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Personal Thoughts, Reflections, and Accounting

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PERSONAL THOUGHTS, REFLECTIONS, AND ACCOUNTING

by

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ABSTRACT

CALEB COLLEY: Personal Thoughts, Reflections, and Accounting
(Under the direction of Dr. Vicki Dickinson)

This work consists of two portions. The first portion concerns the research, findings, and conclusions regarding various accounting-related topics. These topics include a reflection on the September 11 attacks and their impact on accounting and the United States in general, research on potential places to settle for my future career, an analysis of Pfizer Inc.'s financial performance in 2020 in the wake of the COVID-19 pandemic, and an interview with my mother regarding her previous experiences as a business professional. The second portion of this work pertains to several analyses of the Target Corporation from five perspectives. These topics consist of an initial overview of the company and attempts to create audit strategies, tax strategies, advisory strategies, and risk analyses.

With this work's great variety of content, making brief conclusions is difficult. However, the composition of this work enabled a further understanding of the accounting profession and its various attributes, such as tax or audit. The second portion of this work reflects this learning process, complete with its conclusions derived from analyzing financial statements and other materials. The first portion of this work more readily represents fundamentally more personal conclusions and reflections regarding my plans and expectations going forward.

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SECTION ONE
CASE ONE: MINUTES THAT CHANGED THE COUNTRY

For this first case, we were presented with a type of compilation of footage from the September 11 attacks in New York City, focusing predominantly on the Twin Towers. This case served as a learning exercise on the 20th anniversary of the attacks. After originally discussing some basic facts about the World Trade Center and the attacks themselves, this compilation so-to-speak was a collection of unedited footage around Manhattan recorded leading up to, during, and after the attacks unfolded on the WTC. This footage ranged in quality from amateur camcorder footage to live professional news coverage and in content from people's perspectives from Hoboken to footage of the Towers being struck.

People who either are too young to remember the events of September 11 or were not even born lack the experience of having these events unfold in real time. As somebody who was born less than six months prior to the attacks, the closest I had ever come to understanding the gravity of that day is whatever small unit my teachers in grade school would teach every year on the anniversary. However, this case assignment was different from those experiences; for the first time in my life, I saw the events unfold on camera. Additionally, I heard everyday people talk and what they had to say at the moment. Unlike those previous experiences learning about September 11, I put faces and sight on the events that had always been described to me in a sterile environment. All I can say is that it really does bring me closer to the situation that unfolded that day.

Because of this case assignment, I can finally say I truly reflected on the historical nature and implications of the September 11 attacks to a much more substantial degree. Additionally, this assignment after the fact allowed me to engage with my family on the subject, which greatly contributed to my understanding of the immense tragedy that transpired that day.

My consciousness did not begin until a few years after the attacks on the World Trade Center. I do not recall ever hearing about it until I was probably in the third grade, attending Walls Elementary School. This lesson began the annual tradition of being told roughly the same basic facts about September 11, 2001, ad nauseam. I know that using the term "ad nauseam" implies annoyance toward something, but that is how I felt growing up. However, I understand the reason now; my teachers simply did not do a good job making the attacks feel real.

By "real," I mean establishing a direct human face to the situation and conveying real human experiences that day. For my entire academic career until now, whenever September 11 was brought up, my teachers had never shown me videos of the airliners colliding with the Twin Towers, especially not the various people falling and jumping out of the buildings when the fire ensued. These lessons were usually reciting the number of casualties, giving an extremely surface-level view of the plot and motives of al-Qaeda and Osama bin Laden, and telling the class why 2,977 people dying was sad, which I always found to be quite self-evident.

I remember being at the end of fourth grade after MCT testing had ended, and when I came home, I went to my parents' room as I usually did to talk. My parents were glued to the television when my father looked at me and proudly proclaimed that "we," as in the United States, had killed Osama bin Laden. Both my parents seemed greatly relieved by this fact. They had a lot to justify that feeling. On the other hand, while I could easily acknowledge the killing of Osama bin Laden being a good thing, I just could not see exactly what they were seeing.

As time went on from my younger years, I must admit I never really had thought about September 11 often. My classes would always talk about it to some degree, but it was out of sight and out of mind for the most part. Even the number of casualties increasingly seemed minute compared to other conflicts such as the Iraq War or Afghanistan War. Even the daily number of deaths during the ongoing COVID-19 pandemic occasionally exceeded being the equivalent of a September 11 attack per day in the United States. However, my former disconnected way of thinking about the attacks came to an end upon the assignment of this case.

When the subject matter at hand was originally presented, I could tell something would probably make this one different. It was the first time I had engaged with the attacks since graduating from high school. That difference, I immediately assumed, would likely be the lack of a filter in terms of content I would be shown. This assumption was confirmed when the class was shown the unedited footage from the day of attacks in various contexts and perspectives. It is difficult to explain, but in the hour and a half I spent watching these clips and taking notes, everything clicked into place in my mind. Even the basic facts I heard often growing up made more sense.

The basic facts about the World Trade Center and the attacks in 2001, instead of being broad general facts about the building, proved useful while attempting to understand what people were talking about in the footage later during the assignment. These buildings were the tallest on Earth, each building was 110 stories tall. They included one of the first uses of “sky lobbies,” observation decks, and many other unique features. Additionally, these buildings were massive enough to hold 50,000 regular workers, with hundreds of thousands of additional people passing by on a day-to-day basis.

Overall, these facts that were given to me prior to watching to footage allowed for my ability to mentally visualize and establish the total setting of the attacks in Manhattan. The portion of the compilation consisted of what I assume would have been footage that depicted Lower Manhattan on a typical Tuesday morning, with those recording walking down the streets and taking in their ordinary surroundings. It had an almost ominous feel while I watched; however, that ominous feeling is likely derived from 20 years of hindsight. At 8:46 am, the scene depicted by the footage shifts substantially into sheer panic as the first Boeing 767 struck the North Tower. The compilation immediately shifts to different perspectives, including a woman in her apartment watching the North Tower smoke and burn after the collision. In this clip, she leaves a voicemail for her father, informing him that she is safe and not to worry while theorizing that it had been an explosion in the North Tower. Several clips through the compilation follow something like this pattern. Hearing the despair, defeat, and fatigue greatly impacted me throughout watching. This factor, among others, is what I was referring to as making the attacks seem "real."

The reality of the situation was put even further into perspective when another clip cuts to a guy listing off the various businesses with offices on the floors of impact in the Towers later. He mentions that they are his friends, and with the tone of the voice, one can feel how emotionally rattled he was. This effect is repeated by these two guys were up in the sky-lobby and discussed talking to folks and making jokes with one another about baseball. These clips displayed the raw human emotion of suffering and concern during these attacks, something I greatly empathized with after seeing it directly. I almost immediately felt bad about my former thought process about September 11. It also made me realize how many people my age probably never have and might never have this educational experience.

While I was lost in thought about the differences between my previous education regarding September 11 and the lesson this compilation was teaching me, a wave of realization came over me about something that I had seen earlier. There was video footage from six different angles of various people jumping or falling out of the North Tower. I can sum up the thoughts I had upon that realization with a quote from one of the clips that has been etched in my head, "Oh, these poor fucking people." It is an extremely simple phrase with some profanity, but it is the most apt description of my sight.

With the collapse of each of the Twin Towers, especially after the collapse of the South Tower, it outright terrified me to see that building collapse inward on itself, going directly down into the immediate surroundings of the World Trade Center complex. A massive cloud of dust, smoke, ash, and other debris shooting upward into the sky came with the collapse of the Tower. However, I had never thought that the cloud would have had a lot of force propelling it and would have spread for blocks upon blocks in the city. The following footage showed people attempting to outrun the debris cloud to no avail, completely overtaking them with extremely high speed. These clips often ended with the footage gradually fading into black as the cloud overtook the cameras. These clips often reminded me of what I thought the Dust Bowl of the 1930s would be when I was younger.

As the North Tower collapsed similarly 29 minutes later, a similar process occurred once again. By that time, most city blocks in Lower Manhattan surrounding the World Trade Center complex were completely covered in ash and other debris. It looked like a snowy day with the trees covered in snow. Without context, I probably would not have questioned it if it were not for the haunting sounds of people hacking and coughing violently from the inhalation of the ash and other debris. Watching people traverse the ash-ridden landscape almost felt apocalyptic; I am certain it probably felt exactly like the Apocalypse to have been there. Considering what the scene looked like after just a few hours with 2,977 people dead, I cannot say that I do not see where some people were coming from when they later talked about what they wanted to do in response to the attacks.

Various people in the footage included toward the end of the compilation were understandably grief-stuck and enraged at the perpetrators of the attacks on the World Trade Center, along with the Pentagon, which was struck later after the Towers. I obviously could not blame them; I felt it to some extent, too, after seeing all this footage. However, some people were outright bloodthirsty. I recall one of the guys in this series of clips roughly saying that the United States should “go to these Arab countries. Blow them up. Kill them.” A few other people in these clips echo this sentiment to some degree. As I said, I understand where this anger came from, but indirect calls for genocide were entirely beyond where I thought people would go with it. People were not exaggerating when they said Islamophobia was a big problem in the aftermath of the attacks.

Overall, watching the September 11 attacks on the World Trade Center unfold as they did from various everyday perspectives allowed me to truly acknowledge the sheer weight and gravity of that day. I now understand to a much higher degree why my parents found great satisfaction and relief with the announcement of Osama bin Laden’s death. I understand too why generally older people I have been around throughout my life get so readily upset about that day. I finally found a way to empathize with these people directly within the historical context of it all. This realization is my biggest take-away from this case assignment. However, another overarching lesson this case taught me was that the attempts to teach schoolkids about September 11 generally fall flat, at least at DeSoto County Schools in Mississippi. I am not saying third graders should watch the unedited footage I have necessarily. Still, I think kids in secondary school could find some more educational value from it rather than just being told basic numbers and details.

SECTION ONE
CASE TWO: DESIGN YOUR LIFE

For this second case, our task was to do research on the city in which we wanted to work. This research generally included anything about the city such as scenery and climate to the specifics of our possible commute in the morning and accounting for our life plans. I selected Memphis as the city I wish to work in. This choice was apparently rare among others working on this case, so I partnered with Andrew Meyers for this case because his choice was Bentonville/Northwest Arkansas.

I have lived in the Memphis Metropolitan Area since 2003 or so, and I grew up there. Additionally, my family all lives in the Memphis area as well. Because of this, I found my choice to be obvious, considering that I want to remain near my family. Since I am extremely familiar with the area, I was not sure that I would learn too much from this case, but after compiling the information for this case and seeing Meyers's findings on Bentonville for comparison, I feel even more confident in my decision to live and work in the Memphis area. However, I did change my mind on one small caveat of my plan to live in the Memphis area; as much I insisted that I remain a Mississippi resident, one cannot deny the benefit of living in Tennessee which has no state-level income taxes.

Overall, this second case, assuming its assumptions of a first-year salary of $55,000 to $60,000 are realistic, has allowed me to predict the type of life I will be able live and at what standard of living as well. My projected budget, along with everything those expenditures purchase, leaves me with a healthy amount of savings while still being able to afford a decent health insurance plan. My emphasis on the health insurance plan may seem odd, but I have never really had health insurance at all. Essentially, I have confirmed that I have realistic and reasonable expectations for the future of my career and life, and that the future is bright.

Bentonville, AR vs. Memphis, TN

Andrew Meyer and Caleb Colley

Topography and Scenery

Bentonville/Northwest Arkansas

- Elevation: 1,296’
- Located on the Springfield Plateau, with the Boston Mountains of the Ozark Mountain Range directly to the south.
- Devil’s Den State Park about 30 minutes south of Bentonville.

