



Trinity College Dublin

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TRINITY COLLEGE BUSINESS SCHOOL

"Ethical audit report: Target"

Module: Ethical audit report

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Msc Programme: Business Analytics

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1.- Introduction and key concepts:

This report will try to conduct an audit of the ethics within the field of data analytics that Target has, we will take as an example the problem they had in 2013 related to the use of data to predict and promote products to pregnant women.

To perform the audit correctly the report is going to focus on 4 different aspects or points of view, which are:

- **Sustainability**: Ethical sustainability in data analytics refers to the ability of a company or organization to use data in a fair, responsible, and sustainable manner over the long term. This includes considering the impact of data analytics on privacy and consumer rights, as well as on society at large, and taking steps to minimize any potential harm.

To ensure ethical sustainability in data analytics, it is important to follow good ethical practices, such as obtaining consumers' consent before collecting or using their information, being transparent about how data is collected and used, and adequately protecting data to avoid security breaches.

Ethical sustainability in data analytics is essential to ensure consumer trust and avoid scandals (such as the one we will use as an example in this report) that can damage reputation and business in the long term. It is also important to ensure that data analytics is used to contribute to a more equitable and sustainable society.

- **Legality**: Ethical legality in data analysis is a concept referring to a company's or organization's efforts to develop legal and ethical data analysis techniques. This includes complying with all relevant laws and regulations governing the use of data, as well as following good ethical practices when collecting, using, and protecting data.

To ensure that the methods and metrics of our data analysis processes are legal, it is important to ensure that we comply with all relevant laws and regulations, such as the European Union Data Protection Act (GDPR), for example.

- **Technology**: Technology is an essential component of data analysis. There are many different tools and technologies that are used to collect, store, process and analyze data. Some of the most common technologies used in data analysis include:

Databases: these are used to store and organize large amounts of data.

Programming languages: Used to write code that manipulates and analyzes data.

Data visualization tools: These are used to represent data in a graphical and easily understandable way.



Technology plays an important role in data analytics by enabling companies and organizations to collect, store, process and analyze large amounts of data more efficiently and accurately. In addition, technology can help businesses and organizations make informed decisions and identify opportunities for improvement and growth.

- **Morality**: Morality is a key concept in the field of data analysis, as it refers to how ethical decisions should be made regarding the use of data. In data analysis, it is important to consider how data analysis may affect different groups of people. For example, in data analysis, it is important to consider whether the use of certain data may perpetuate or reinforce stereotypes or discrimination.

It is important that companies and individuals involved in data analysis follow moral principles and make ethical decisions when using data to ensure that it is used fairly and responsibly and to avoid scandals that could damage reputation and business.

2.- Summary of Target's problem:

The 2013 Target scandal originated when it was discovered that the department store company Target had been using data analytics to predict and promote products to pregnant women. The company used a variety of metrics, such as the time women spent on its website and the type of products they purchased, to determine who might be pregnant and send them emails with targeted promotions. (*Hill Kashmir, 2022*)

This led to outrage from consumers, who argued that Target was invading their privacy. The company apologized and adopted stricter privacy measures, such as removing certain customer data from its records and implementing stricter policies to protect consumer privacy. Although Target survived the scandal, the company suffered a great loss of consumer confidence and had to work hard to regain its reputation.

In order to explain the scandal in more detail, we will explain the scandal taking into account the four points of view mentioned above.

In relation to sustainability,

1. What are the stakeholder expectations?

Customers: Customers might expect that their personal information would be protected and not used in ways that invade their privacy or make them feel uncomfortable. They might also expect that the company would be transparent about how it uses customer data and would obtain consent before collecting or using this information.

Employees: Employees might expect that the company would follow ethical practices and not engage in activities that could damage its reputation or harm its customers. They might also expect that the company would take appropriate steps to prevent similar scandals from occurring in the future.



Shareholders: Shareholders might expect that the company would take steps to protect its reputation and its financial performance in the wake of the scandal. They might also expect that the company would adopt stricter privacy policies and practices to prevent similar incidents from occurring in the future.

