

TARGET CORPORATION'S DECISION TO EXPAND TO CANADA

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In this era of globalization, many companies have decided to expand beyond their country's borders to increase sales and profits, gain stature, gain recognition, and spread their brand. Since the 1980s many U.S. retailers have established stores outside the United States in order to expand their customer base. These companies increased their reach with customers, but in doing so also faced a variety of cultural challenges. In 2011, for the first time in its history, Target Corporation decided to sell products outside the United States by expanding into Canada. Its strategy for expansion was to purchase 189 stores owned by Zellers, Inc., an 80-year old Canadian department store chain. While Target's management was excited by the prospect of expanding to Canada, by doing so, Target opened itself to a set of challenges never before seen in the history of the company. Specifically, Target would have to figure out how to deal with labor unions that would try to unionize several of Target's stores in Canada. Target also needed to develop a strategy to attract employees to its stores from a workforce that was different from the U.S. labor market. Finally, Target would have to compete with Wal-Mart which had already established itself as an environmentally friendly member of the community.

Target's Expansion into Canada

In January 2011 Target announced that it was expanding operations into Canada by acquiring a portion of Zellers Inc., a subsidiary of the Hudson's Bay Company (HBC). Target paid C\$1.825 billion to purchase the leasehold interests in up to 220 sites that were operated by Zellers Inc. This transaction allowed Target to open its first Target stores in Canada beginning in 2013.¹

"This transaction provides an outstanding opportunity for us to extend our Target brand, Target stores and superior shopping experience beyond the United States for the first time in our company's history," said Gregg Steinhafel, chairman, president and chief executive officer of Target Corporation. "We are very excited to bring our broad assortment of unique, high-quality merchandise at exceptional values and our convenient shopping environment to Canadian guests coast-to-coast. We believe our investment in these leases will strengthen the surrounding communities as well as create strategic and financial value for Target stakeholders."²

When a company enters a new geographical market, it has several options. One is called the "greenfield" method where the company builds the new facilities from the ground up. Alternatively, a company could purchase an existing company, including its property, equipment and other assets, employment contracts, customer lists, and other goodwill. In the case of Target's move into Canada, it did not purchase Zellers outright, but merely bought the physical stores operated by Zellers. In fact, Zellers continued to operate many of the stores until Target was ready to move in and make modifications.

By 2012 Target took over leases at 189 Zellers locations in Canada and planned to open between 125 and 135 stores from 2013 to 2015.³ Target Canada, as the new subsidiary was called, estimated that it would hire between 100 and 200 employees per store and add over 20,000 jobs to the Canadian economy. Target Canada also expected to add additional jobs in connection with the remodeling of the existing Zellers stores to fit Target's needs.

Target's primary motivation in moving to Canada was to expand its already growing customer-base of Canadian shoppers. Figure 1 shows the most populous cities in Canada where Target Canada anticipated opening stores. Since over 10% of Canadians were already shopping at Target stores, and "tens of thousands" of Canadians were already carrying Target's loyalty card, the Target Red Card, CEO Steinhafel anticipated its presence in Canada would be well-received.⁴ The 20 largest volume stores were planned to be located in southern Canada from the west to east coasts. Locating stores near the U.S. border would also allow Target Canada to make use of its distribution facilities in Minnesota and upstate New York.

Target Corporation History

What is now Target Corp. was created by George Dayton in 1902 and was initially known as Dayton Dry Goods. The company became Dayton Company in 1911. In 1956 Dayton established Southdale Center, the world's first fully enclosed two-level shopping center. Between 1956 and 1974 many changes were made by then CEO John F. Geisse. He created the concept of upscale discount retailing and established Target as a large discount retailer, and on May 1, 1962 the Dayton Company opened its first Target store. Target launched its current logo in 1974 along with changes to the layout and product placement in its stores. From the 1980s onward Target expanded across the United States from 151 stores to over 1,000. In 2000 the Dayton Company became Target Corporation.⁵ By the end of 2009 Target Corporation had outsourced many of its business activities to India, saving it a considerable sum of money.⁶ In addition, Target's low-cost strategy relied on its remaining non-unionized.

In January 2013, Target operated nearly 2,000 retail stores across the United States, and was the second largest retailer, after Wal-Mart. Like Wal-Mart, Target stores were general merchandise stores, specializing in discounted products. Target distinguished itself from Wal-Mart by offering higher-end, brand-name products to attract a higher-income customer.