Photo Credit: arkansasbedandbreakfast.com

Photo Credit: tripsavvy.com

Topography and Scenery

Memphis

- Average Elevation: 285', Minimum: 173', Maximum: 506'
- Located on the eastern bank of the Mississippi River at the northmost point of the Mississippi Delta in Tennessee.
- There are several parks and other recreational/tourist attractions, such as the Bass Pro Pyramid, Mud Island, and Shelby Farms

Photo Credit: Getty Images

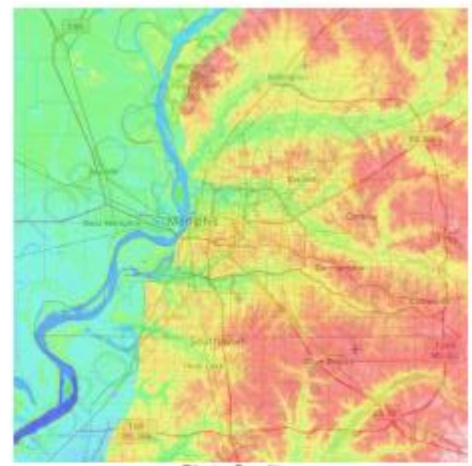

Photo Credit: topographic-map.com

Climate

Bentonville

Summer:

Avg. High: 87.9°F, Avg. Low: 64.9°F

Fall:

Avg. High: 70.9°F, Avg. Low: 46.3°F

Winter:

Avg. High: 48.9°F, Avg, Low: 26.1°F

Spring:

Avg. High: 68.7°F, Avg. Low: 44.5°F

Memphis

Summer:

Avg. High: 90.9°F, Avg. Low: 72.3°F

Fall:

Avg. High: 74.6°F, Avg. Low: 54.2°F

Winter:

Avg. High: 53.3°F, Avg. Low: 34.7°F

Spring:

Avg. High: 73.1°F, Avg. Low: 53.1°F

Prevalent Industries

Bentonville

- Region heavily based in agriculture and poultry, but with growing corporate landscape.
- Largest 5 Corporate Headquarters:
  - Walmart, Inc. (Bentonville)
  - Tyson Foods (Springdale)
  - J.B. Hunt Transport Services, Inc. (Lowell)
  - Arvest Bank (Bentonville)
  - George's, Inc. (Springdale)

Memphis

- Region heavily based on cargo shipping and trade. However, there is a variety of industries.
- Largest 5 Corporate Headquarters:
  - FedEx Corporation
  - International Paper Company
  - AutoZone, Inc.
  - First Horizon Corporation
  - Cargill Cotton

Transportation Hubs

Bentonville

- Northwest Arkansas National Airport (XNA) in Bentonville
- Ozark Regional Transport Buses running routes through Benton and Washington Counties

Photo Credit: fayettevilleflyer.com

Memphis

- Memphis International Airport (MEM)
- The Memphis Area Transit Authority (MATA) which operates bus and trolley routes.
- Memphis Central Station

Photo Credit: wikimedia.org

Traveling Back Home

Bentonville to Shreveport

- Driving is the best option
- 5 hours 36 minutes one-way
- 336 miles south down I-49 S, US-71 S, and then I-49 S again
- Approximately $64.49 one-way and $128.99 round-trip using the current Arkansas gas price average of $2.86/gallon and my current vehicle's average of 14.9 miles per gallon.

Memphis to Walls

- Driving is the best option.
- Approximately 30 minutes one-way
- 19.8 miles south down US-61
- A trip home would cost $3.19 with a round trip costing $6.38 using the gas price of the Valero station on East Shelby Drive of $2.74/gallon and my current vehicle's average of 17 miles per gallon.

Commutes

Bentonville

- Typical mode of commuting is by personal vehicle.
- Likely commute time is in the 15-20 minute range, depending on whether I would work in Bentonville, Rogers, or Springdale.

Photo Credit: nwarpc.org

Memphis

- Typical mode of commuting would be by personal vehicle.
- Like commute time is 20-30 minutes, depending on where in Memphis I would work.

Photo Credit:

Civic, Religious, Charitable Organizations

Bentonville

- St. Stephen Catholic Church
- Junior Achievement League of Arkansas
- Greater Bentonville Area Chamber of Commerce

Photo Credit: downtownbentonville.org

Memphis

- Ronald McDonald House Charities
- Literacy Mid-South
- Epiphany Lutheran Church

Ronald McDonald House Charities®
Memphis
Keeping families close®

Photo Credit:
rmhc-memphis.org

Entertainment and Recreation

Bentonville

- University of Arkansas Athletics and Northwest Arkansas Naturals Baseball
- Walmart Arkansas Music Pavilion (Rogers) hosts many concerts
- Hiking and camping in the parks and nature in the area
- Golfing at one of the courses in the area
- Fly fishing and hunting in the beautiful nature of the region

Memphis

- Memphis Redbirds Baseball at AutoZone Park
- 901 FC Soccer at AutoZone Park
- Various parks to visit in the area
- Memphis in May
- Beale Street Music Festival
- Various museums and historical sites to visit
- Surrounding regions have places to hunt and fish as well.

Crime

Bentonville

- Safer than 39% of cities in the US
- Lower violent and property crime rates than US averages
- Vast majority of crimes are theft-related
- Most dangerous neighborhoods are S Walton Blvd/SW 14th St and SE 8th St/SE J St

Photo Credit: neighborhoodscout.com

Memphis

- The second most dangerous metropolitan area in the US.
- The violent and property crime rates are 11.07 per 100,000 people and 39.90 per 100,000 people respectively.
- Those rates translate into a 1/90 and 1/25 chance of being a victim of a violent or property crime, respectively.
- Crime is more predominant toward the city center.

Citation: wgnsradio.com

Healthcare and Education

Bentonville

- Healthcare mainly provided by Northwest Medical Center in Bentonville, with an emergency room, 128-room hospital, cardiac center, women's health center, and orthopedic center.
- Serviced by Bentonville Public Schools, a highly rated school district, and the 2nd ranked school district in the state of Arkansas.
- My children would likely attend public schools, largely due to the lack of private schools in the area combined with the highly rated public schools.

Healthcare and Education

Memphis

- The Medical District in Midtown is home to several hospitals and medical schools with various specializations.
- Several of these institutions are nationally recognized for excellence in their field, such as St. Jude's, Le Bonheur, Baptist Memorial, Methodist Memorial, and Regional One.
- The K-12 schools in Memphis proper are generally poorer in quality than the schools in the surrounding suburbs, however there are still high-quality schools in Memphis, primarily charter and private schools. However, the public schools in Collierville, Germantown, and Bartlett are very nice. My potential children would likely go to public schools as long as I can get the right school district.

Housing

Bentonville

- Average apartments seem to be around $850-900/month, for a 1-2 bedroom, 700-800 sq.ft. apartment, with parking included, and in-unit laundry, with no need for a roommate unless I would desire one



Photo Credit: realtor.com

Housing

Memphis

- The average rent in the area seems to be in a range of about $900-$1300 for a one-bedroom, one-bathroom unit and 700-900 sq. ft.
- The ones around the Collierville area outside of Memphis are on the upper side of that range in price and mid-range in surface area. Water, Sewage, and Garbage Disposal are included along with in-unit laundry and private parking.

Photo Credit: apartments.com

Everyday (In)Conveniences

Bentonville

Conveniences:

- Short commute times
- Lower-than-average cost of living
- Easy access to grocery stores
- Laundry in-unit
- Pet-friendly location, but I would likely not have pets until later in life

Inconveniences:

- High growth rate of the region causes:
  - Increased traffic
  - Construction
  - Increased cost of living

Memphis

Conveniences:

- Reasonable Commute
- Lower-than-average cost of living
- Ready access to everyday necessities
- Laundry in-unit
- Close to family

Inconveniences

- High crime rates in the city proper
- Traffic congestion is pretty serious during the commute depending on what road you're on

Taxes

Bentonville

- Based on income of $55,000
  - Federal taxes of $5,162
  - FICA tax of $4,208
  - State Taxes of $2,207
  - Local taxes of $0
- Take-home pay of ~$43,424
- Property tax rate in Benton County is relatively low at 0.75%, but I would not pay any until I own property.

Memphis

- Based on income of $55,000
  - Federal Taxes of $5,162
  - FICA Taxes of $4,208
  - State Taxes of $0
  - Local Taxes of $0
- Take-home pay of ~$45,630
- Property Taxes in Shelby County, TN on average are 1.42%, but I'm living in an apartment and will not own property.

Monthly Budget

Bentonville

Salary:	5,000	
Taxes:	(1,113)	
Take-Home Pay:	3,887	
Rent:	(850)	
Utilities:	(90)	
Auto/Health Insurance:	(740)	
Groceries:	(250)	
Subscriptions/Cell Phone:	(150)	
Gas:	(125)	
Entertainment:	(200)	
Shopping:	(150)	
Discretionary:	(150)	
Savings:		1,182

Memphis

Salary:	5,000	
Taxes:	(866)	
Take-Home Pay:	4,134	
Rent:	(750)	
Utilities:	(80)	
Auto/Health Insurance:	(508)	
Groceries:	(200)	
Subscriptions:	(133)	
Gas:	(125)	
Entertainment:	(200)	
Shopping:	(125)	
Discretionary:	(125)	
Cell Plan:	(65)	
Savings:		1,210

SECTION ONE
CASE THREE: FINANCIAL IMPACT OF COVID-19 ON PFIZER

In this case, we took a look into the impact of COVID-19 on Pfizer's 2020 financial performance according to Pfizer's financial statements, analyses of Pfizer's COVID-19 era performance according to outside sources, potential competition from alternative treatments, Pfizer's attitudes toward those alternative treatments, Pfizer's lobbying activities and expenditures, and the nature of President of the United States Joe Biden's Executive Order from September 9, 2021 mandating vaccination against COVID-19 for certain sectors of the population. While we researched these subjects, each of us utilized a different search engine, with Maria Adelman using Brave, Logan Moll using DuckDuckGo, and Caleb Colley using Google. Overall, our research has enabled us to complete a comprehensive image of Pfizer's financial performance during the Pandemic.

Throughout this case, we learned about Pfizer's financial gains from the sale of the COVID vaccine. Although it was not impacted in 2020, we expect revenue to be heavily impacted in the 2021 financial statements. Utilizing three different search engines, we used the same search terms to find articles about each topic. We found it interesting that most of the articles were the same but there were a few differences between the results of the search. One thing that stood out from this case was the amount of money Pfizer and other companies spend on lobbying each year. In addition, we discussed the different therapeutics available and their impact on the business of pharmaceutical companies. We also learned that it is important to look past just the numbers and consider the outside factors.

Pfizer has identified potential risks presented by the COVID-19 Pandemic to its business operations in the areas of supply chains, restrictions on mobility, and the possible deterioration of its relationship with collaborators and its third-party suppliers. Furthermore, the potentially increased costs of research and development during the development of Pfizer's vaccine against COVID-19 (Comirnaty) and new expenses associated with containing the spread of COVID-19 in their ranks could pose challenges going forward through the rest of the Pandemic. Overall, the development of Comirnaty has been identified as a risky investment. While its production has the potential to generate significant revenues, outside pressures could threaten the viability of this investment, such as potentially negative regulatory decisions by the Food and Drug Administration (FDA) and other regulatory bodies, political pressure disallowing intellectual property rights and patents to be enforced on Comirnaty, and the mass scale of modern vaccine production revealing facts about the efficacy of Comirnaty that might make it difficult to market and distribute. These risks are in addition to the typical concerns of producing a product, such as the possibility of another company producing a more effective product.

Pfizer did not see a significant disruption to their supply chain at the time their 10-K was published. All their manufacturing sites globally have continued to operate at or near normal levels. Currently, the United States is undergoing a supply-chain crisis as a result of COVID-19 disruptions paired with a boom in demand. Pfizer designed everything regarding the delivery of their vaccine based on speed. This efficiency in production and distribution of the COVID-19 vaccine should affect the company's financial statements in 2021.

Looking at Pfizer's 2020 income statement, their revenue had not yet been affected by COVID-19. Their revenue in 2020 was $41.908 billion compared to $41.1472 billion in 2019 and $40.825 billion in 2018. Since the vaccine was released to the public in 2021, the impacts on revenue and other items in their financial statements will be seen in the 2021 reports. While their revenue increased by $700 million between 2019 and 2020, it included an unfavorable impact from COVID-19, resulting from disruptions in wellness visits for patients and disruptions in lower demand for certain products.