Regulators: Regulators might expect that the company would comply with all relevant laws and regulations related to data privacy and would take appropriate steps to protect customer data. They might also expect that the company would cooperate with investigations and take appropriate action to address any violations of laws or regulations.

2. What are the environmental, social, and financial implications?

The controversy may have affected customer confidence in the brand and trust in the firm, which might have changed consumer behavior. The likelihood that customers would have shopped at Target or given the corporation their personal information, for instance, may have decreased, which could have affected the company's sales and earnings. In turn, this may have had indirect effects on the environment and society, such potential adjustments to the supply chain or hiring procedures.

Furthermore, the controversy could have had a wider effect on public perceptions of data privacy and the use of data analysis. This can result in modifications to the data privacy rules and regulations, which might have effects on the environment and society.

Overall, Target's financial losses from the incident were probably significant since the firm lost consumer confidence and had to put up a lot of effort to repair both its reputation and its financial performance. It is crucial for businesses to think about the possible environmental, social, and financial effects of their decisions and to take action to reduce any unfavorable effects. This entails being open and honest about how data is gathered and utilized, as well as taking the necessary precautions to safeguard consumers' privacy.

In relation to legality,

What regulatory rules might apply?

There are several regulatory rules that might have applied to the Target scandal. Some of the potential regulatory rules that might have been relevant include:

Data protection laws: Depending on the jurisdiction in which the company operates, there may have been laws in place that regulate the collection, use, and storage of personal data.

Consumer protection laws: There may have been laws in place that protect the rights of consumers and regulate the actions of companies in regard to marketing and sales practices.

Privacy laws: There may have been laws in place that regulate the privacy rights of individuals and protect against the unauthorized collection or use of personal information.



It is important for companies to be aware of and comply with relevant regulatory rules in order to avoid legal consequences and to protect the rights of consumers.

In relation to technology:

Technologically speaking this scandal did not have any remarkable aspect, the problem they had is that they included in their data analysis processes sensitive information about their customers to create promotions and increase sales, the technological architecture was the same that was used for the rest of metrics and it was nothing new, the technological risks they ran were the same as with any other analysis and they were exposed exactly the same to security breaches or cyber-attacks, as we have said the problem was found in that in the process they included very personal data and used it to increase their sales. There are several regulatory rules that might have applied to the Target scandal. Some of the potential regulatory rules that might have been relevant include:

1. Data protection laws: Depending on the jurisdiction in which the company operates, there may have been laws in place that regulate the collection, use, and storage of personal data.
2. Consumer protection laws: There may have been laws in place that protect the rights of consumers and regulate the actions of companies in regards to marketing and sales practices.
3. Privacy laws: There may have been laws in place that regulate the privacy rights of individuals and protect against the unauthorized collection or use of personal information.

It is important for companies to be aware of and comply with relevant regulatory rules in order to avoid legal consequences and to protect the rights of consumers.

In relation to morality:

It stands to reason that it neither adds anything nor helps anything for companies, most notably Target to work with personal data without consent from their customers to build metrics that allow them to develop personalized offers or promotions in order to increase sales. It is completely contrary to what a person can understand as morally correct and even more so in cases like this in which the information being worked with is so personal and sensitive.

3.- Recommendations:

1.- The first recommendation relates to strengthening internal controls and oversight by the internal departments in charge, to independently but internally monitor data that may be problematic for both the company and customers and to prevent similar incidents from occurring in the future. This may include stronger risk management processes, increased employee training on ethical practices and stronger internal audit functions.



2.- The second recommendation is to increase transparency and communication with business stakeholders, so that there is no possibility of misunderstanding and the company or its stakeholders could be affected. After the Target problem in 2013, the company was criticized for not providing information about the incident and its impact on customers. To avoid similar problems, it is important for companies to be transparent and communicative with stakeholders, including customers, shareholders and regulators.

3.- The third and final recommendation is to consider implementing additional security measures to protect against data breaches, because regardless of a company's internal control and communication with stakeholders, there is always the possibility of a cyber-attack or data breach that could cause problems for the company. This can include investing in cybersecurity technologies, such as firewalls and encryption, as well as implementing best practices for data security, such as regularly updating software and monitoring for suspicious activity.



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