Target Capital Budgeting

A five-investment comparison using NPV, IRR, downside sensitivity, market demographics, and cannibalization risk to reach approve, defer, or decline decisions.

5	$13M-$119M	-10%
investments compared	capital required	sales downside tested

Decision question

The case required more than a ranking by NPV. Each proposal had a different scale, market context, strategic rationale, and exposure to sales assumptions. I used a consistent financial frame, then adjusted the recommendation for cannibalization, local demographics, execution risk, and strategic fit.

> **Analytical principle**
>
> A positive base-case NPV did not automatically earn approval. I looked for resilience under weaker sales and whether the project created value for reasons beyond its initial forecast.

Method

For each proposal, I compared investment size, NPV, IRR, and the change in NPV after a 10% sales decline. I then assessed trade-area population, growth, income, cannibalization, and dependence on credit-card economics before assigning a priority.

Five proposals, one capital plan

Project	Investment	NPV	IRR	NPV at -10% sales	Decision
The Barn	$13.0M	$20.5M	16.4%	$16.4M	**Approve - top priority**
Stadium Remodel	$17.0M	$15.7M	10.8%	-$7.9M	**Approve if budget remains**
Gopher Place	$23.0M	$16.8M	12.3%	-$4.7M	**Approve with conditions**
Whalen Court	$119.3M	$25.9M	9.8%	-$16.6M	**Defer**
Goldie's Square	$23.9M	$0.3M	8.1%	-$4.1M	**Decline**

Why the ranking changed

The Barn

Strong IRR, modest capital, positive downside NPV, and entry into a market with limited direct Target presence made this the clearest first choice.

Whalen Court

The largest NPV came with the largest capital requirement and the sharpest downside. Its value depended on accepting a branding rationale that the financial case alone could not justify.

Goldie's Square

Thin base-case value and a negative downside case did not compensate for grocery-margin pressure and a crowded competitive setting.

RECOMMENDATION

Approve selectively and preserve flexibility

The proposed sequence prioritized The Barn, followed by Gopher Place with close monitoring of cannibalization and competitor timing. Stadium Remodel could proceed if capital remained because it served a defensive purpose, but its outcome depended heavily on the sales lift from remodeling.

Whalen Court should wait unless leadership explicitly valued the location as a strategic brand investment. Goldie's Square should not proceed without a major improvement in lease economics, margin, or sales productivity.

Decision rules

Financial return	Compare NPV and IRR, but normalize for capital required and timing.
Downside resilience	Re-test the decision after weaker sales instead of relying on a single forecast.
Strategic role	Separate projects that create operating value from those justified mainly by defense or brand presence.
Portfolio fit	Consider cannibalization, local market quality, and whether approving one proposal reduces flexibility elsewhere.

Takeaway

Capital allocation is stronger when the model does not end at a ranking. The recommendation should also explain what could break, what should wait, and why.

Source note

Adapted from Michael Vitale's academic capital-budgeting model. Values are reported as entered in the original case analysis.