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Chapter 2: Strategic Planning

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Use this Instructor's Manual to facilitate class discussion and incorporate the unique features of the text. Encourage students to follow along using their LEARNING WORKSHEET, which is located in the Instructor's Online Resources. Students should attempt to complete the Learning Worksheet before class begins, allowing class lecture and discussion to be a review of the material. Students should be able to access these Learning Worksheets via their learning platform (Moodle, Blackboard, etc.). The worksheet key for Chapter 2 is provided in the Instructor's Online Resources.

CHAPTER FORECAST

This chapter explores the importance of strategic planning in marketing. Executing a thoughtful strategic marketing plan is the most likely path to sustainable business success. The chapter examines the role of a mission statement, situation analysis, marketing strategy, global marketing strategy, and other elements of an effective marketing plan. The appendix that follows the chapter presents a complete sample marketing plan.

LEARNING OBJECTIVES

LO 2-1 Discuss the importance of strategic planning for marketing.
LO 2-2 Analyze the characteristics of an effective mission statement.
LO 2-3 Outline the five main components of the marketing plan.
LO 2-4 Explain three tools and techniques for the situation analysis: market summary, SWOT analysis, and competition analysis.
LO 2-5 Explain the basic tool and techniques of marketing strategy: segmentation, strategic direction, and the marketing mix.
LO 2-6 Discuss the strategic decisions involved in reaching international consumers.
LO 2-7 Describe the use of four key marketing analytics: return on marketing investment (ROMI), revenue analysis, market share analysis, and profitability analysis.

KEY TERMS

competitive advantage
direct ownership
diversification
exporting
financial projections
franchising
joint venture
licensing
market development
market penetration
market segmentation
market segments
market share analysis
market summary
marketing analytics
marketing plan
mission statement
opportunities (in SWOT analysis)
positioning
product development
profitability analysis
return on marketing investment (ROMI)
revenue analysis
situation analysis
strategic plan
strategic planning
strategy
strengths (in SWOT analysis)
SWOT analysis
target market
threats (in SWOT analysis)
weaknesses (in SWOT analysis)

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THOUGHT-PROVOKING ACTIVITY

With each chapter, begin class with a thought-provoking activity (TPA) for 10 minutes. TPAs allow students to pull in real-world, current findings into class, and better enable students to partake in class discussion with relation to the chapter's material in an icebreaker format. (This activity is included in the PowerPoint for this chapter.)

How It Works: When class begins, two to three students are called on via random assignment to provide their responses a minimum of one time in the semester. Two sets of activities are provided for either (1) teaching one chapter over two class sessions or (2) allowing more students to partake in the activity. Instructors can either collect the worksheets for a grade or asses a point value when students respond aloud.

Supporting Materials: A sample grading rubric is provided in the Instructor's Online Resources. The Learning Worksheet also references the TPA.

Set 1: What is a mission statement? Provide an example of a mission statement in a franchise.
Set 2: What is the BCG matrix? With each of the four sections, provide an example.

CONTENT OUTLINE

The following section provides the flow of information using the LEARNING OBJECTIVES as a guide, FIGURES and TABLES as visuals to elaborate on key areas, and KEY TERMS learners will need to take away from the course, and a notation of when to use POWERPOINT SLIDES with LECTURE NOTES to drive home teaching points. There is also a reminder on when CONNECT activities can be used, as well as tying in SOCIAL MEDIA IN ACTION to real-world applications of marketing products. This is created so that you can facilitate in-class or online discussion effectively.

Executive Perspective



Photo provided by Josh Brown

Josh Brown
Partner and Co-Owner, **Haag Brown Commercial Real Estate**

Josh Brown, political science major turned broker, attributes his success to winning at small things since a young age. He explains how taking responsibility for marketing yourself elicits success in answering the following questions:

1. What has been the most important thing in making you successful at your job?
2. What advice would you give soon-to-be graduates?
3. How is marketing relevant to your role at Haag Brown?
4. What do you consider your personal brand to be?