In the first three months of 2021, Pfizer has reported $3.5 billion in additional revenue from the rollout of Comirnaty alone, comprising one quarter of its total revenue in this period, according to the New York Times.[1] The United States Government and the European Union have both signed agreements with Pfizer for provisions of the vaccine; however, these deals have been very secretive, with costs per dose being redacted in various documents.[2]

This is followed by $7.8 billion dollars in revenue generated in 2021 in the second quarter. Pfizer estimates the COVID-19 vaccine will generate $33.5 billion in revenue this year, according to MarketWatch.[3] This estimate is up from the previous estimates of $26 billion based on the 2.1 billion doses of the Pfizer vaccine in which the company expects to manufacture and deliver by the end of the year.

According to Yahoo! News, Pfizer will see a $15 billion increase in sales for 2021 due to the COVID-19 vaccines. Developed in partnership with BioNTech, Pfizer will look to deliver 2 billion doses of the vaccine. Pfizer recorded fourth quarter sales from the vaccine of $154 million in 2020, due to the release of the vaccine in the closing weeks of December. The article

[1] https://www.nytimes.com/2021/05/04/business/pfizer-covid-vaccine-profits.html
[2] https://www.nytimes.com/2021/01/28/world/europe/vaccine-secret-contracts-prices.html
[3] https://www.marketwatch.com/story/pfizers-covid-19-vaccine-generated-78-billion-in-revenue-in-the-second-quarter-2021-07-28

also discussed the different variants of COVID and the vaccine's effectiveness on those variants. Pfizer plans to modify the vaccine to respond to the different variants. Since the new variants may require a booster shot, Pfizer may see another rise in sales.[4]

During the vaccine rollout, controversy has ensued about the efficacy and safety of vaccines produced to protect against COVID-19 like Pfizer's Comirnaty. Notable proposals for treatment include ivermectin and Hydroxychloroquine. Hackensack Meridian Health details the risks associated with taking ivermectin to treat COVID-19, ranging from people mistakenly taking the equestrian paste-form of the drug to the general side effects in humans of taking large doses of ivermectin. ivermectin has resulted in confusion, hallucinations, and serious illness from misuse.[5]

According to Drug.com, multiple studies provide data that hydroxychloroquine does not provide a medical benefit for hospitalized patients with COVID-19. The World Health Organization (WHO) and the U.S. National Institutes of Health (NIH) have also stopped studies evaluating hydroxychloroquine and chloroquine phosphate for COVID-19 treatment outside of clinical studies.[6]

While the FDA has approved ivermectin for treating conditions caused by parasitic worms, it has not approved the use of ivermectin for treating or preventing COVID-19. However, there are ongoing trials to determine whether ivermectin tablets may be effective in treating COVID-19. According to the FDA, taking large doses of ivermectin is dangerous and should only be taken when prescribed by a doctor. Different forms of ivermectin are intended for

[4] https://news.yahoo.com/pfizer-expects-15-bln-covid-155806611.html
[5] https://www.hackensackmeridianhealth.org/HealthU/2021/09/03/3-reasons-not-to-use-ivermectin-for-covid-19/#:~:text=To%20sum%20up%2C%20here,ivermectin%20is%20highly%20toxic.
[6] https://www.drugs.com/medical-answers/hydroxychloroquine-effective-covid-19-3536024/

animals while others are intended for humans. Therefore, the FDA warns against the dangers of taking the medication intended for animals.[7]

In a business sense, Pfizer has no reason to support alternative therapies and treatments for COVID-19 unless the company can develop its own patentable treatment in those areas. Pfizer has moved on to developing its own COVID-19-specific antiviral drugs, resembling the drug that Merck has produced recently, molnupiravir. Some supporters of utilizing ivermectin to treat COVID-19 have claimed that these experimental drugs are simply rebranded versions of ivermectin. However, Pfizer and Merck's antiviral medications (Molnupiravir's formula: $C_{13}H_{19}N_3O_7$) for COVID-19 are substantially different in chemical structure from the antiparasitic drug Ivermectin (formula: $C_{47}H_{72}O_{14}$).[8]

BizNews argues that the World Health Organization (WHO) may not have approved ivermectin for treating COVID-19 since it would lessen profits from vaccine sales. The article states that a WHO report discussing the effectiveness of Ivermectin for treating COVID-19 contradicts itself since it references five, seven, or sixteen trials. Therefore, BizNews thinks WHO hastily put together the report stating that Ivermectin reduced death by 81%, but "with a very low certainty of evidence." [9]

Newsweek tells how Merck's COVID-19 oral antiviral pill would be a cheaper solution to outpatient therapeutics in comparison to monoclonal antibody treatments; however, it is still seventeen times more expensive than getting vaccinated against COVID-19. The Biden

[7] https://www.fda.gov/consumers/consumer-updates/why-you-should-not-use-ivermectin-treat-or-prevent-covid-19
[8] https://apnews.com/article/fact-checking-067310377629
[9] https://www.biznews.com/thought-leaders/2021/05/12/mailbox-ivermectin

administration purchased 1.7 million courses of Merck's oral antiviral treatment prior to it being authorized by the Food and Drug Administration.[10]

According to Truthout, pharmaceutical companies overall spent more money on lobbying in 2020 than ever before. Additionally, the pharmaceutical industry is on track to break its annual expenditures on lobbying, spending over $92 million during the first quarter of 2021.[11]

Pfizer was the biggest spender of any individual drug company. Last year, as it was developing its vaccine the federal government agreed to pay the company $1.95 billion for the first one hundred million doses it produced.[12]

According to OpenSecrets, in 2020 and 2021, Pfizer and its subsidiaries have spent approximately $19,820,000 on lobbying efforts in various levels of government. In 2018 and 2019, Pfizer and its subsidiaries spent approximately $22,450,000 on lobbying efforts.[13] Overall, Pfizer and its subsidiaries are on track to have spent a comparable amount on lobbying in the previous two years of the COVID-19 Pandemic and in the two years preceding the COVID-19 Pandemic. However, around 66 percent of the 2020 and 2021 lobbying expenditures were in 2020 alone at $13,150,000, which was a substantial increase from the previous two years. Most notably, 2020 saw a massive increase in the number of lobbyists employed by Pfizer from 77 in 2019 to 102 in 2020.

The September 9th Executive Order required all federal executive branch employees to be vaccinated along with any businesses that work with the federal government. Additionally, the order included vaccination requirements for both health-care workers in

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[10] https://www.newsweek.com/cost-merck-covid-19-pill-how-treatment-compares-vaccines-monoclonal-antibodies-1638192
[11] https://truthout.org/articles/pharma-breaks-lobbying-record-defending-high-drug-prices-and-vaccine-patents/
[12] https://www.washingtonpost.com/politics/2021/05/07/health-202-drug-industry-keeps-ramping-up-its-spe nding-lobbying/
[13] https://www.opensecrets.org/federal-lobbying/clients/summary?cycle=2021&id=D000000138

hospitals and other healthcare settings and private-sector employers with over 100 employees. The U.S. Occupational Safety and Health Administration (OSHA) issued a rule to require employers to provide paid time off for workers to get vaccinated or recover from vaccination illness.[14]

This directly contradicts his statement in December of 2020 that he will not mandate masks nor the vaccine. To be fair, while generally contradicting his positions in December of 2020 and July of 2021, Biden's September Executive Order was not a general mandate of the COVID-19 vaccine for every eligible American citizen; it mandated vaccines for those working for private employers with over 100 employees, federal employees, and medical professionals. Obviously, it is not necessarily a stretch to suppose that these mandates will be expanded at some point, but as of October 2021, these mandates are not all-encompassing.

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[14] https://www.adp.com/spark/articles/2021/09/president-biden-issues-covid-19-executive-order-vaccine-mandate.asp

SECTION ONE
CASE FOUR: IMPORTANT INFLUENCERS

This case assignment was to conduct an interview with a business professional or business owner that I knew. This person was supposed to be at least 35 years of age or be retired; generally, they required a well-established career in their lifetime. An additional prerequisite for whom to interview was that I needed to be “intimidated” by this person or find them simply unpleasant to be around in a way. Once I had picked a person to interview, I was to ask them at least about their life before working, their education and formative years prior to working, their career, their challenges in life, their advice for me, and some of their personal thoughts on their life and the issues facing their generation and mine.

Theoretically, this person would have been somebody outside my family, but I actually do not know a lot of businesspeople outside of my family that fulfill these requirements. However, when this case was originally assigned, the first person that I had thought of for an interview was my mother, Annalee. While she is my mother, I have never really had a deep conversation with her at all, especially when it comes to business or working. Additionally, I have always found her difficult to understand in general, so I figured there would be a decent amount to learn.

As you can see in the following case study, we discussed the questions thoroughly. In fact, on and off, we spent approximately five hours in total on the interview. I learned quite a bit about my mother as a person, and importantly for this practicum, I learned quite a lot about my mother's former career and received a lot of important advice and information to keep in mind. Overall, I never knew her approach to life, especially in the context of work, or her manner of thinking in general. She described in great detail her life philosophy of prioritizing happiness and personal well-being and also her general opinions regarding social issues and corporate politics.

Annalee Colley was born the youngest of six children in Cheyenne, Wyoming. Because of the age difference between siblings, she effectively only grew up with one other sibling; the other siblings were much older. When she was young, besides her brother, Kyle, her other siblings were well into adulthood or in high school. Both parents worked. Her father, Herb Bennett, worked for the local newspaper, the Wyoming Eagle Tribune, working as a typesetter, supervisor, and computer programmer. Her mother, Penny Bennett, started as a switchboard operator at Cheyenne Regional Medical Center. Eventually, she retired from that job and, later, went to work as a bartender.

At McCormick Junior High School, she began to be interested in art. During junior high, she took her first art class, where she learned she loved drawing. Tom Hart was her first art teacher and greatly encouraged her to keep drawing, which is what kept her honing her skills in various mediums, such as drawing with charcoal, ink, and pencil. This fascination continued throughout attending Central High School. At the beginning of 10th grade, she got her first job at Village Montessori School as a teacher's assistant. During the school year, she worked from the end of her school day until 6:00pm, otherwise working 8-hour shifts when possible.

After she graduated from high school, she worked at the Montessori school full-time, eventually becoming a lead teacher. During this time, she went to LCCC for graphic design, taking night classes. This time allowed her to learn how to draw on a computer, but she only attended for around a year. She eventually quit attending LCCC to pursue a career opportunity with the Montessori school.

She studied graphic design because of her long interest in art and drawing. Additionally, she was "well-known for her 3D bulletin boards." She applied to work at the Montessori school because wanted to earn spending money and to save money to get a car. Additionally, teacher's assistants at the Montessori school were in great demand.

After working for the Montessori school for around 5 years, the school offered her the position of a certified Montessori teacher and the position of an Assistant Director simultaneously. In practice, her job at the Montessori included day-to-day management of the school, payroll, staff scheduling, collecting tuition payments, making food orders, hiring, firing, attending board meetings, setting up parent-teacher conferences, and fill in as a teacher when necessary. During her time in this position, she says one of her hardest tasks was conflict resolution between staff members, occasionally between staff members and students, and between staff members and parents. Overall, diplomacy was an essential skill that she acquired through trial and tribulation. Budgeting was another important skill she acquired during this time, as the school was a non-profit organization and funds were relatively scarce.

While working at the Montessori school, she took students on a field trip to a local Subway restaurant location to show them how restaurants function and the basics behind employment, as this reasoning is the philosophy behind the Montessori method of education. Funnily enough, this field trip is how she met her future husband, Neil, manager of the Subway restaurant. After around 11 years of working for the school, she resigned from her position to stay at home after she gave birth to her first child.