Most stores were operated either as regular Target stores or Super Targets. The average size of a Target store was 130,000 square feet, with Super Targets averaging 175,000 square feet. Target also operated smaller stores, called City Target, in urban locations, aimed at higher traffic and smaller order sizes. Most regular and Super Target stores contained a pharmacy, a photo processing center, and several fast food restaurants. Super Target stores also contained a full grocery section, with some offering fresh fruit and vegetables. In the United States, Target launched its first clinic on March 2, 2011 as a way to offer quality, affordable, and accessible health care services. These services included treatment of minor illnesses and injuries, skin treatments, vaccinations, and wellness services. The cost of the healthcare services ranged from \$45 to \$155 depending on the type of treatment.⁷ While Target Clinics were initially established

in only a few selected states in the U.S., the company's plans to expand into Canada included this concept to support Canada's universal healthcare system.

Figure 1: Proposed Locations of Target's Largest Volume Stores



Target Corporation Operations

Target Corporation experienced steady financial growth from 2006 through 2012. Its total revenues increased sharply by opening 118 new stores, including 33 Super Target stores.⁸ In 2011, Target ranked number 155 in “Forbes Global 2000 Leading Companies.” The previous year’s ranking was 123. Wal-Mart ranked 14 in 2010 and 18 in 2011. Category ranks for Target were:

- #95 in Sales
- #177 in Profit
- #454 in Assets
- #233 in Market value.

In addition to being one of the fastest growing companies in the United States, Target earned rave reviews for customer satisfaction. In 2011, Target was ranked number 33 for Fortune 500 companies and number two for general merchandisers. In the same year, Target was ranked number 22 in both the “World’s Most Admired Companies” and “Best Employers for Healthy Lifestyles” by the National Business Group on Health. Target employed over 350,000 people in the U.S. and unlike most other retailers, Target also offered numerous employee benefits and

incentives, including health care, a 401(k) plan and tuition reimbursement for approved work-related courses, for all employees, including part-timers.⁹ See Appendices A1 and A2. Given the differences in laws and policies in Canada, Target had not finalized its decisions regarding the type and extent of benefits that it would offer to employees of Target Canada.

Environmental responsibility was a priority for Target since the 1960s, by giving to clean river and waterway efforts. Target was a sponsor of the first Earth Day celebration in 1970 and continued to hand out pine trees to customers on subsequent Earth Days. It started its first recycling program in 1970.¹⁰ Target heavily integrated environmental responsibility into its business practices in areas including recycling, energy savings, store design, environmental sustainability and compliance, and natural and organic product selection. Further details of Target's environmental activities are provided in Appendix B.

Target also believed that strong communities began with strong families and safe homes and was committed to funding programs that supported the basic needs of families and providing disaster relief. For example, it partnered with law enforcement, public safety and criminal justice agencies to build safer communities. By going beyond financial contributions, Target hoped to share resources and ideas to keep the communities where Target stores were located safe. Target gave 5% of its income to local communities through grants and programs since 1946. In 2011 the amount given totaled more than \$3 million a week.¹¹ Community programs included reading, education, volunteerism, arts, culture, social services, crisis relief, as well as military and veteran support.

Zellers, Inc.

Zellers, Inc. was founded in 1931 in Canada by Walter P. Zeller. It immediately implemented an aggressive expansion plan and quickly spread across Canada. Through an agreement with W. T. Grant Company, Zellers gained access to Grant's merchandising, training, and real estate expertise.

During the 1970s Zellers faced stiff competition from Fields Stores Limited and decided to acquire that company. Zellers had difficulty profiting from the acquisition because Fields stores were focused more on sales of clothing, whereas Zellers was more of a general department store. At the end of the decade, Zellers attempted to take over HBC; however, HBC saw how profitable Zellers had become and instead acquired Zellers. HBC treated Zellers as a separate entity in order to broaden its customer base. However, Zellers was particularly hurt by the presence of Wal-Mart, and its profits overall had been down since a high in 1981.¹²

The average size of a Zellers store was 80,000 square feet. Unlike Target's traditional box-stores, Zellers stores were more similar to department stores, with several levels. In addition, stores contained sit-down restaurants that were frequently patronized by older shoppers. As of November, 2011, 15 of the Zellers stores scheduled to be transformed to Target stores, located in British Columbia, Ontario, and Quebec, were unionized. As part of Target's acquisition strategy Zellers gradually closed the individual stores as they became scheduled for conversion to Target stores and terminated employees at those stores. Those employees would be offered an

opportunity to reapply for their jobs when Target reopened the stores under the Target name. Target maintained that it did not violate any Canadian labor laws because of these terminations, as it did not take over Zellers stores, but merely bought its real estate; thus Target claimed that it was not a “successor” employer under the various provincial laws and it was therefore not required to honor prior collective bargaining agreements.