Woven in the chapter, you see how Josh later elaborates on:

1. The role of strategic planning in an organization.
2. Why it's important to clearly identify a firm's market position.

Review with students:

- How is marketing relevant in his role?
- What does he mean by saying, "...stay close to the coach and be ready to play?"

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LO 2-1	Discuss the importance of strategic planning for marketing. • The Importance of Strategic Planning	**Key Terms:** • **Strategic planning** • **Strategic plan**

PowerPoint Slides

PPt 2.6

PPt 2.7

Lecture Notes:

- Essential to meeting both professional and personal objectives because it greatly increases the likelihood of success
- What does strategic planning mean? *To plan with strategy.*
- Strategic planning – process of thoughtfully defining a firm's objectives and developing a method for achieving those objectives
  - A continuous process – shifting conditions, customer needs, and competitive threats are always present
  - Helps us to ensure that marketers select and execute the right marketing mix to maximize success
- Strategic plan – organization's plans for key functional areas, such as marketing, human resources, finance, and risk management
- Strategic planning is essential to meeting both professional and personal objectives. In the same way that a strategic plan will help you accomplish your goal of earning a college degree, a firm's strategic plan helps guide it to success.

Figure 2.1



Figure Information: *Elements of a Strategic Plan*

The four components of a strategic plan are interlinked and connected. Each of the components should be grounded in the firm's overall mission.

Insight Questions:

1. How often should firms go through strategic planning? (Answer: Firms must continually modify their strategies as conditions shift.)
2. How is the marketing mix affected by strategic planning? (Answer: It helps marketers select and execute the right marketing mix strategies to maximize success.)
3. How formal should the strategic planning process be, and who should be included? (Answer: open ended, student answers will vary; it should be well documented, and a representative from each department should be included in decision-making)

LO 2-2	Analyze the characteristics of an effective mission statement. • Mission Statement	**Key Terms:** • **Mission statement**

PowerPoint Slides

PPt 2.9

Lecture Notes:

- First part of a quality marketing plan
- A concise affirmation of the firm's long-term purpose, and provides employees with a shared sense of ambition, direction, and opportunity
- Drives other decisions a firm makes, including how to best get goods and services to consumers
- Consider the following questions – they are challenging yet important:
  - What is our business?

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PPt 2.10	○ Who is our customer? ○ What is our value to the customer? ○ What will our business be? ○ What should our business be? • Three primary characteristics of a good mission statement: ○ Focus on a limited number of goals ○ Customer oriented, satisfying the basic customer needs and wants ○ Capture a shared purpose and provide motivation for employees THINK LIKE A MARKETER Find an example of a "bad" mission statement. What makes it "bad"? How could it be better? THINK LIKE A MARKETER What do you think of a company not having a mission statement? • In pursuit of its mission statement to build the best products and implement environmentally friendly solutions, Patagonia partners with a Long Beach company, Upcycle It Now, to deconstruct old rain coats and fleece jackets and use them to create dog attire.
LO 2-3 Outline the five main components of the marketing plan. • The Marketing Plan ○ Executive Summary ○ Situation Analysis ○ Marketing Strategy ○ Financials ○ Controls	**Key Terms:** • **Marketing plan** • **Situation analysis** • **Market summary** • **Strategy** • **Financial projections**
PowerPoint Slides PPt 2.11	**Lecture Notes:** • Marketing plan – action-oriented document/playbook that guides the analysis, implementation, and control of the firm's marketing strategy ○ Primary strategic planning tool ○ Contains input, guidance, and review from various departments, employees ○ Essential that all departments know the plan ○ Format will vary ○ Contains (all grounded by the mission statement): ▪ Executive summary ▪ Situation analysis ▪ Marketing strategy ▪ Financials ▪ Controls
Figure 2.2	**Insight Questions:** 1. Who is involved in developing the marketing plan? (Answer: Most departments in a firm, not just the marketing department.) 2. What types of objectives should be considered in the marketing strategy? (Answer: specific, measurable, and realistic objectives)

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Figure Information: *Key Components of the Marketing Plan*

The five components of the marketing plan are interlinked and connected. Each of the components should be grounded in the firm's overall mission, which is ideally defined in a clear and succinct mission statement.