However, she had only stayed home for a few months when she applied to work at the local Head Start program, starting as a teacher's assistant at the Warren Air Force Base, where she went into lockdown during the 9/11 Attacks mentioned in the first case. However, she was quickly promoted to be a lead teacher at a new program location, being selected over another candidate with a degree in elementary education because of her lengthy work experience. While these positions shared a title with her former positions, a new facet of her work was home visitation with social workers to establish her students' home life and quality of living and provide these families resources as needed. She found these home visitations generally intrusive upon these families' privacy; however, these visitations were mandatory and needed in some cases. However, she did not renew her contract for the 2002-2003 school year. She stayed at home afterward, giving birth to her second child shortly after quitting. She moved to Walls, Mississippi in April of 2003 with her family.

Shortly after moving, both she and her husband were unemployed. However, her husband was quickly hired by Harrah's Tunica Mardi Gras Casino, and he was able to set up a job interview for her. By the Fall of 2003, she started as a Customer Service Representative, working the graveyard shift. She remembers that the only notable skill she acquired from this position was typing. After working at the Casino for around 6 months, she resigned and applied to work at La Petite Academy, a preschool in Olive Branch, during the day due to the inconvenient scheduling with the graveyard shift and to make sure someone was home with her kids. She was hired as an assistant director, this position being almost identical to her former position at the Montessori school.

She worked there for around a year before receiving a call from her former manager at Harrah's. She asked her to come work for her as Night-Shift Supervisor at the Horseshoe Casino

Tunica. Here, she learned about the "Southern intricacies" of business when she had to help a customer directly as a supervisor because the customer refused service from one of her African American customer service representatives on account of that representative's race.

While working, she always kept her eyes peeled for job openings at the Horseshoe. Eventually she found an opening to be a Direct Marketing Assistant, applied, and got the job after a year and a half of working there. In this position, she dealt with the promotional mail sent out to customers, usually dealing with the creative design of these mail pieces. Additionally, she helped manage matrices of customer information to categorize which types of promotional mail pieces went to particular types of customers, usually based on the money these customers spent at the Horseshoe Casino. This job was a big deal for her because it finally allowed her to tie her art skills into her work.

The parent company of the Harrah's and Horseshoe Casinos, Caesars Entertainment Corporation, acquired a collection of new gambling properties. Because of this expansion, the position of Regional Direct Marketing Manager for the Mid-South was left vacant. She applied for this position and got the job. While she had managing experience, these positions were specific to one location. Now, she had to manage different properties and stay to brand for each different casino location. Additionally, she was responsible for ensuring the accuracy of statistics and reports coming out of these different casinos; simultaneously, she had to learn how to delegate tasks to those below her in the corporate hierarchy and trust them. A big takeaway from this job was her realization of just how much people spend in those casinos, which absolutely blew her mind, bringing with it moral questions about the ethics of encouraging these big spenders to return to play more. During this time, the artistic and creative aspects of the marketing ceased as the company put creative decisions in the hands of corporate in Las Vegas, Nevada, which made her lose much of her enthusiasm for the job.

My mother answered directly to the Vice President of Marketing for the Mid-South, with whom she greatly enjoyed working. In the corporate hierarchy of Caesars Entertainment, she was supposed to report to the Regional Director of Marketing for the Mid-South, but that position was vacant at the time. However, the Regional Director of Marketing for the Gulf Coast was vying to fill the Mid-South position while remaining in his current position, and he would harass my mother about reporting to him, despite that reporting not being necessary. Eventually she had a meeting with him where he said, “I’m a bull in a china shop, and I will get what I want.” As a result, along with not seeking to move to a new city for a promotion or new position later, she submitted her two-weeks’ notice and resigned from her position as Regional Manager. She deemed that her sanity and mental health were not the price to pay for continuing her work with the company, especially when the fruits of her labor were potentially ruining people’s lives by enticing them into gambling addictions.

After quitting, she was unemployed for a year and a half starting in around 2010. However, she started working as a teachers’ assistant again at Walls Elementary School until October of 2019 when she quit teaching to return to Cheyenne to take care of her father until he passed away in March of 2020 as the COVID-19 Pandemic began. To this day, she remains a homemaker in Walls, Mississippi.

She says the biggest challenge in her life was when she had to quit working indefinitely to travel back to Cheyenne to take care of her 83-year-old father. She had to leave everything she had known over the majority of the past two decades, her kids, and her husband behind to do so, while there were 4 other siblings who lived in Cheyenne that could have taken care of him.

While she was employed, outside of work, she describes her life as being stressful, having to worry about people's expectations, paying a heavy moral and psychological price in and outside of work, while having to try and raise a family. Nowadays, she is grateful for the opportunity to relax and take charge of her own life, fulfilling duties and responsibilities at her own pace.

She would say she wished she had known it is impossible to please everybody at the age of 21, when her career was starting to take off. Throughout the course of her career, she learned that the most important thing in life is to make oneself happy, and at the end of the day, if one is not happy, no one around them will be happy, regardless of income or other external factors. This lesson is one she learned when she dealt with the Regional Director of Marketing for the Gulf Coast. She also wishes she had been a bit more assertive throughout her career and advises that one finds a balance between finding happiness and struggling and working for prosperity.

She takes immense pride in the fact that, on multiple occasions, she was able to outcompete her college-educated competitors for various positions. This ability to make things happen is what inspired her to keep moving up the corporate ladder. Additionally, she is proud of her accomplishments in being able to provide a great standard of living for her family through her work.

Her favorite vacation was when the entire extended family traveled to Chestnut Bay Resort in Cherokee County, Alabama. This vacation is her favorite particularly because this was the sole vacation which included her, her husband, her kids, her parents, and her in-laws. This vacation was also the last that she was able to go on with her mother before she was diagnosed with cancer in 2012. The closest thing to an item on her "bucket list" is having a great family reunion of all the Bennett's, such as her aunts and uncles, cousins, siblings, and nieces and nephews. She said that she really does not have a "bucket list," and she kind of the just does things as they come.

She believes the biggest challenge for her generation is understanding how the world has changed in the past 10 to 20 years and continues to change. The specific changes she refers to are particularly in reference to social changes, such as the acceptance of the LGBTQ+ community. She does not know how to tackle this issue on a generational scale, but the issue is something she can readily identify. She points to her experience teaching as the reason she believes social attitudes need to change; this experience has allowed her to see directly that things, such as sexual orientation and gender identity, are inherent to a person and not a choice.

She feels the biggest issues that my generation faces are in tandem with the issues facing her generation that she previously mentioned. She mentions the fact that my generation has grown up around these numerous social changes and the progress in general, and that our greatest challenge will be reconciling these new social values with the traditionalist reaction to those social changes, with many older people unwilling to change their minds. This contradiction in social values extends past just sexual orientation and gender identity as well and, additionally, can include things as simple as sexism in the workplace, for example. She also believes that this contradiction will continue to become more extreme as social attitudes begin to further depart from the traditional values of her generation. Generally, I believe she is referring to the general trend of political polarization seen in the United States.

Overall, my mother's biography ended up being much more complex than I or she imagined it could have been. When I originally asked her for the interview, she worried she would not have enough to say to me about any subject, especially when it came to business. She encouraged me to interview my father or somebody else entirely. However, I insisted that, if she was worried about not having enough content to give me, there was no harm in attempting the interview, and I could just interview someone else if our interview did not work. After our several phone calls, she still had the audacity to ask if she had given me enough after being told how many notes I had taken.

About her biography, there is a lot to reflect upon. Firstly, I must say that my mother is not a confrontational person. She is a woman of very few words in general, but she most certainly would be considered conflict averse. When she told me the story of the Director who compared himself to “a bull in a china shop,” I thought about the differences between the two of us and how we would react to situations like it. My mother did not really reply to him; she said it was not worth it and left. On the other hand, I would have probably ended up engaging in something akin to total war with that man, something resembling the traits of my father rather than her.

I my mother’s patience and coolness in some situations. Her past career history demonstrates this type of patience. She did her job well and bid her time, slowly making her way through life at different jobs and up the corporate ladder of Caesars Entertainment. Essentially her approach can be summarized as a patient and quiet ambitious attitude. On the contrary, I like to think that I have done well for myself so far. However, I am less patient than my mother, and I am most definitely not quiet in the slightest. To this regard, I feel that my mother’s approach may be more advantageous than the current methods I employ.

The biggest trait my mother exemplifies in her biography is the type of path she followed. She was successful and made plenty of money, but she never strained herself too hard. She almost utilized her journey up the corporate ladder as a type of emotional journey. Ultimately, she ended up exiting the business world entirely when she realized that her mental health, her happiness, and her general well-being were more important than a nice salary and appeasing her superiors. Afterward, she worked where she felt most comfortable; she did mostly as she wished. This concept is something I have taken out of this interview as a priority I need to work on. Throughout my life, I have continuously struggled to know when something is over, when it is time to quit. I fear giving up too soon, and simultaneously, I fear giving up too late. Of course, I am almost certain every human being struggles with that type of emotion to some degree or another.

However, she contradicted my reflection somewhat as she continued speaking. She was confident in her past decisions to handle her antagonistic superior, but she also said she could help but lament the fact she had not attempted to fight back at all. The conclusion, I've decided to take away from this section of her biography is that there is a balance to be found between surrendering and fighting the good fight. That conclusion might not be horribly revolutionary, but it is something that was interesting and important to hear from her.

Furthermore, her views on the greatest issues facing her and my generations were very interesting. My mother worried about the ever-intensifying contradiction between progress and tradition within our society between the older and younger generations of people. As I have stated previously, my mother is a woman of few words. Growing up, she was also rarely that philosophical of a person. Thinking about these types of questions is not necessarily her specialty. However, she voiced concern over how everybody has been handling the social changes seen in the past few decades, particularly regarding the acceptance of people for their inherent traits. I also must say that it was weird hearing her bring this issue up and advocate for the older folks to adjust to the times, considering I assumed she was more conservative on the issue. She connects her work experience as a teacher and her exposure to young children and the way they acted to these grander issues. Additionally, she mentioned the role she believes her being a woman played in her conflicts with her predominantly male superiors. Generally, I knew this issue was an issue that existed, but I never realized how predominant it actually is until my mother talked about the fact that younger people tend to me more tolerant, a fact that I often forget about having lived in Mississippi almost my entire life.

I never knew my mother would have so much insight to provide on the subject of building a career and living a good life in general. Clearly, she did not think so either as previously stated. I must say that this interview might have been my favorite assignment on which I have worked. Through it, I was able to establish my mother's personality, her tendency to live in the moment relatively, the reasoning behind her quiet demeanor in formal and informal situations, her prioritization of family to an unexpected degree, and the details of her childhood and her lifelong love for art.

SECTION TWO
CASE ONE: AN INITIAL OVERVIEW OF TARGET

Our task for the week was to learn as much about our company, Target, and discover what its strengths and weaknesses are. In line with this objective, we were also tasked with understanding the corporate structure, organizational strategies, trending news, and the management's plan for the future of the company.

Target's mission statement and purpose are "to help all families discover the joys of everyday life." This imperative drives its strategy to deliver the best possible experience to customers, and it pays off as Target is consistently considered a top-tier retail brand. In a recent survey, 37% of shoppers named Target as its favorite store, only behind Amazon and Walmart.[15] In the same survey, Target was also mentioned as the third best retailer concerning return policy and price matching.

As of late, Target has especially been committed to price in the face of inflation. While many companies opt to increase pricing and enjoy larger margins, Target has decided to take on the extra costs of inflation and pass savings to customers.[16] In its most recent earnings report on November 17, Target reported a seventy-basis point drop in operating income margin for the

[15] https://chainstoreage.com/walmart-amazon-and-target-tops-shopping-experience-according-survey
[16] https://www.businessinsider.com/target-bucks-trend-of-companies-padding-profits-raising-prices-2021-11

quarter compared to the third quarter of 2020.[17] Its gross margin also dropped from 30.6% to 28.0%, likewise due to higher "higher merchandise and freight costs, increased inventory shrinks, and increased supply chain costs." CEO Brian Cornell responded to the call to the shrinking margins by saying, "We're investing to maintain and continue to build market share positions." Target has decided to seize this opportunity of higher inflation to attract new customers with lower prices, and it has worked. Comparable sales to the previous quarter grew 12.7%, which indicates more customers are shopping at Target. By committing to low prices and a high-quality experience, Target will be able to continue this trend for many quarters to come.