Together with its parent company, HBC, Zellers maintained a customer loyalty program under which customers earned points when they shopped at Zellers or another HBC store. Zellers customers also earned points if they used an HBC credit card. Nevertheless, in a survey conducted by the Canadian Broadcasting Company and Leger Marketing in January 2012, Zellers received the “Worst Customer Service” award for a retail department store.¹³

The Competition

As in the U.S., Target’s biggest competitor in Canada was Wal-Mart which had been operating in Canada for several years. Recognizing this when Target began operations in Canada, its CEO announced that it would “match item by item on price with Wal-Mart.”¹⁴

In 2012 Wal-Mart’s international operations had 4,263 stores and 660,000 workers in 14 countries outside the United States. The expansion started in 1994 in Canada with 122 stores and then to South America, Europe, and Asia; in 2010 Wal-Mart announced plans to open stores in South Africa. However, Wal-Mart’s aggressive global expansion strategy faced failure in South Korea and Germany, causing it to withdraw from both countries in 2006, due to sustained losses. The Germans didn’t like Wal-Mart employees touching their groceries at the check-out line and preferred shopping in smaller local markets. In South Korea, Wal-Mart tried to apply its American marketing strategies, concentrating on everything from electronics to clothing and ignoring food and beverages, which appealed to the Koreans.¹⁵ Wal-Mart also abandoned its efforts to remain non-unionized when it was forced to recognize the union in China.

Wal-Mart entered Canada in 1994 by buying 122 discount department stores from the Canadian subsidiary of Woolco (Wal-Mart passed on 22 other Woolco stores, including all 10 of its unionized outlets.). Since beginning operations in Canada, Wal-Mart Canada experienced steady growth. By 2012, there were 325 locations with 86,000 employees. Of the 325 stores, 201 were discount stores and 124 were SuperCenters, a substantial increase since 2007 when there were only seven SuperCenters. Most of the SuperCenter stores were located in British Columbia, Alberta, Saskatchewan and Ontario. The company also expanded into New Brunswick and Quebec.

Wal-Mart Canada also demonstrated its commitment to the environment. It hosted the Green Business Summit in 2010 which was attended by 350 delegates from Canadian business, non-government, government, and environmental organizations. Subsequently, Wal-Mart launched another company website (ShareGreen) that showcased case studies from more than 70 entities.¹⁶ See Appendix C for a list of Wal-Mart’s environmental activities in Canada.

Challenges Faced by Target Canada

Although the cultural and political structures of the United States and Canada were similar, Target's successful transition into Canada depended on its ability to understand and adapt to Canada's unique blend of free enterprise and social public policies. Among these was the Canadian universal health care system which was publicly funded, although most services were provided by private entities. There were no deductibles on basic health care, and co-pays were extremely low or non-existent, depending on income. Everyone received the same level of care. Various health plan options were unnecessary, because all essential basic care was covered, including maternity and infertility problems. There were no lifetime limits or exclusions from pre-existing conditions. Health care was not affected by loss or change of jobs, as long as premiums were current. Dental and vision care were generally not covered, depending on the province, but were often insured by employers through private companies. Prescription drugs were covered only for the poor and the elderly. Other prescription drug costs were covered by employer-provided health plans.