3. Should a marketing plan have a short-term or long-term vision? (Answer: Both, and it should tie into the organization's mission for long-term sustainability.)

PowerPoint Slides
PPt 2.11

Lecture Notes:

- Key Components of the Marketing Plan
  - Executive summary:
    - Synopsizes the marketing plan's main points in 1–2 pages
    - Briefly discuss the basic ideas and strategies behind your plan
    - Completed last
    - *Elevator pitch* of the marketing plan

THINK LIKE A MARKETER

What's your elevator pitch? (Recall your work from Chapter 1's Personal Marketing Plan exercise.)

  - Situation analysis:
    - Foundation of the marketing plan (current situation understood so the firm can best move forward)
    - Analyzes the environment with the following key sections:
      - Market summary – describes the current state of the market
        - A *market* is the group of consumers or organizations that is interested in and able to buy a particular product.
        - Understanding where a market is and where it might be going gives organizations a view of what resources to invest where.
      - SWOT analysis – an evaluation of a firm's strengths (S), weaknesses (W), opportunities (O), and threats (T)
      - Competition analysis – lists the firm's direct competitors
        - *Indirect competitors* are those that can take market share as macro trends or consumer preferences change
        - Easier to identify direct competitors
  - Marketing Strategy:

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PPt 2.12	▪ Strategy – set of actions taken to accomplish organizational objectives based on the mission ▪ Defines the target market and outlines the positioning and marketing mix strategies based on specific, measurable, and realistic objectives ▪ Lists the actions the firm must take to accomplish the marketing objectives it established in its mission statement and strategic planning ▪ Can lead to higher profits, strong brands, larger market share ○ Financials: ▪ Details the financial projections, including the sales and expense forecasts and break-even analysis ▪ Can include numerous items, but all should contain the following: • Sales Forecast – projects how many units of a product expected to sell during a specific time period • Expense Forecast – estimate of the costs the company will incur to create, communicate, and deliver the product ○ Needed so resources can be allocated, and to know when the product will become profitable • Break-Even Analysis – combines the data provided in the previous two so the company can estimate how much it needs to sell to cover all expenses ○ Controls: ▪ Proposes how to monitor and adjust the plan through the following key items: • Implementation: ○ Detailed account of how specific actions of the marketing plan will be carried out and who will be responsible for carrying it out ○ Plan is only good if implemented well ○ Each part should be tied back to the marketing strategy and objectives in the mission statement ○ Adjustments may be necessary • Organizational Structure: ○ What specific departments should be responsible that fall under their control? ○ Helps clarify ownership, accountability, and drive positive results • Contingency Planning: ○ Actions a company will take if the initial marketing strategy does not achieve results ○ Monitor progress, and change course when necessary

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LO 2-4	Explain three tools and techniques for the situation analysis: market summary, SWOT analysis, and competition analysis.
	• Tools and Techniques for the Situation Analysis
	  ○ Market Summary
	  ▪ BCG Matrix
	  ○ SWOT Analysis
	  ▪ Internal Considerations
	  ▪ External Considerations
	  ○ Competition Analysis
		Key Terms:
		• **SWOT analysis**
		• **Strengths (in SWOT analysis)**
		• **Weaknesses (in SWOT analysis)**
		• **Opportunities (in SWOT analysis)**
		• **Threats (in SWOT analysis)**

PowerPoint Slides
PPt 2.14

Lecture Notes:

- **Market Summary**
  - Sets the stage for the situation analysis section of the marketing plan
    - Ex: McDonald's – look at size of fast food market in the U.S. and how rapidly #s are growing or declining
  - Should provide perspective on important marketplace trends
    - Ex: McDonald's – look at eating habits of baby boomers and millennials
  - Growth opportunities internationally and potential sales through international expansion would also be considered
  - **BCG Matrix**
    - Popular analysis tool to describe a current market
    - Graphically depicts the strength and attractiveness of a market
    - Combines two elements: market growth and relative market share
    - Result: four unique product categories (stars, cash cows, question marks, and dogs/problem child)

Figure 2.3



Figure Information: *The Boston Consulting Group Matrix*

The BCG matrix (1970) combines the two elements of market growth and relative

Insight Questions:

1. What does the BCG Matrix determine? (Answer: where its product will fall in the marketplace and serve as a starting point for developing marketing strategies to address that market position)
2. What quadrant would represent the Apple iPad? (Answer: star)
3. What quadrant would represent a new iPhone application? (Answer: question mark)

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market share to produce four unique product categories—stars, cash cows, question marks, and dogs—each of which requires a different marketing strategy.	

PowerPoint Slides	**Lecture Notes:**

PPt 2.14	• Star
	  ○ Combine large market share in an industry with a high growth rate
	  ○ Generally have to invest heavily in marketing to communicate value as the industry continues to grow
	  ○ Ex: Apple's iPhone
	• Cash cow
	  ○ Products that have a large market share in an industry with low growth rates
	  ○ Marketers may decide to allocate only enough marketing resources to keep sales strong without increasing product-development and costs or negatively affecting profits
	  ○ Ex: MP3 player
	• Question mark
	  ○ Small market share in a high-growth industry
	  ○ Typically new to the market
	  ○ Require significant marketing investment in promotion, product management, and distribution
	  ○ Marketers for the new Apple Watch must move quickly and creatively to reach potential users before competitors develop comparable products
	  ○ Have an uncertain future
	  ○ Marketers must monitor the product's position to determine whether to continue allocating resources to it
	  ○ Ex: new iPhone app
	• Dog
	  ○ Products that have small market share in industries with low growth rates
	  ○ Typically should be discontinued – frees up resources for products with more profit potential
	  ○ Ex: compact discs

PPt 2.16	• **SWOT Analysis**
	  ○ An evaluation of a firm's **s**trengths, **w**eaknesses, **o**pportunities, and **t**hreats
	  ○ Most common mistake – failing to separate internal from external issues
	  ○ Internal considerations of the firm

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- Strengths – internal capabilities that help the company achieve its objectives
  - Brand recognition
  - Brand reputation
  - Effective supply chain strategy
  - Long-term profitability
- Weaknesses – internal limitations that prevent/disrupt the firm's ability to meet objectives
  - Inflexible to market changes
  - Difficult to find and retain employees
  - Drive to achieve shareholder value conflicts with CSR

o External considerations of the environment
- Opportunities – external factors that firm can capitalize to meet or exceed objectives
  - Internal expansion
  - Positive environmental commitments
  - CSR committee
  - Public interest in ethical and sustainable business practices
- Threats – current and potential external factors that may challenge the firm's short and long-term performance
  - Weak economy – fewer people dining out
  - Consumer trend to choose healthier options
  - Contributes to global warming
  - Health concerns
  - Increased production costs

o What happens next?
- How can the firm use its strengths to take advantage of opportunities?
- How can the firm overcome weaknesses that keep it from taking advantage of opportunities?
- How can the firm use its strengths to reduce the impact of threats?
- How can the firm overcome weaknesses that will make threats a reality?