More recently, many consumers have been more conscious about purchasing with companies that align with sustainability. Target has noticed and launched a new initiative, "Target Forward," to drive good change that "positively impacts both people and the planet."[18] Not only is it emphasizing this goal of sustainability and corporate governance, but it is acting on it.

In terms of sustainability, although Target is only the 116th largest publicly traded company by market cap, it is the 8th largest corporate purchaser of clean energy.[19] Target hopes to reach net-zero emissions and net-zero waste by 2040. Although this goal is far away, Target has drawn much praise from both consumers and investors as a leader in sustainability. It is nearing "50% of electricity from renewable sources" as well as creating "circular design principles" with its owned in-store brands.

Target is also strengthening its brand by committing to its employees. As a leader in corporate governance, Target has recently raised its minimum wage to $15 for all employees.

[17] https://corporate.target.com/press/releases/2021/11/Target-Corporation-Reports-Third-Quarter-Earnings
[18] https://corporate.target.com/press/releases/2021/06/target-forward
[19] https://www.marketwatch.com/story/amazon-target-and-other-corporate-giants-pace-record-clean-energy-buying-and-show-little-sign-of-stopping-11643659102

More recently, in August 2021, Target has announced it would offer debt-free education. [20] Additionally, Target improves the look of its brand by instilling many corporate partnerships. It has been partners with Starbucks since 1999 and today has over 1,300 Starbucks in-store across the country.[21] CVS Health also acquired Target's over 1,660 pharmacies in-store nationwide.[22] These commitments have paid off, with employee retention among the highest in the industry.

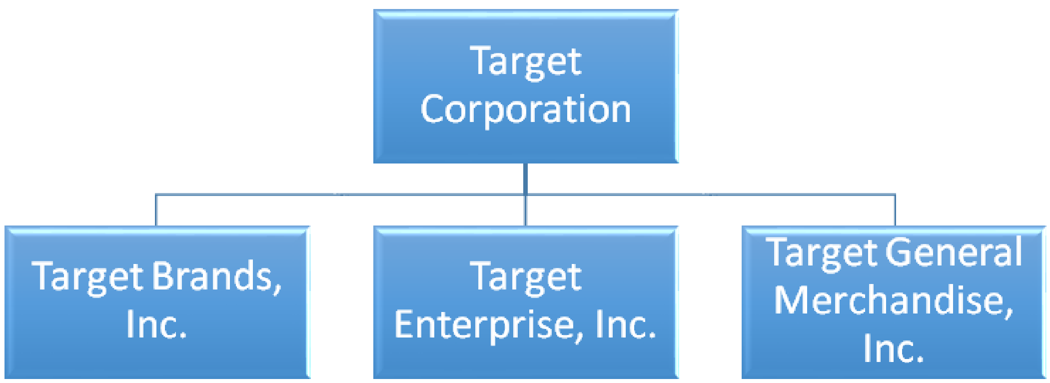
Within a retailer, the most important facet is the supply chain. In Target's case, it has been investing heavily to meet fulfillment dates and provide quality service to its customers. In September of 2021, Target announced it would be adding 30,000 supply chain jobs.[23] This addition is on top of an ever-growing allocation to the supply chain, which included adding two new distribution centers and four new sortation centers in 2021.[24] In 2022, Target expects to add an additional two distribution centers. Earlier in 2021, Target also provided a key update on its private label brands' performance in 2020. Ten brands have hit the $1 billion mark in annual revenue. This metric is a key point for the future of Target as private brands command higher margins and allow for more control in the supply chain.

Some of Target's core weaknesses include its lack of global reach as well as its higher prices compared to major competitors such as Walmart. While Target operates over eighteen hundred locations in the United States, it seems to have missed the mark regarding international expansion. A prime example of this failure was its attempt to expand into Canada. After less than a two-year stint, CEO Brian Cornell opted to close all Canadian stores, stating that it would not

[20] https://corporate.target.com/press/releases/2021/08/target-launching-debt-free-education-assistance-pr
[21] https://corporate.target.com/article/2016/04/howard-schultz-starbucks
[22] https://www.cvshealth.com/newsroom/press-releases/cvs-health-and-target-sign-agreement-cvs-health-acquire-rebrand-and-operate#:~:text=Through%20this%20agreement%2C%20CVS%20Health,stores%20that%20offer%20pharmacy%20services.
[23] https://corporate.target.com/article/2021/09/supply-chain-hiring
[24] https://corporate.target.com/article/2021/10/supply-chain-update

be profitable until 2021. His plan to focus on smaller stores in the United States instead of the Canadian market ended with his idea to simply "be cool again."[25] Target essentially rushed its expansion and, with a slower release of stores, most likely could have made it in the neighboring country.

Another core weakness Target has is its more costly merchandise compared to its competitors, specifically Walmart. Walmart's business model focuses on the lowest-priced items, while Target instead focuses on profit margin. Even though Walmart is much larger than Target, Target proves to be more profitable. While this is a strength in the eyes of investors, it can be seen as a weakness in the eyes of customers.



Target has three significant subsidiaries. These subsidiaries are Target Brands, Inc.; Target Enterprise, Inc.; and Target General Merchandise, Inc.[26] Target Brands is tasked with managing Target's branding and the marketing of its private-label brands. Target Enterprise and Target General Merchandise generally serve roles in fulfilling the Target Corporation's business operations and objectives. While these three subsidiaries are the most significant, Target also owns an independent subsidiary, Shipt, Inc. This company was acquired by Target in 2018 for $550 million; Shipt specializes in the home delivery of groceries, domestic items, and

[25] https://hbr.org/2015/01/why-targets-canadian-expansion-failed
[26] https://www.sec.gov/Archives/edgar/data/27419/000002741921000010/tgt-20210130xexhibit21.htm

electronics.[27] However, unlike the more significant, primary subsidiaries of Target, Shipt is much smaller in size, has much lower revenue, and operates on behalf of businesses besides Target, such as CVS, Kroger, and Winn-Dixie. Overall, Target's corporate structure and its relation to its various subsidiaries are relatively simple.

Target's strategic initiatives included prioritizing renovation of existing stores' locations rather than creating new ones in 2020. More specifically, Target remodeled 132 stores and opened 30 new stores in 2020, which consisted of 29 small-format stores in key urban markets and on college campuses.[28] With the focus on key urban markets and college campuses, it appears as if Target is shifting part of its business strategy away from operating in the traditional, large-scale retail store format we are used to seeing. However, Target did not meet renovation and expansion expectations of 300 and 36 stores, respectively; this shortcoming is largely due to the decrease in capital expenditures in 2020 from the prior year because of COVID-19.

With respect to capital allocation priorities, Target's management believes that after-tax return on invested capital (ROIC) from continuing operations is the most meaningful measure of capital allocation effectiveness over time. For the fiscal year ending January 30, 2021, Target's return on invested capital was 23.5%, an increase of 7.5% from the previous fiscal year.[28] When COVID-19 began impacting America in the first quarter of 2020, Target's management issued $2.5 billion of 5-year and 10-year notes to increase cash on hand during the unprecedented times. Not only did Target issue these notes, but it entered into a $900 million 364-day credit facility.[28] This $900 million increase at the beginning of 2020 left Target with $3.4 billion in undrawn committed credit facilities, which was a surplus amount of additional liquidity for Target

[27] https://www.cnbc.com/2018/08/10/how-bill-smith-built-shipt-and-sold-it-to-target-for-550-million.html
[28] https://corporate.target.com/annual-reports/2020/10-K/10-K-Part-II/Item-7-Management-s-Discussion-and-Analysis-of-Fin

considering its exceptional operating performance in the following quarters. In October 2020, Target repurchased $1.77 billion of debt before its maturity at a market rate of $2.25 billion and subsequently terminated the 364-day credit facility.[28]

The successful operating performance in 2020 is indicated by $10.5 billion of operating cash flow provided by continuing operations, a $3.4 billion increase from 2019.[28] Other key metrics in 2020 include growing sales by more than $15 billion and record-high adjusted earnings per share of $9.42.[28] While facing a pandemic that most people thought would hinder retail stores' performance, Target was able to adapt pick-up and drive-up services that saw more than 600% growth in 2020.[28]

In reading recent news, financial statements, and company strategy, it appears that Target's positives outweigh the negatives. In regard to its industry, it is a leader in sustainability and supply chain as well as delivering on both customer service and employee retention. Target has received a deluge of praise from both investors and customers. This boost in the public image has led to a consistent growth in sales and income that is high in regards to its size. If Target continues to hit its goals and meet the expectations of both management and investors, it has the potential to seize market share.

SECTION TWO
CASE TWO: AUDIT STRATEGIES AND OBSERVATIONS

Our task for the week was to choose three of Target's riskiest accounts and research them thoroughly. We investigated the risks associated with the inventory, sales revenue, and selling, general, and administrative expenses accounts and the correlating internal controls that could help mitigate risk and misstatement within each account. We then explored substantive tests auditors may conduct to gather evidence that each account is not misstated. We also inquired how we could use data analytics to further enhance reliability and efficiency in the testing of the balances of each account.

The first risky account we are looking at is Target's inventory account. Target has a broad range of merchandise categories, including apparel, accessories, home décor, electronics, toys, seasonal offerings, food, and others. Having a wide range of products and a high volume of inventory makes Target's inventory account of particular interest to auditors. Target states that "the vast majority of our inventory is accounted for under the retail inventory accounting method using the last-in, first-out method (LIFO)."[29] The company values inventory at the lower of LIFO cost or market. The inherent risk regarding the inventory account is the susceptibility of material

[29] https://www.sec.gov/Archives/edgar/data/27419/000002741919000006/tgt-20190202x10k.htm

misstatement, and Target's nature as a merchandising corporation of great magnitude makes its inventory account particularly risky.

Target reported on its balance sheet as of January 30, 2021, ending inventory of $10.653 billion. This balance, compared to the beginning inventory balance of $8.992 billion, shows an increase of $1.661 billion throughout the accounting period, "reflecting efforts to align inventory with sales trends." Social factors like the COVID-19 pandemic, recent supply chain problems, and periodic labor disputes impacting U.S ports have "caused [Target] to make alternative arrangements to continue the flow of inventory," which could have impacted the cost of inventory.[30] With inventory costs of such large values at varying prices due to current social factors, it would be possible for Target to overstate or understate the inventory balance unintentionally. There is also the risk of management intentionally manipulating the inventory to reflect their desired earnings for annual goals. If the inventory account is understated, the cost of goods sold would be overstated; therefore, expenses would be overstated. This overstatement would cause net income to be understated, thus resulting in a lower tax bill for the company. An understatement would lead to an opposite circumstance where the company would overstate net income by understating expenses. In the case of understatement of inventory, it would appear that management hit their annual goals, even though that is not accurate.

As auditors, we suggested a few substantive tests to ensure inventory is not misstated. One is tracking all inventory via Radio Frequency Identification, otherwise known as RFID, or a barcode. With RFID and barcodes, auditors and management could track inventory from vendor to purchase, ensuring proper accounting. This test is particularly applicable for Target,

[30] https://www.sec.gov/Archives/edgar/data/27419/000002741919000006/tgt-20190202x10k.htm

considering they sell various products and have over three hundred distribution centers and stores.

Another internal control would be to conduct regular physical inventory counts. While this is less practical for a merchandising company of such scale and product mix as Target than for a boutique retail store, it can significantly reduce the risk of material misstatement. There is a particular risk in the inventory account on Target's 2020 balance sheet regarding this internal control, as Target disclosed that COVID-19 has "suspend[ed] physical inventory counts at our stores."[31] It is crucial that as soon as the pandemic subsides, Target resumes physical inventory counts and makes adjustments to the inventory account as needed.