Organized labor was stronger in Canada than it was in the U.S and continued to remain strong even in the 21st century when union membership in the U.S. declined. Although faced with opposition from conservative governments and employers, rates of union membership remained relatively high in Canada, while rates in the United States declined. The U.S. had a unionization rate of only 7% in the private sector, and 29% in the public sector, while in Canada, the comparable statistics were 16% in the private sector, especially in the retail, manufacturing and service industries, and 71% in the public sector.¹⁷ In Canada, one in three employees belonged to a union or were covered by a collective bargaining agreement. According to the Canadian government, unionization increased the quality of life of an average worker in Canada.¹⁸

On the education front, both the Canadian government and the provinces actively advocated environmental programs and provided resources to businesses to further environmental efforts. For example, New Brunswick offered an Energy Smart Program. This program provided up to \$3,000 towards an audit on a facility and up to \$75,000 towards the implementation of the energy efficiency upgrades chosen.¹⁹ Another program, Northern Energy, covered provinces in Northern Canada to convert businesses to renewable energy sources. Qualified businesses could receive up to 50% of project costs that were needed to implement renewable energy plans. Some of these plans included wind, solar, and biomass.²⁰ On a national level, the Canadian Business for Social Responsibility (CBSR), a globally recognized non-profit organization, supported member companies adopting its corporate social responsibility (CSR) agenda.²¹ In 2009, CBSR issued "The Green Teams Guide" to improve corporate environmental stewardship and employee engagement between head offices and store based teams.²²

Higher public education in Canada was the responsibility of each province. While tuition and fees were lower than those of private universities and colleges, the cost of education rose steadily from the 1990s through 2012. In November 2011, all but one province announced an increase in tuition ranging from .1% to 5.5%. For example, the increase in Ontario was 5.5% for graduate programs and 5.1% for undergraduate programs.²³ In response, thousands of students protested

across the country claiming that education was a right that should be affordable to all Canadians.²⁴

With expansion to Canada, Target Canada was likely to experience a number of challenges with respect to attracting qualified employees, establishing community good-will, and building a base of loyal customers. There was no guarantee that many of the initiatives established in the U.S. would work in Canada, and many policies needed to be addressed. While there were several issues that affected Target Canada, the three major areas of consideration were: labor relations, employee attraction and retention, and environmental issues. Target Canada needed to develop a strategy to keep labor unions out of its stores while at the same time appearing as an employee-friendly company. It also needed to attract a talented workforce committed to Target's ideals of teamwork and cooperation. Finally it needed to be sure that its stores were viewed by the Canadian public as environmentally proactive.

Labor Relations

Canadian labor legislation was divided into two primary levels: federal and provincial. Federal regulations fell under the Canada Labor Code. Generally, federal law applied to broadcasting, telecommunications, banks, postal services, air transportation, shipping, and navigation as well as the police and military. Those entities that did not fall under the scope of the Canada Labor Code were regulated by the laws of the province in which they did business. Unlike the U.S. where labor relations were covered by federal laws, each Canadian province had its own legislation with regards to labor. As Target was not a business entity that fell under federal jurisdiction in Canada, provincial laws applied.

Each province enacted laws governing the rights of employees to organize and join labor unions and the rights to collective bargaining. While the labor laws in Canada and the U.S. were somewhat similar, there were several differences that encouraged union membership in Canada, resulting in both broader membership in unions among workers, and greater acceptance of union representation by both workers and managers.²⁵ For example, recognition of the right to collective bargaining and access to collective representation were considered protected under the right of association under the Canadian Constitution. Certification of a union was easier and quicker in Canada as was the processing of claims of unfair labor practices. Bargaining units in Canada could also cover supervisory employees, and in several provinces, striking workers could not be replaced.

In addition, a successor employer was bound by the collective bargaining agreements in force at the time of acquisition. While the definition of a successor employer varied somewhat from province to province, in general, when an employer transferred any part of its business operations to another entity, the transferee was considered a successor employer and was bound by a collective bargaining agreement covering the employees affected by the sale. In essence this meant that a successor employer had to recognize any union that had been certified to represent the affected employees.

Based on the provisions of the British Columbia Labour Law, at a Zellers outlet in Burnaby, British Columbia, the local union sought to have Target declared as a “successor employer” in order to maintain uninterrupted its unionized status at that location.²⁶ The position of the union and the former Zellers employees was the location had been bought, and another similar business would take its place in that store. Thus, to them, it appeared as though a takeover had taken place. Similarly, the United Food and Commercial Workers (UFCW) union in Canada sought to file successor rights applications for four other Zellers locations in Ontario once they were closed and converted to a Target store. The same union was also reportedly trying to unionize other soon-to-be-closed Zellers locations not currently covered by union contracts; the union had indicated that it would file successor rights applications for any Zellers location that joined the union before the store closed.

