

Target took hit with IT glitches, but unclear how large

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By Jackie Crosby

It's never good news when your company's trending hashtag is #TargetApocalypse.

In an era of social media whiplash and cutthroat competition from Amazon, Walmart and other mass merchandisers, Target Corp. took a hit to its image and bottom line after a difficult weekend in which it ran afoul of technical glitches two days in a row. Whether the impact will be lasting, experts say, depends on what happens next.

"Apocalypse? It wasn't quite that, but it still ain't good," said Robert Passikoff, founder of a New York brand loyalty research firm Brand Keys. "As the differentiation between retailers gets slimmer and slimmer, the expectations get higher and higher and it gets more dangerous to make a mistake."

On Saturday, cash registers at all 1,850 Target stores went down in the early afternoon for about two hours, leading to long lines and a social media firestorm. On Sunday, some stores were unable to process credit card payments for about 90 minutes.

The Minneapolis-based company said Monday it was experiencing no new issues, and reiterated its ongoing work to resolve the problems.

"We know many guests had a frustrating shopping experience in our stores this weekend," Target said in a statement. "For that, we are truly sorry. We never want to disappoint any guests and we're working tirelessly to ensure these issues don't happen again."

Akshay Rao, a marketing professor in the University of Minnesota's Carlson School of Management, said the relationship between customers and businesses "is one of trust." And it's a tenuous balance.

"If I shop Target 100 times a year, the one time something doesn't work is going to stand out," Rao said. "Negative information is far more available and impactful than positive information."

Target took to social media and news outlets on Saturday and again on Sunday to explain that the problems were unrelated.

Saturday's issue was "an internal technical issue," Target said, while Sunday's intermittent problems arose from an issue with NCR, a vendor that processes its payments. Neither problem was the result of a security breach, the retailer said, and customers' private data was not compromised.

Target suffered a massive data breach in 2013 that affected up to 40 million credit and debit cards. It paid \$18.5 million to settle claims by 47 states and the District of Columbia and resolve a multistate investigation.

Rao said the danger for Target is that even if the weekend's glitches weren't related to a cyberattack, the memory remains for consumers.

"You take this incident and tie it to the data breach, what is the consumer to make of this?" he said. "This goes to the heart of competence."

Soumya Sen, a University of Minnesota professor with the Information and Decision Sciences, said sudden outages can be caused by any number of things system configurations, bugs or flaws in software, integration issues, network and hardware failure or lack of training. What results is a domino effect.

Sen pointed to a massive computer power at Delta Air Lines in 2016 that cost the company \$150 million. In that case, a power surge caused by one malfunctioning piece of equipment tripped a power transformer that essentially shut down Delta's command center in Atlanta.

He said Amazon and other companies that began as technology companies have an advantage.

"Brick-and-mortar retailers are trying to adapt to this new digital world, and business decisions are being made independent of the information technology decisions," Sen said, not speaking specifically of Target. "They look at it as a supporting arm of the business rather than a core of their business. That kind of perception needs to change among top-level executives for IT to be taken more seriously."

By Monday, some positive words about Target began bubbling up on Facebook and other accounts amid the frustration. Customers thanked store employees for acts of kindness amid the chaos: Free coffee and popcorn. Carts set aside for customers for a return later in the day.

Target spokeswoman Jenna Reck said in an e-mailed statement that store workers "were empowered" to take steps to make shopping seamless during the disruption.

"We have received numerous positive messages from our guests who felt our teams delivered at an exceptional level during a difficult time," she said.

Investors weren't too concerned. Target's stock finished the day down less than 1% at \$87.14.

However, timing for the computer malfunction couldn't have been worse, Passikoff said, with customers shopping for Father's Day, outdoor cookouts or doing their weekend Target runs. Spending on Father's Day was expected to be at an all-time high of \$16 billion, according to the National Retail Federation.

Target Corp. doesn't release daily traffic data, but says that every week 30 million people shop its stores. Any financial impact won't be reported until the company's quarterly earnings release likely in late August.

Passikoff, the brand and loyalty expert, said he suspects this will "be a short term blip" for the retailer, with a caveat.

"At Target, the engagement and loyalty is high," he said, "and people are likely to forgive these market foibles. Although when we look at patterns and an inability to meet expectations if it continues, it doesn't even have to be to the extent of this weekend, you see people moving away from brands."

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