

Target corporation essay sample

[Business](#), [Company](#)



The purpose of this memo is to provide significant financial information of Target Corporation as well as to provide the necessary assistance to facilitate an investment decision. As per your request, I want to inform you that during the month of January I made an extensive research on a possible investment opportunity with Target Corporation. After analyzing and reviewing Target's 2013 annual report, I am convinced that this is not the right time to capitalize on this corporation due to its current market conditions. I have developed a structured analysis of Targets' current position in the market in order for you to evaluate this company.

Since 2013, Target has been facing some negative changes that have affected its financial wellness. According to Target's financial statements, total stockholder equity decreased by 2% from 2013 to 2014. There was a 1% decreased in total revenues from 2013 to 2014 and a 5.7% decreased of gross profit was recorded during the same period as well. The 34.3% decreased in Net Income from 2013 to 2014 shows the actual performance of the company. Key statistics such as profitability ratios and management effectiveness ratios capture a wider view of the company achievement. Target currently has a profit margin of 2.07% which is relatively low compared to the 2.77% industry average. Likewise, Target's 4.55% operating margin is lower than the 4.99% industry average. Target's current quick ratio is .22 which indicates that it doesn't have enough assets to meet its short term liabilities without having to sell its inventory. Furthermore, management effectiveness ratios indicate that its capability to attain higher returns is declining.

Target currently has a low ROA of 4.52% compared to the 5.72% industry average. Moreover, Target's ROE of 9.37% is almost half of what the industry average is; 16.45%. As a result, the equity debt ratio increased to 87.53 making the company highly leveraged and more risky for investors. According to CSI Market website, in 2014 Target had a total of 1,801 stores built in 241.14 million square feet. Target employed 366,000 workers and offered 22 exclusive brands in 2013. Some of the brand names are Assets by Sarah Blakely, C9 by Champion, Nick & Nora, Just One You made by Carter's, Simply Shabby Chic, Cherokee, Kid Made Modern, Converse, One Star, Kitchen Essentials, Thomas O'Brien, Liz Lange for Target, Fieldcrest and Mossimo Supply Company. Target also owns 17 brands that were offered to their guests as well; Archer Farms, Gilligan & O'Malley, Sutton & Dodge, Simply Balanced, Market Pantry, Threshold, Boots & Barkley, up & up, CHEFS, Room Essentials, Wine Cube, Smith & Hawken, Embark, and Spritz. According to Yahoo finance, Target's main competitors are Wal-Mart Stores Inc. and Amazon.com, Inc. which performed very well during the last year compared to Target. Even though Wal-Mart's profits decreased by 5.7% from 2013 to 2014, it is still the number-one discount store in the industry. In 2013, Target wanted to expand its operations and opened 124 stores in Canada. However, during the same year some cybercriminals gained access to Target's computer systems. Financial and personal data were stolen from more than 100 million Target customers. Above \$61 million of data breach related expenses were recorded.

Due to this data breach, Target had to close all the Canadian stores, and they had to repurchase stocks eliminating many investors from the company. This negatively affected Target's position in the industry.

Moreover, in 2013 Target faced a racism and discrimination lawsuit filed by former workers. There was evidence that Target distributed a guide called "Organization Effectiveness, Employee and Labor Relations Multi-Cultural" in which instructions about how to treat Hispanic employees were given.

According to these workers, this document was pretty offensive.

Due to Target's lack of professionalism and good administration, it had to make some changes to its management and marketing strategies. Some of these changes included hiring a new Chief Information Security Officer to engage outside expertise and improve data security; which is one of the most important issues that have to be addressed immediately. Mike McNamara the new CISO will be leading a new e-commerce investment to innovate Target's marketing strategies, hopefully taking the company to a better market position. For now, Target is just following its main competitor teachings. During the last years, Wal-Mart has been making serious investments in e-commerce; it has successfully increased its revenues by 2%. In my opinion, Target still has a big room for growth. Unfortunately, after reviewing and analyzing Target's current situation, I can say that it will be better to capitalize on another company at the moment, and monitor Target closely to see if the company's new strategies are making valuable financial improvements.

I will be more than glad to answer any questions you have regarding my analysis of Target Corporation. We can discuss any comments or questions during our next meeting. I hope this analysis can help you make better decisions in order to achieve greater returns for our investors.