Target Canada vigorously contested the union’s B.C. application as the firm believed its \$1.8-billion acquisition of Zellers leases was “a real estate transaction” and not the acquisition of a business, technology or employees. According to Target’s position, Target was not a successor employer under applicable law. As a result, Target Canada reported that it would not recognize the unions which previously represented Zellers employees nor the collective bargaining agreements covering former Zellers employees, even if those individuals were subsequently hired by Target.

In examining the transaction, it appeared that Zellers, not Target Canada, was the company responsible for the layoffs at the specified locations. Zellers retained control of the employees until the termination of their employment. Target Canada merely gained control once those employees were gone and the store was vacated by Zellers. Therefore, it would seem that Target’s position in this matter was, as a technical matter, legally correct.

Nevertheless, given the widespread publicity about layoffs and store closures, public sentiment against Target’s perceived treatment of Canadian workers was largely negative. The UFCW union launched a campaign using billboards and bus stop ads to garner popular support in order to force Target into rehiring all the former Zellers workers at their selected locations at their previous wage and benefit levels. Most Canadians were sympathetic to the unions and felt that Target should treat former Zellers’ employees fairly.²⁷

Target made it clear that it would resist all attempts at unionization both in the U.S. and Canada because it believed its salaries, benefits, and opportunities for employees would not be improved through collective bargaining. Target’s management considered it to be a highly diverse company that encouraged individualism and work-family balance as well as providing competitive salaries and benefits for its employees.²⁸ However, although Target had been successful in the U.S. in keeping its stores non-unionized, its ability to achieve similar results in Canada appeared to be more problematic.

Interestingly, when Wal-Mart entered the Canadian market by purchasing 122 stores from Woolco, it purposely left out of the deal several stores which had been unionized. Wal-Mart was not free from union worries, however. In 2004, the UFCW was successful in having a Wal-Mart store in Jonquière, Quebec certified as a union shop. Just a few days into the negotiations, Wal-

Mart announced that it was closing its Jonquière store. Wal-Mart's draconian response to the Jonquière store's unionization shocked Quebec; no one believed its explanation that it closed the store because it was not financially profitable. Three of the company's other 46 stores in the province were temporarily closed by bomb threats. Nevertheless, the reaction to Wal-Mart's actions dissipated over time, as most employees were just as angry with the UFCW as they felt that the union had used the situation to further its own agenda; it knew that Wal-Mart would never tolerate a unionized store in Jonquière and provoked a fight there only to incite public opinion against the company.²⁹

Employee Attraction and Retention

In 1989, Target laid the groundwork for what it envisioned as a collaborative, dynamic culture and began calling its employees "team members" and its store managers "team leaders." Target emphasized teamwork in all aspects of its employee relations. Its website underscored its "commitment to our team" and its ability to offer an "inclusive, collaborative and development-focused experience" to its team members.³⁰ Recruiting and staffing also accentuated the importance of teamwork. According to Target management, Target representatives attended numerous job fairs and sponsored university events with the goal of identifying potential talent.³¹ Applicants had to undergo a rigorous three-stage interview process, which incorporated behavioral and situation interviewing techniques, in order to determine whether the candidate possessed the necessary teamwork skills. Once new employees were hired for a management position, they had three months of training which again emphasized the need for teamwork in each store.³² "It is not unusual for a new management hire with less than one year of experience to manage his or her store for a shift," said Kirk Kveton, a Store Team Leader.³³ Further, Target was committed to continuous evaluation of and feedback to its employees, rather than the typical year-end review. This allowed management to identify both strengths and weaknesses and offer opportunities for team members to improve.

Zellers' parent company, HBC, emphasized its deep roots with the Canadian community going back over 340 years. According to its website, it focused on personal accountability, customer service, individual empowerment, and entrepreneurialism.³⁴ While these values were not inconsistent with Target's ideals, Target was more concerned with attracting and retaining a workforce that understood its commitment to collaboration and teamwork.