Our recommendation for a data analytics tool to test inventory would be to create a real-time map that reflects the inventory supply chain. This hypothetical map would also store the data from previous days to see how the inventory is changing hands across the United States. When an unusual amount of inventory is either sold or transferred, the map could highlight the area. The associated management team would be notified and recommended to perform a check. This data visualization tool will allow visually appealing and instantaneous digital inventory management that RFID and physical counts cannot.

We could have robotic process automation, or RPA, to automatically extract information from invoices and receipts for inventory purchases from vendors. The RPA can then send the order details to Target's ERP and match it up with the correct location with this information extracted. Target's management has disclosed their role in improving inventory management by making "significant investments in technology and selective acquisitions to improve guest

[31] https://www.sec.gov/Archives/edgar/data/27419/000002741919000006/tgt-20190202x10k.htm

experiences across multiple channels and improve the speed, accuracy, and cost-efficiency of our supply chain and inventory management systems."[32]

Another risky account we reviewed is sales revenue. This account's risks derive primarily from the risk of employee and customer theft, as retail fraud is generally committed at the point of sale. There is also the risk of employees undercharging or overcharging customers for their purchases to profit off the record. This inherent risk can be mitigated by having sales terminals that depict each item's cost during the transaction. Additionally, sales often serve as a performance metric for a vast portion of those employed by the company, particularly departments directly involved in the sale of goods. Because of this account's usage as a performance metric and evaluation tool, companies often establish incentives to ensure that employees and managers adequately work toward sales growth. These incentives usually assume the form of bonuses for higher-level employees and management. Because of this type of personalized incentive to see sales increase across the board, revenue may be subject to manipulation to obtain these incentives in a manner that does not follow generally accepted accounting principles (GAAP).

In practice, companies, especially larger corporations such as Target, implement various internal controls to prevent material misstatement and fraudulent activity involving sales revenue. Examples of internal controls are the segregation of duties, especially regarding the transaction, price authorization, and recording of these transactions. Additionally, there would have to be an extensive paper trail, whether physical or electronic, verifying the details of the transactions, such as price, quantity, and the delivery of goods to the customer. This paper trail is much more efficient with computerized inventory tracking and related transactions. Combined

[32] https://www.sec.gov/Archives/edgar/data/27419/000002741919000006/tgt-20190202x10k.htm

with separation of duties, these documents and records would be much safer from fraud and misstatement, considering that an employee would find it difficult to falsify transaction records unilaterally.

Verifying and evaluating the accuracy of sales revenue would come down to verifying the related records to the transaction and identifying any potential discrepancies between them. For instance, the company could discover unauthorized transactions, or perhaps, one could discover that the goods sold according to transaction details are not the same as those taken from inventory. The latter situation, and auditing sales revenue in general, involves verifying inventory. A more straightforward test includes recording sales in the proper periods.

Analytical data procedures could assist the auditing process in various ways. It is unrealistic to verify every transaction and its details in transaction records, especially for a larger corporation like Target. A solution to this problem is to take a statistical, random sample of transactions, either by location or nationwide, and verify the details. Additionally, to detect any sales revenue or inventory data anomalies, all sales revenue data could be graphically compared to inventory amounts, period by period.

We then investigated the account Selling, General, and Administrative Expenses and its risk factor. Included in Target's SG&A account is compensation and benefit costs, occupancy and operating costs of facilities, advertising, pre-open and exit costs of stores and other facilities, credit cards servicing expenses, costs associated with accepting third-party bank-issued payment cards, litigation and defense costs, insurance recoveries, and other administrative costs. The total cost of SG&A for the fiscal year ended January 30, 2020, was $18.5 billion. As a percentage of sales, this reflects a rate of 19.9% in 2020 compared to a rate of 20.8% in the previous year. [33]

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[33] https://www.sec.gov/Archives/edgar/data/27419/000002741919000006/tgt-20190202x10k.htm

Incremental team member pay and benefits, as well as investments to protect the health and safety of guests, represent approximately $1.4 billion of the total $2.4 billion increase in SG&A expenses for the year. We found this account of particular interest to auditors because of the multitude of other accounts a misstatement could collaterally affect similarly to the inventory account previously discussed. If SG&A costs are overstated, this will lead to an understatement of net income. If SG&A costs are understated, the opposite would be true, and the company would overstate net income for the year. Both scenarios could influence fraudulent activity by individuals looking to pay fewer taxes or hit annual goals.

An internal control that could mitigate the misstatement of the SG&A account is to develop a finely tuned allocation method that will give more precise measures of the SG&A costs incurred by each of a company's product lines. This improved allocation method would allow each component to be broken down into more detailed categories, showing investors and managers which aspects of SG&A are more or less costly. Another internal control that the company could implement for SG&A would be to compare the fair valuation of assets under Property, Plant, and Equipment with those among the industry. This process is relevant because impairment costs for PP&E are classified under SG&A. An overstatement of the fair value of PP&E would mislead investors of the value of the fixed assets Target holds. It would also cause an understatement of impairment costs and an overstatement of net income. Management could take advantage of these deficiencies if they are looking to hit goals and bonus requirements.

A substantive test the auditor can run to ensure the account is not misstated is cut-off testing to ensure that the expenses are recorded in the correct period. Additionally, auditors can confirm balances with outside parties and search for unusual expenses that do not follow the company's historical pattern.

A way to use data analytics to assist the audit process for SG&A is by utilizing robotic processes to analyze an employee's hours and track unusual timings. Also, auditors could use robotic processes to analyze management company card spending to notify if there are irregular charges on Target's funds. Regarding PP&E and its impairment, we could get a robot to digitally track the sale of similar properties to Target's holdings. With this data, we could visualize fixed assets that may be understated or overstated.

SECTION TWO
CASE THREE: TAX STRATEGIES AND OBSERVATIONS

Our task for the week is to develop two tax strategy recommendations for Target Corp. to implement to minimize their legal cash payments, and to show the effects of those strategies on the overall tax liability.

Our first tax strategy is to utilize the Work Opportunity Tax Credit, otherwise known as WOTC. This tax credit provides a tax credit based on a percentage of wages paid to particular groups who have historically faced barriers to employment. Target, considering its strong employee reputation and its plans for expansion, is in a prime position to take advantage of this tax credit to lessen the impact of these plans when implemented. With around 400,000 total employees in the United States and about two thousand stores and counting, the average number of employees per store is two hundred (ignoring the variation in store size). Target's plan is to open thirty to forty stores each year as part of their expansion strategy according to the MD&A section of the 10K financial report. Taking the median of that range, we can then assume there will be an average of thirty-five stores opened per year at 200 employees per store, a grand total of seven thousand new Target employees per year.

The Work Opportunity Tax Credit applies to ex-felons, SNAP Recipients, Supplemental Security Income recipients, Long-Term Unemployment recipients, Summer Youth employees, Qualified Veterans, and some other groups.[34] To put a number to these populations, in the United States, there are 42 million SNAP recipients, 7 million Ex-Felons, 22.5 million youth employees, 69.1 million SSI recipients, 2.2 million Long-Term Unemployment Recipients, and 1.7 million disabled veterans. The total of U.S citizens that can be included in WOTC is about 144.5 million people, but we assume a large overlap of roughly 80 million. The total proportion of applicable employees under the WOTC is 64.5 million out of a total United States population of 330 million, which is roughly 20 percent.

A 20 percent target of WOTC-eligible employees in Target's 35 annual new stores would equate to 35 stores multiplied by 20 percent of 200 employees equates to 1,400 new employees under the WOTC tax credit. As well as new store opening, Target has committed to hire 100,000 new employees to existing stores which includes 30,000 new supply chain roles. This 100,000-job figure applied to a 20 percent rate of WOTC-eligible workers in the economy gives 20,000 applicable hires. The total number of WOTC-eligible hires adds up to 21,400. The WOTC tax credit gives a credit of 40 percent of wages paid up to $6,000, which can be up to $24,000 for specific groups. This amounts to $2,400 per employee. Multiplied by 21,400 employees gives a tax credit of approximately $51.36 million which is roughly equivalent to 1 percent of taxable income. This is a significant amount that could be substantially underutilized.

Putting this tax bill reduction into context, prior to any expansion, Target's 2020 pre-tax income from continuing operations was $5.546 billion with a provision for income tax expense of $1.178 billion, net of deferred income tax expenses, equating to an effective total tax rate of 21.24 percent. These figures translate to a 2020 net income of $4.368 billion.[35] As expansion of

[34] https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit
[35] https://corporate.target.com/annual-reports/2020/10-K/10-K-Part-II/Item-8-Financial-Statements-and-Supplementary-Data#report5

this nature has been officially planned by Target, utilizing the WOTC could serve to lessen the drop in net income as a result of these expansions. With 2020's information serving as a base, we can estimate the impact of these expansions on net income annually. For instance, assuming these expansions were fully implemented during the 2020 fiscal year, sales revenue would increase approximately by $1.7 billion, based on the assumption that each store of the new 35 locations would provide roughly $48 million in sales revenue on average. Additionally, the cost of sales and selling, general and administrative expenses would increase by $1.2 billion and $900 million, respectively, based on the average cost of sales per location being approximately $34.3 million and the average selling, general and administrative expense per employee being $41,846, excluding advertising expenses.

New Net Income Calculations (Implementing WOTC)			
2020 Pre-Tax Income from Continuing Operations			$ 5,546,000,000.00
	Additional Sales Revenue	1,679,127,726.00	
	Additional Cost of Sales	(1,202,593,458.00)	
	Additional Selling, General, and Administrative Expense	(895,503,667.00)	
Reduction of Pre-Tax Income from Continuing Operations			(418,969,399.00)
Provisional Pre-Tax Income from Continuing Operations			5,127,030,601.00
	Pre-WOTC Provision for Income Taxes (net of deferred income taxes)	(1,089,008,664.00)	
	WOTC Applied	51,360,000.00	
Total Income Tax Expense			(1,037,648,664.00)
Net Income			**4,089,381,937.00**

New Net Income Calculations (No WOTC)			
2020 Pre-Tax Income from Continuing Operations			$ 5,546,000,000.00
	Additional Sales Revenue	1,679,127,726.00	
	Additional Cost of Sales	(1,202,593,458.00)	
	Additional Selling, General, and Administrative Expense	(895,503,667.00)	
Reduction of Pre-Tax Income from Continuing Operations			(418,969,399.00)
Provisional Pre-Tax Income from Continuing Operations			5,127,030,601.00
Income Tax Expense			(1,089,008,664.00)
Net Income			**4,038,021,937.00**

Therefore, before the use of WOTC and after expansion, pre-tax income would be $5.127 billion. Assuming a similar effective tax rate, net of deferred income tax expenses, of 21.24 percent, Target's hypothetical tax liability would be $1.089 billion. Without the implementation of the hiring plan and the WOTC, the resulting net income would be $4.038 billion, or in other terms, this expansion would result in a $330 million reduction in net income. However, if the expansion primarily focuses on hiring WOTC-eligible employees under previous assumptions, $51.36 million in tax credits could be applied to this tax bill to offset the reduction in net income from the expansion, resulting in savings of nearly 16% of the anticipated post-tax cost of expansion. This $51.36 million in savings could be used through every fiscal year until December 31, 2025, when the tax credit expires; of course, this specific figure in savings would remain the same approximately as long as expansion occurs at a very similar rate, but the math above could make necessary adjustments.

Our second tax strategy we would enact involves using more renewable energy tactics. Target made a statement in 2019 "committing to source 100 percent of our electricity from renewable sources by 2030,"[36] with the initial checkpoint for this goal being sourcing 60 percent of electricity through renewable sources by 2025. Our tax strategy would allow Target to make bigger strides towards this goal. First, through implementing the Federal Investment Tax Credit for Commercial Solar Photovoltaics. The credit provides 26 percent for systems commencing construction between 2020 and 2022, 22 percent in 2023, and 10 percent in 2024 or after.

Solar power plays an important role in Target's realization of these renewable energy goals. The company makes investments and purchases with solar farms for electricity. However,

[36] https://corporate.target.com/article/2019/06/renewable-electricity

the most promising option for investment, regarding tax credits and deductions, is rooftop solar panels. Target estimates that 556,000 megawatt hours is roughly enough energy to completely power 280 of its stores annually. If one assumes that there are five hours per day per year for solar panels to have high-quality exposure to sunlight, these 280 stores would require more than 305 megawatts of solar-derived power to fully meet their energy needs.

