by organizations to make the government and regulatory bodies aware of how certain laws and regulations impact the retail industry. Additionally, lobbyists play a defense role by analyzing each policy that is introduced by the government, writing a small description of the policy, mostly a summary and sending it to vital member organizations requesting them to evaluate the possible impacts of the regulation on the industry. The lobbyist also works closely with lawmakers to ensure the bills passed are not detrimental to business stakeholders (Henry, 2015). For instance, in our case, the lobbyist can be used to compel the government to revoke the minimum wage bill.

Public relations experts also play a vital role in the legislative process. They use different tactics and measures for making the efficient use of the information available to influence the government and political actions on behalf of the organization (Henry, 2015). In the real sense, they have the company’s interest at heart. Target can use these professionals to influence the government to reconsider and possibly revoke the minimum wage bill that capped the employees’ minimum wages

In sum, government and political actions play a significant role in the operations of the business. In other words, businesses are creations of the government’s. Business and politics are two inseparable things. Companies should use all the resources at their disposal to make sure that the government actions are closely monitored to guarantee efficient operation of the business. The companies also need to consider that they have a responsibility to all the stakeholders including the employees and the customers. They should advocate for policies that benefit all the business stakeholders. That said, the governments should also ensure that the policies satisfy the stakeholder's interest without disadvantaging any side.

Recommendations: business project teams

Target believes that nothing happens without collaborative efforts. Target should invest more in the project teams in order to enhance the performance. There should be customized one-on-one programs that start when the employee is hired. This will go an extra aisle in shaping the employee to deal with any occurrence that might need his/her efforts. For instance, this will make them ready for demonstration and other activities that align with the company’s interests.

Recommendation: communication

Target uses different formal and informal means for their internal communication. Mostly, the teams prefer face to face communication and use of emails. In order to enhance communication effectiveness both internally and externally, Target needs to encourage all team members in all store levels, the headquarters and distribution centers to use the company’s array of social media components in sharing new ideas and staying connected. Target can use these platforms to communicate and send announcements. Other communication platforms that the team members need to be encouraged to use include Red talk and Target Wiki.

Recommendation: solution

Since Target has been blamed for good shortages which on the other hand undermine its sales, it has to comprehensively focus on fixing its supply chain network. This includes investing into supply chain technology too.

Recommendation: political Influence

The regulations and rules formulated by the political system reflect the governmental objectives and social values in a country. Target needs to consider this in its strategy formulation and all the strategies formulated should align and comply with the laws set by the government. The political influence can affect the organization both positively and negatively. Small alterations in labor rules and regulations, like the minimum wage requirements, can result in huge expenses for the company. Target needs to reinforce and invest heavily in its governmental affairs department in order to ensure that all the all the rules set by the government do not affect the company negatively.

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