In October 2012, Target announced that it would begin hiring for its stores in Canada. "Target is looking for talented team members with a wide variety of skills, abilities and backgrounds to help us bring the Target brand experience to life in our new Canadian stores," said Bryan Berg, senior vice president, Stores, Target Canada. "Whether candidates are looking for a career in retail or a flexible part-time opportunity, Target encourages all those interested to apply to join our store teams."³⁵

Environmental Concerns

Target had openly articulated its obligation to the environment in the U.S. and implemented numerous programs as shown in Appendix C. It made it very clear that it intended to further its mission of environmental protection and long-term commitment to sustainable business practices in Canada. For example, in 2012 it announced that it would pursue Leadership in Energy & Environmental Design (LEED) certification for all Canadian stores opening in 2013. Design plans included conserving energy and water, reducing greenhouse gas emissions, and limiting waste sent to landfill, among other features. According to Tony Fisher, president of Target Canada, “Target takes its role as good corporate citizen very seriously, and we’re proud that Target is making a firm commitment to sustainability in Canada. Striving for LEED certification at our 124 stores opening in 2013 is important as we seek to use our resources responsibly and maintain the health of our communities. Target’s approach to environmental sustainability is integrated throughout the business, from how stores are built to the products on the shelves.”³⁶

Nevertheless, some research showed that Americans in general were not very concerned with the environment,³⁷ which may have been reflected in less importance given to the environment by Target Canada. In addition, Target Canada’s biggest competitor, Wal-Mart, had already taken a leadership role in Canada in environmental projects by the time Target entered the Canadian market.

Conclusion

As a result of its move into Canada, its first international expansion, Target faced a number of challenges new to the organization. There were cultural and social differences between the U.S. and Canada. Management saw that it was presented with significant issues including environmental practices, community activities, and employment practices. Responses to these issues would need to be well-thought out and implemented if Target’s first global venture was to be successful.

Appendix A1 – Target U.S. Health Related Benefits -- 2013

| TYPE OF BENEFIT | PROGRAM DESCRIPTION |
|-----------------------------------|--|
| Medical | <ol style="list-style-type: none"> 1. Coverage to Team members and families 2. Full time and part-time employees were eligible to enroll in different plans |
| Dental | <ol style="list-style-type: none"> 1. 100% coverage for preventive care services 2. Team members selected plans that cover Dental Work |
| Vision | <ol style="list-style-type: none"> 1. Vision examination plan (part of Target Medical Plan) 2. Vision Eyewear Plan |
| Prescription Drugs | <ol style="list-style-type: none"> 1. 10% discount for team members when using Target Pharmacy 2. 4\$ Co-pay on generics |
| Preventative Care | <ol style="list-style-type: none"> 1. Know your Biometric Health Numbers 2. Understand Health Status 3. Dedicated webpage 4. Health Screenings 5. Rewards for Healthy Actions!! |
| Well Being Educational Resources | Events, Workshops, Webinars towards well-being goals |
| Nurse Lines | Get your Health Questions Answered (24*7) |
| Employee Assistance Program (EAP) | <ol style="list-style-type: none"> 1. Team Member Life Resources 2. Well Being Captains |
| Disability | Option to enroll for long-term disability coverage |
| Tobacco Cessation Program | Medical plan includes a free program to help team members and dependents quit smoking |
| Maternity Support | Resources and support 24/7; additional discounts and gift card for enrolling in program |

Appendix A2 – Target U. S. Financial Benefits -- 2013

| TYPE OF BENEFIT | PROGRAM DESCRIPTION |
|--|---|
| 401(k) | Plan Your Future |
| Life Insurance | Company Paid Life Insurance |
| Vacations, National Holidays and Personal Days | 6 National Holidays, Personal Holidays |
| Employee Discount | 10% off on almost all items sold in the store |
| Educational Assistance Program | Reimbursement for job-related courses at accredited technical schools, colleges or universities. |
| Adoption Assistance Reimbursement | \$5,000 for eligible adoption fees |
| Child Care Discount | Access to discounted rates on primary childcare at select childcare centers nationwide. |
| Home Loans | Customized financing to meet specific needs |
| Commuter Benefits | Team members can pay commuting costs – such as the bus, rail, trolley, ferry, vanpool or parking – with before-tax payroll deductions |
| Additional Perks and Discounts | <ol style="list-style-type: none"> 1. Fitness Centers 2. Mobile Phone Plans 3. Brand Name Computers 4. Clothing 5. Flower Purchase and delivery 6. Tickets for movies |
| Adapted from Target Benefits (2013). ³⁸ | |