Table 2.1

Table 2.1 Example SWOT Analysis for McDonald's

Internal Considerations	
Strengths	**Weaknesses**
• Strong brand recognition • Long-term profitability and franchise system • Breakfast reputation	• Difficulty finding and retaining quality employees • Perception of unhealthy food • Longer wait times
External Considerations	
Opportunities	**Threats**
• International expansion • Menu or service expansions • Public interest in ethical and sustainable business practices	• Weak economy cuts dining-out budgets • Increasing production costs • Health consciousness of U.S. population

Table Information: *Example SWOT Analysis for McDonald's*

Companies like McDonald's often complete a SWOT analysis to identify and evaluate

Insight Questions:

1. Which elements of a SWOT analysis are internal considerations? (Answer: strengths and weaknesses)
2. Which elements of a SWOT analysis are external considerations? (Answer: opportunities and threats)
3. What key words or action-oriented words do you see in the example? (Answer: effective, rigorous, flexible, promotes, positive, contributes)
4. What qualitative and quantitative measures exist in the example SWOT analysis? (Answer: open ended, student answers will vary; for example, brand awareness, number of international locations and sales numbers in international markets, operating and production costs, employee satisfaction and turnover rates, perception of the brand and

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their strengths, weaknesses, opportunities, and threats. Evaluating internal and external considerations are extremely important in determining a firm's position and competitive advantage.	its products)
Connect Application Exercise 2-1 connect	**Topic:** SWOT Analysis By identifying which elements of a fictional company's situation analysis fall into each category, you will understand the key differences among each of the four SWOT components. **CONNECT BACK Insight Questions:** 1. In a real SWOT analysis, what resources will you use to compose your SWOT analysis? (Answer: open ended, student answers will vary; for example, friends and family members, professors and current/past employers) 2. For measurement and analysis, figure out which elements are quantitative, and which ones are qualitative. (Answer: open ended, student answers will vary; Figuring out how each element of the SWOT analysis is measured is just as important as the content itself.) 3. When should a SWOT analysis be conducted? Think in terms of frequency, product development, and strategic planning. (Answer: open ended, student answers will vary; no less than once a year)
PowerPoint Slides PPt 2.20 PPt 2.21	**Lecture Notes:** • **Competition Analysis** o Clearly state the firm's direct and indirect competition; including vulnerability, addressing market share o Thoughtful and thorough analysis o Direct competitors – describe the relative products to the brand ▪ Market research can provide key data for this section o Indirect competitors – comparative products of the brand ▪ Tend to be overlooked or ignored completely ▪ When completing a situation analysis, it's just as important for a firm like McDonald's to analyze indirect competitors, such as Panera Bread, as it is to analyze direct competitors, such as Burger King.

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LO 2-5	Explain the basic tools and techniques of marketing strategy: segmentation, strategic direction, and the marketing mix.
	• Basic Tools and Techniques of Marketing Strategy
	  ○ Segmentation, Target Markets, and Positioning
	  ▪ Segmentation
	  ▪ Target Markets
	  ▪ Positioning
	  ○ Strategic Direction
	  ▪ Market Penetration
	  ▪ Product Development
	  ▪ Market Development
	  ▪ Diversification
	  ○ Marketing Mix
	  ▪ Product
	  ▪ Promotion
	  ▪ Ditribution
	  ▪ Pricing
		Key Terms:
		• **Market segmentation**
		• **Market segments**
		• **Target market**
		• **Positioning**
		• **Market penetration**
		• **Product development**
		• **Market development**
		• **Diversification**
		• **Competitive advantage**

PowerPoint Slides	**Lecture Notes:**

PPT 2.22	• Marketing strategy lists the specific actions the firm must take to accomplish the marketing objectives it has established
	  ○ The effectiveness depends on the clarity of the short- and medium-term objectives the firm has defined
	  ○ Three basic characteristics:
	  ▪ Specific – increase ad revenues. By how much? By when? How does the marketing strategy relate?
	  ▪ Measurable – Is the strategy working?
	  ▪ Realistic – attainable goals that illustrate a serious, do-able marketing plan