However, if Target was to overshoot their renewable energy goals and, additionally, attempt to focus on their own production, the company could attempt to install enough rooftop solar panels at all its stores to cover upwards of 50 percent of the company's energy needs. Using the prior assumptions from Target's estimates, each of the 280 stores, on average, consume approximately 1.986 megawatt hours of energy annually. The kilowattage of the hypothetical solar power system of the average store can be derived from this information once annual hours of optimal sunlight exposure and panel efficiency effects are accounted for, 1,825 hours and approximately 33 percent more solar panels to account for environmental fluctuations. With these figures, each Target location would require 725 kilowatts of solar power on average to meet half of all energy needs. Based on the costs of solar power kits to meet these, the purchase and installation of these systems would be approximately $900,000 per store. Considering that approximately 500 stores already approximately fulfill the solar power target or would require smaller investments to upgrade, this solar power plan would overall cost approximately $1.283 billion. These investments would be divided into four sections in the years 2022, 2023, and 2024, resulting in an annual average investment of about $321 million per section.

The credit is given before the solar power systems are in use if the construction can be proved to be at least five percent toward completion. Therefore, during construction and prior to completion of the system, the credit can still be granted. For this reason, at this rate, this credit could be claimed on any investment made in 2022 for a tax credit of 26 percent of the total of direct and indirect costs associated with the purchase and installation of these systems. Furthermore, two investments would technically occur in 2023, the second one being included toward the end of the year to obtain a 22 percent tax credit instead of 10 percent. Then, in 2024 the fourth investment would be made for a 10 percent tax credit. These investments would result in a decrease in pre-tax operating income of $321 million in 2022, $642 million during 2023, and $321 million in 2024. However, these expenditures would be offset by tax credit amounts of $83.4 million in 2022, $141.2 million in 2023, and $32.1 million in 2024.

Additionally, upon the completion of the installation of these systems, Target would be enabled by this tax credit to deduct bonus depreciation from the depreciable base of these investments, with the depreciable base having been reduced by half of the percentage rate for the tax credit; for instance, the depreciable base for the investments started in 2022 would be $279.1 million. Furthermore, in 2023, these bases would be $571 million total, and in 2024, the base would be $304.8 million. If these installations are completed by December 31, 2025, based on these depreciation bases, Target can deduct 40 percent of these base amounts from their income in the year these systems begin functioning.

It is reasonable to assume that 2022 installation would not be completed until 2023, and the first 2023 installation would presumably be completed the same year. The second 2023 installation would be completed in 2024, and the 2024 installation would be completed in 2025. This course of events would result in pre-tax deductions of $111.6 million in depreciation expense for 2022 installations and $114.2 million for the first 2023 installation for the 2023 fiscal year. In 2024, a bonus depreciation expense of $114.2 million for the second 2023 installation would be deducted from pre-tax income. Finally, in 2025, $121.9 million in depreciation expense would be deducted as well for the 2024 installation. This would be followed by the straight-line depreciation used normally by Target over the course of their determined lifespans. Overall, the financial benefits are added to by the various smaller and numerous incentives provided by states and cities for investing in solar energy production and, most importantly, reducing the overall electric bill of the corporation, perhaps even allowing the company to profit if they ever produce a surplus.

In total, our two tax strategies that we are proposing to Target, Inc. serve to lessen the tax liability and cost of the company's official projects for the future. While net income is not higher per se, by investing in the customers of the company or its aspirations for rooftop solar in efforts to maximize sustainability, the company can find itself in a substantially better financial position at most, and at least reduce the effective tax rate in accordance with planned expenditures.

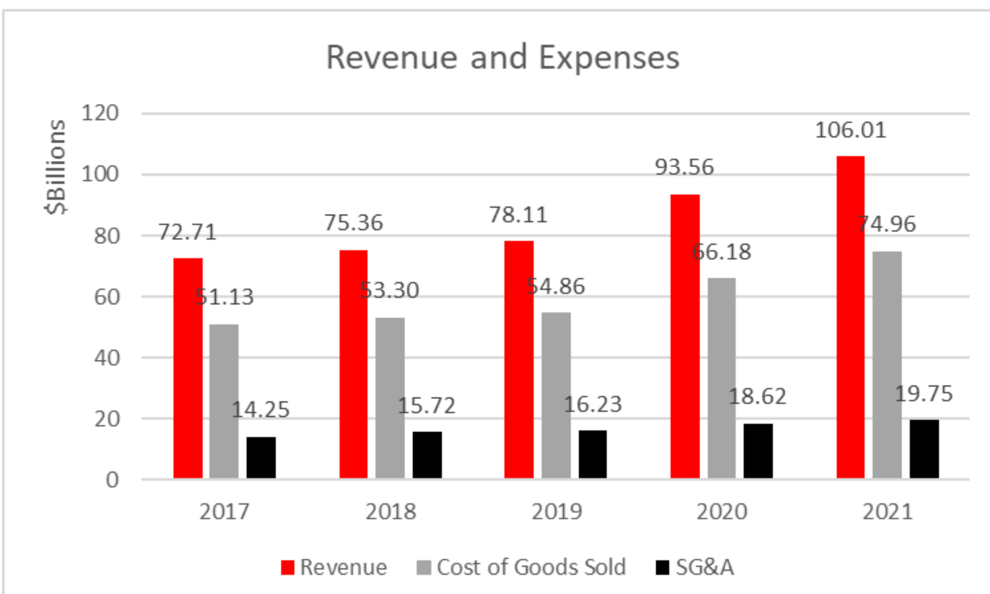
SECTION TWO
CASE FOUR: ADVISORY ANALYSIS AND RECOMMENDATIONS

Our task for the week was to look at the strategy Target pursues and compare it to their financials over the past five years. We were able to see the trends in values and then consider the corporation's two most significant threats. After doing so, we looked at action plans for the different threats to combat them in future years and calculated how Target's trends in financials would change due to our plan. Right off the bat, we discovered the boom Target has experienced in recent years, increasing their profit margin and return on assets immensely. A big reason for these trends comes from their collaboration with partner brands, allowing them to increase their profit margin by 1.5 percent in one year. Through this case, we learned a lot about Target's strengths and weaknesses through their financials and how countering their threats may change their numbers in years to come.

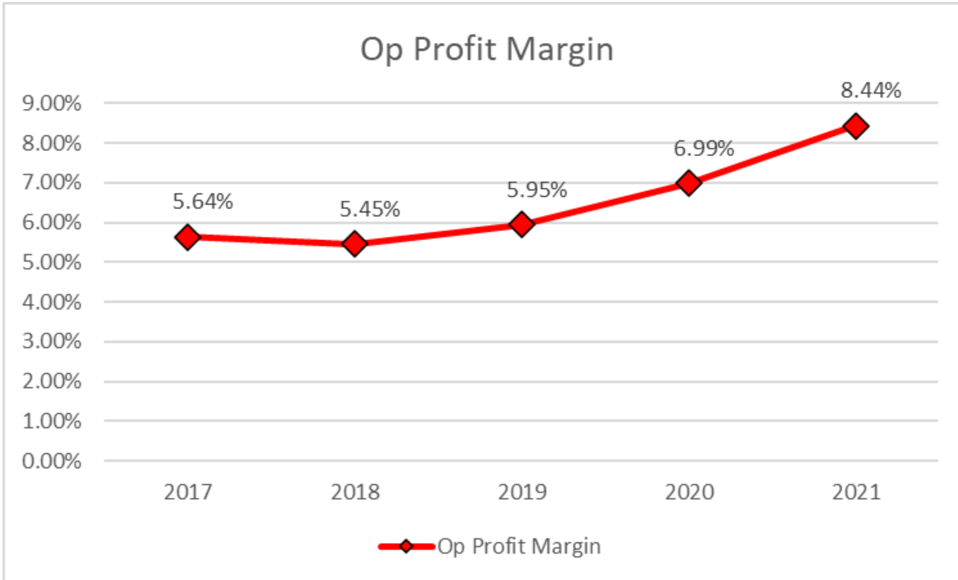
Target pursues the strategy of customer experience. The corporation puts much effort into connecting with customers and making it simple to engage with the company. These tactics emphasize opening smaller stores with the same experience, allowing customers to have more convenience. Along with convenience also comes the recent implementation of drive-up pick-up, where customers do not even have to leave their cars to shop at Target. Another point of emphasis that Target pursues to deliver a quality customer experience is delivering quality brands familiar to customers. Target's partner brands include Ulta Beauty, Disney, Levi's, and Apple.

These brands are likewise known for their higher quality of both products and customer experience. In 2021, Target opened 100 Ulta Beauty locations within their stores, with plans to open 800 soon.[37] If Target can continue to partner with high-quality brands to emphasize their superior experience, they will be able to command more traffic both in-store and online.

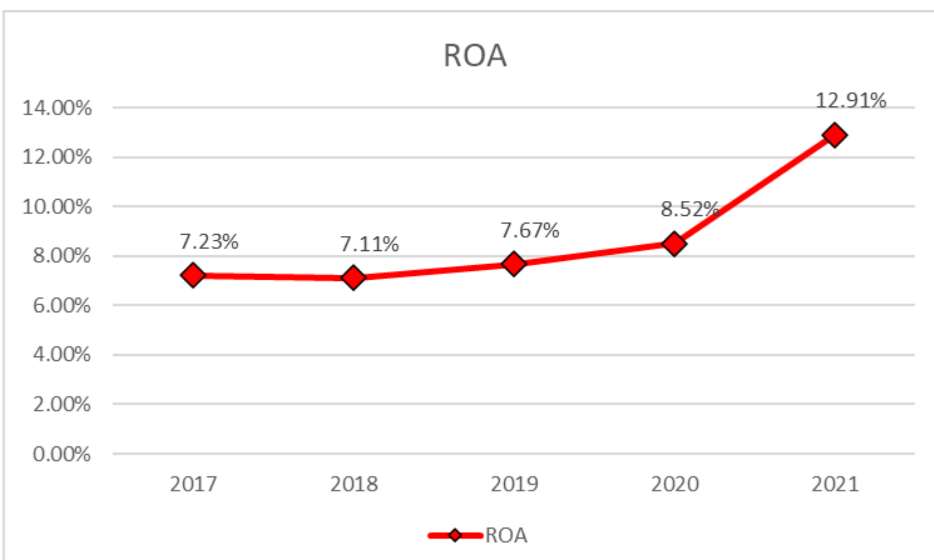
In reviewing Target's core financials, we immediately notice a significant expansion in revenue coinciding with an increase in expenses. These growing expenses are not worrisome as SG&A has decreased as a percentage relative to sales, and Cost of Goods Sold has stayed within 50 basis points as a percentage relative to sales. This growing revenue supports Target's idea of going above and beyond in delivering a great customer experience. Customers have enjoyed what Target offers, and it shows the same store and online sales growing fast in the last few years. Revenue is up 45.8 percent in only five years. This rate is unprecedented growth for a company as large as Target, and it emphasizes Target's strategy.



[37] https://corporate.target.com/press/releases/2022/03/Target-Announces-Investments-to-Drive-Long-term-Gr



One trend we observed was the massive expansion in Operating Profit Margin. Operating profit margin a low of 5.45 percent in the fiscal year of 2018 to a new high of 8.44 percent in the fiscal year of 2021. This detail represents a growth rate of 54.86 percent over only three years. This overall growth supports Target's strategy of delivering the best customer experience. By delivering a great customer experience, whether it be through in-store, customer pickup, or online shopping, Target can demand higher margins.



Another positive trend we noticed was the significant expansion in ROA. This expansion coincides with the expansion of the operating profit margin. Not only is Target delivering a better experience, thus able to demand higher margins, but they are also creating more efficiencies of scale from various segments.