Appendix B: Target's U.S. Environmental Activities--2013

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|---|---|
| Headquarters | |
| | Recycled mixed paper, corrugated cardboard, aluminum, glass and plastic as well as used inkjet printer cartridges (refurbished and resold) |
| | All computers were automatically put on standby mode after business hours |
| | Target managers monitored waste management practices |
| | A Resource Recovery team sold, donated, recycled, or reused equipment being replaced |
| Government Affairs Team | |
| | Team studied existing and pending laws |
| | Team studies determined the best practices for complying with environmental laws |
| Corporate Compliance and Ethics Department | |
| | Target established environmental services department - one of the first such departments at any retailer – to determine environmental compliance, operational programming to support regulatory needs |
| | Managers worked to streamline cardboard and shrink wrap recycling programs |
| | Target worked with vendors to incorporate sustainability initiatives into core business functions |
| Distribution Centers | |
| | Managers increased number of cartons in each Target trailer - saving gas |
| Stores - Smart Design | |
| | Stores were built with roofing membranes that reduced heat absorption |
| | Bathrooms were equipped with low flow faucets and fixtures |

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| | Twenty-one Target stores used solar energy (saving 15-20% annually in energy costs) |
| Reduce Energy Consumption | |
| | Stores were equipped with LED lights and motion sensors in coolers |
| | Stores were equipped with low wattage fixtures on sales floor |
| | Exterior signs used LED lights |
| | Parking lot lights were programmed to shut off automatically after stores closed |
| Products - Natural, Organic, and Sustainable | |
| | 700+ organic foods were offered at SuperTarget, a USDA-certified organic grocer |
| | Target brand provided organic foods under Archer Farms label |
| | Target avoided selling products that were harmful to the environment |
| | Nearly all merchandising departments offered products from recycled materials, nontoxic chemicals or organic ingredients, packaged in recyclable or biodegradable containers |
| Waste - Elimination | |
| | Guests received 5¢ off their purchase for using reusable bags |
| | Corrugated paperboard was saved by changing Target Home sheet packaging |
| Waste - Diversion from Landfills | |
| | Recycling bins for plastic bags, glass-plastic-aluminum, MP3 players, and ink cartridges were placed in front of stores |
| | Building contractors were required to recycle construction waste from all store remodels and new stores |
| | Unsold products were sent to organizations for resale |
| | Target established a garment hanger reuse program |

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|---|--|
| | Grocery overstocks were donated to Feeding America |
| | Overstocked and damaged pet food and supplies were donated to local animal shelters |
| Waste - Compaction | |
| | Waste in store compactors was weighed to maximize loads and reduce necessary hauls, saving fuel and reducing emissions |
| Responsible Seafood Sourcing | |
| | Fish sold were wild-caught from sustainably managed fisheries |
| | Farmed salmon was no longer sold |
| | Seafood selection included more Marine Stewardship Council-certified options |
| Environmental Partnerships | |
| | Target was a member of BICEP - Business for Innovative Climate & Energy Policy |
| Employee Education | |
| | Target disseminated a quarterly newspaper giving sustainability measures to employees, (http://www.articlesbase.com/business-articles/comparison-of-Wal-Mart-and-target-policies-and-practices-1908631.html) |
| Adapted from the Target Corporation Corporate Responsibility Report (2013). ³⁹ | |

Appendix C: Wal-Mart Canada's Environmental Activities

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| <p>Wal-Mart sponsored student teams in environmental sustainability entrepreneurship projects. For example, Wal-Mart joined with Advancing Canadian Entrepreneurship (ACE) in a nation-wide initiative that encouraged student teams “to run community outreach projects focused on environmental sustainability”.</p> |
| <p>Free standing inserts (FSI) flyers were made from recycled paper; the Forest Stewardship Council (representing provinces east of Ontario) certified FSIs in those provinces; all FSI flyers west of Ontario were certified by the Sustainable Forestry Initiative</p> |
| <p>A private brand compostable garbage bag for residential compost pick-up was sold at Wal-Mart stores</p> |
| <p>Seiyu, a Japanese affiliate of Wal-Mart, changed its private label packaging on fresh-cut fruits and salads from PET plastic to corn-based PLA packaging. As a result, the total weight of the package was reduced by more than 25 percent, and the cost of the package was reduced by approximately 13 percent, saving approximately 18 million yen (more than USD \$195,000) every year</p> |
| <p>Sustainably sourced palm oil was used in all of Wal-Mart's private brand products</p> |
| <p>Wal-Mart purchased 30% of its produce from Canadian farmers</p> |
| <p>Adapted from Wal-Mart Global Sustainability Report (2010).⁴⁰</p> |

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