Two significant threats facing Target are those of market uncertainties in the form of high inflation rates and a potential long-term gradual shift of customers toward online shopping, as opposed to shopping in-person in brick-and-mortar stores. These threats have originated from the economic conditions arising from the COVID-19 pandemic, with rapid inflation in the wake of economic stimulus by the U.S. Federal Government and the shift toward online shopping resulting from the initial quarantines and lockdowns at the beginning of the pandemic.

In the initial stages of rapid inflation, Target has continually resisted the corporate trend of padding its profit margin during this period of financial stress. While important metrics may not be falling, they are losing real value as inflation rises. Target has resisted calls to offset this loss in profit in the name of the customer experience, as shareholders call for price hikes.[38] However, this strategy may not be the optimal solution to an increasingly apparent issue facing the company in the short and long term.

Regarding the ongoing rapid inflation, Target should attempt to foster growth in the sales of the products of its private-label brands. Since these brands are directly owned and produced by Target, the manufacturing costs of these goods are lower. These lower costs indicate that Target's private-label items have higher profit margins than other items sold. Therefore, the company's profit margin could see potential growth or at least the maintenance of its recently heightened profit margins. By investing slightly more in efforts to push these products under the

[38] https://www.businessinsider.com/target-bucks-trend-of-companies-padding-profits-raising-prices-2021-11

auspices of Cost of Sales or Cost of Goods Sold, such as advertising or surveying customers, Target could meet this suggested goal. Furthermore, this could help combat the effects of inflation on the real profit margin.

Target can keep commanding eight to eight and a half percent operating profit margins by investing more into owned brands. Suppose Target can keep up an eight and a half percent operating profit margin by creating efficiencies and more private label brands. In that case, they could potentially see a massive windfall on the bottom line. A margin of eight and a half percent is roughly two percent above their historical average, a tremendous expansion. A two percent expansion on the operating margin on revenues of 100 billion dollars per year equates to two billion dollars in Net Operating Profit. Assuming a low base of constant revenue growth, this equates to an additional ten billion in operating profit over the next five years.

Additionally, when the COVID-19 pandemic began, consumers were forced to stay home and not frequent businesses, severely impacting the business of brick-and-mortar stores and consumption patterns. As time progressed, consumers' preferences have steadily shifted toward online shopping, even after businesses opened again. Because of this shift, Target cannot adequately compete with some competitors, as Target caters to the customer experience in their stores. Currently, Target's higher pricing in a purely online atmosphere results in failures to compete with Walmart or Amazon.

However, Target could address this problem. The recommended course would be to invest more heavily in the same-day pick-up and delivery aspects of Target's sales. This strategy could also incorporate special online deals, such as the occasional coupon or promotional code. In this manner, Target could shift customers toward the online marketplace and build up its already existing same-day delivery and pick-up system to make the process as convenient as possible. Generally speaking, this would result in increased sales or at least being more able to compete with larger, more-established online retailers.

As of Q4, 2021, digital sales accounted for 19 percent of overall sales.[39] In 2020, digital sales grew by 145 percent compared to 7.2 percent in-store due to the COVID lockdowns. Fifty percent of this digital sales growth was driven by same-day delivery and pick up. In 2021, this growth returned to normal, but both growth rates were still high. Comparable digital sales grew by 21 percent, while comparable-store sales saw 11 percent growth. Since 2019, Target has seen an increase in revenue of 14 billion dollars from in-store sales and 13 billion from digital originated sales. Digital-only makes up one-fifth of sales yet accounts for an equal amount of revenue growth; thus, digital sales have grown four times in-store over the last three years. By investing in digital and pick-up, we can anticipate a conservative estimate of digital sales growing at two times that of in-store sales over the next five years. We assume a five percent yearly growth in same-store sales, thus a ten percent digital growth and an overall growth of six percent yearly (Scenario 1). The alternative is the digital growth rate equivalent to a five percent in-store growth rate (Scenario 2). Over five years, a digital sales rate of two times in-store (Scenario 1) equates to a total difference of five billion dollars compared to a digital rate equal to the in-store rate (Scenario 2). At the end of the five-year projection, digital makes up 30.1 percent of total sales in Scenario 1 compared to 28.7 percent of sales in Scenario 2.

Overall, if Target focuses on expanding their digital originated sales in conjunction with their private label brands, they can create positive windfalls in revenue and net profit. To execute this plan, Target must stick to its strategy of delivering the best customer experience in the industry.

[39] https://corporate.target.com/annual-reports/2021/10-K/10-K-cover

SECTION TWO
CASE FIVE: RISK ANALYSIS

In this week's case, we were tasked with discovering the most relevant operational, macroeconomic, and cybersecurity risks that could affect the business of Target Corporation.

One of the most important operational risks Target faces is supply chain issues. This stems from the COVID-19 pandemic, as we have faced demand surges and capacity shortfalls. As the economy has recovered and demand increased, businesses have been unable to bring inventories back to pre-pandemic levels. These shortages are also holding back business activity in some sectors, related to delaying the construction of new Target stores. Along with that, the shortages have also led to abrupt price increases, as “Between May 2020 and May 2021, prices of commodities tracked within the Producer Price Index rose by 19 percent, the largest year-over-year increase since 1974.”[40] These price increases affect not only producer supplies but also customer prices.

One way to mitigate this risk is to diversify vendors. Target depends a lot on goods and services from outside of the United States, as their annual reports stated a large portion of their merchandise is sourced directly from outside of the country, mainly China, “so any major changes in tax or trade policy, such as the imposition of additional tariffs or duties on imported

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[40] https://www.whitehouse.gov/cea/written-materials/2021/06/17/why-the-pandemic-has-disrupted-supply-chains/

products, could require us to take certain actions, such as raising prices on products we sell, which could adversely affect our results of operations."[41] By focusing on U.S. based merchandise, this will decrease the risk of higher tariffs on foreign imports, as well as get shipments in quicker in order to fill the shelves in a timely manner. In turn, this will also reduce the likelihood of higher prices on products.

In addition to traditional supply chain issues, a substantial risk exists in the ongoing labor shortage in the US economy. Although, it may be more appropriately labeled a "labor shortage at current wages offered." During the pandemic, unemployment skyrocketed as several million workers were laid off or furloughed to prevent the spread of COVID-19. As time went on and extended unemployment benefits expired, many Americans returned to work. In fact, unemployment rates stand at one of the lowest levels in US history at 3.8 percent.[42] However, the unemployment rate only accounts for the proportion of the population that either is or is not employed out of the section of the population that is actively in the job market, as many have been out of the workforce for a long period of time.[43]

Generally speaking, as with any commodity in a market economy, when there is a shortage of a product or service, the price increases. Naturally, this indicates that, in the event Target begins to experience substantial trouble in terms of hiring or maintaining its workforce, it may be faced with the prospect of further increasing wages. Target is already known for its great compensation.[44] However, especially if substantial inflation continues, Target may be forced to keep up pace with these increases in the costs of living to remain competitive for workers. Considering wage hikes have recently occurred, however, the best short-term strategy is to

[41] https://corporate.target.com/annual-reports/2018/10-K/10-K-part-I/Item-1A-Risk-Factors
[42] https://www.bls.gov/cps/
[43] https://www.washingtonpost.com/business/2021/12/29/job-market-2021/
[44] https://www.npr.org/2022/03/01/1083720431/target-minimum-wage

encourage potential employees to consider the competitive compensation Target offers compared to other retailers.

When considering the macroeconomic risks associated with the merchandising industry, Target Corporation is in a position to lead the industry towards a more sustainable approach with both the products they offer and their business operations as a whole. Environmental, social, and governance (ESG) issues have become one of the most popular concerns on a global scale recently, and a business' plan of action regarding ESG is critical in determining their future success. With the United States trying to match European standards of ESG awareness, Target Corporation, being the eighth largest retailer in the U.S., has the potential to greatly influence a more sustainable future. Being ahead of the surge in progressing towards a more sustainable future makes Target a more attractive business in the eyes of not only customers, but investors as well. Target already has a sustainability strategy known as Target Forward, which highlights "leveraging our size and scale to benefit people, the planet, and our business." Target Forward's sustainability efforts include purchasing nearly 50 percent of its electricity from renewable sources, with goals of 100 percent by 2023. In addition, Target has goals of net zero greenhouse gas emissions by 2040, with specific milestones set along the sustainability journey. As recently as 2022, Target launched Target Zero, an initiative that assists customers in finding products that create minimal waste. Target is focusing on social projects as well by committing $2 billion for black-owned businesses by the end of 2025. Also, Target should continue to invest in their employees such as the CARE's Dignified Work Initiative, which are plans to improve work opportunities for women in the garment industry. With their already established Racial Equity and Change (REACH) committee, Target is committed to "a workplace experience where every team member can thrive" by offering industry-superior healthcare and debt-free education benefits.

While Target has already taken many of the previously mentioned ESG initiatives, it is imperative that Target monitor their progress towards their sustainability and social goals, and constantly assess their ESG commitments through statistical analysis.

Another critical macroeconomic risk facing Target, like most other businesses in the retail industry, is the abnormally high rate of inflation seen since 2021 in the midst of global supply chain issues as a result of the COVID-19 pandemic and the ensuing post-lockdown chaos. These risks may be even further exacerbated by looming troubles presented by the economic impact of the Russo-Ukrainian crisis, with Russia and Ukraine, combined, producing nearly 33 percent of the world's wheat and Russia being one of the largest oil producers globally. With these critical goods in shorter supply, inflationary pressures will likely continue to worsen. However, this inflation, as implied previously, is primarily supply-side, indicating that no realistic shift in public demand will improve the situation.[45]

In fact, this type of inflation can only be solved on the firm level by a few courses of action. On the one hand, like what most other firms have begun to pursue, Target could look into raising the prices of their products across the board to counteract inflation's effects on profit in terms of real value compared to prior years. However, Target has, until now, has appeared to avoid this course of action.[46] If avoiding this option is essential, another alternative is to reduce costs, particularly the cost of sales, as much as possible to attempt to replicate the aforementioned effect on the company's profits. As mentioned in prior sections, private-label

[45] https://www.pbs.org/newshour/economy/how-the-supply-chain-caused-current-inflation-and-why-it-might-be-here-to-stay
[46] https://www.cnbc.com/2021/11/17/walmart-and-target-clash-with-investors-over-low-price-strategy-.html

brands owned by Target could serve as the focal point of this potential shift in marketing, as these products cost less to place onto the market. This strategy could be applied to any product or service Target provides that it directly owns or is somewhat more unique to Target, as opposed to general retailers. The most pragmatic approach is likely to implement, to one extent or another, both proposals, if possible, with investments into the appropriate advertising or marketing ventures.

Now, more than ever, companies are under the duress of cyber-attacks from various different sources. It is important to create a secure digital environment throughout the company. One cybersecurity risk for Target that we have identified involves the massive amount of data collected from customers. With every purchase, Target's customers hand over valuable information such as credit card numbers, email addresses, phone numbers, and more. With a data breach, this information can be exposed and stolen, thus harming both Target's brand and customers. With digital traffic becoming more of an emphasis for Target, they need to focus on securing the relationship with their customers. In 2013, Target had one such breach in which the data of 41 million customers was exposed and they were forced to pay $18 million in damages.[47] To mitigate the risk of a breach, Target has to secure its exchange points with this customer data. These exchange points occur in retail locations, in the data center, and in the cloud. It is important to educate employees about where different cyber threats originate from so they can know how to mitigate them. On an employee level, this means not clicking on phishing links or sharing company information.

Another cybersecurity threat that is near to Target is a supply chain attack. Ransomware attacks linked to key supply chain resources have become more prevalent in the last few years.

[47] https://www.usatoday.com/story/money/2017/05/23/target-pay-185m-2013-data-breach-affected-consumers/102063932/

An attack on a key supplier could really disrupt the whole business in various different retail locations. To mitigate this risk, Target can work on diversifying their supply chain to different suppliers. Suppliers may also hold key information about Target, and thus could be a target for ransomware attacks. It is also important for Target to have data backups on supplier information in case of an attack. As digital is taking over more of the customer experience, Target must have cyber defenses in place to prepare for potential attacks.

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