PPT 2.23	• **Segmentation, Target Markets, and Positioning**
	  ○ Market segmentation – process of dividing a large market into smaller groups
	  ▪ Plays an important role in the success of almost every organization in the U.S. and throughout the world
	  ▪ Market segments – smaller groups of consumers who have shared characteristics and similar product needs
	  ○ Target market – group of customers toward which an organization has decided to direct its marketing efforts
	  ▪ Large and small, depending on business size
	  ▪ Multinational company – firm with multiple target markets that operates in two or more countries
	  ○ Positioning activities – Activities a firm undertakes to create a certain perception of its product in the eyes of the target market
	  ▪ Success can be dependent on this
	  ▪ Consider the competition, needs and wants of the target market, and the element of desire/uniqueness of the good/service

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PPT 2.24	• **Strategic Direction** ○ Based on the product and industry related to the market

Figure 2.4

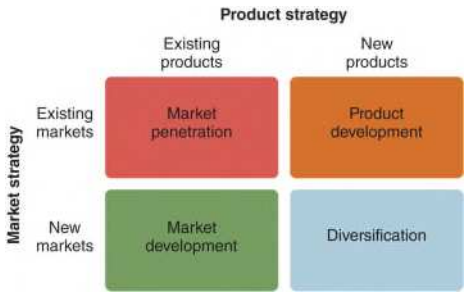


Figure Information: *The Four Basic Categories of Market Growth Strategies*

A company's marketing strategy can follow various paths based on the product and industry, but most seek to move the product in one of the four directions: market penetration, product development, market development, and diversification. Each of these categories represents the intersection of a strategy related to products and another related to markets.

Insight Questions:

1. Which strategy involves encouraging current customers to buy more each time they patronize a store or to buy from the store on a more frequent basis? (Answer: market penetration)
2. Which strategy did Dr Pepper Ten use in their campaign launch of, "It's not for women?" (Answer: product development)
3. Which strategy focuses on selling existing goods and services to new customers? (Answer: market development)
4. List three examples of companies that have used the diversification strategy. (Answer: open ended, student answers will vary; for example, Disney)

PowerPoint Slides	**Lecture Notes:**

PPt 2.24	○ Market penetration
	  ▪ Selling more of existing goods and services to existing customers
	  ▪ Involves encouraging current customers to buy more each time they patronize a store or to buy from the store on a more frequent basis
	  ▪ Ex: Pizza Hut Big Dinner Box
	○ Product development
	  ▪ Creating new goods and services for existing markets
	  ▪ Ex: Dr. Pepper Ten
	○ Market development
	  ▪ Selling existing goods and services to new customers
	  ▪ Ex: Wal-Mart International
	○ Diversification
	  ▪ Attract new customers by offering new products that are unrelated to the existing products produced by the organization
	  ▪ Ex: Disney offering ABC and ESPN, vacation properties
	  ▪ International expansion is an increasingly necessary part of a successful market development strategy for small firms as well as retailers like Wal-Mart.

PPt 2.26	

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Connect Application Exercise 2-2	**Topic:** Strategic Directions By matching particular strategies with companies that used those strategies, you will better understand how different marketing strategies may impact your future employer. **CONNECT BACK Insight Questions:** 1. Which strategies can be used to enter into international markets? (Answer: all) **2.** List two examples of organizations that have implemented each one of the four strategies. Which strategy is easiest to identify? (Answer: open ended, student answers will vary; for example, Apple and Starbucks)
PowerPoint Slides PPt 2.27 PPt 2.28	**Lecture Notes:** • **Marketing Mix** o How does the marketing mix support the strategy? o Combination of activities that a firm can do to influence demand for its good or service o Product ▪ Detailed description of the product being offered • Goods, services, and related items (warranties/guarantees) ▪ Can possess a competitive advantage – when customers perceive that it has more value than other products in its category; can be short-lived if competitors are quickly able to offer the same or better features ▪ Firm's real goal is to develop products that achieve sustainable competitive advantage – outperform competitors over a long period of time o Promotion ▪ How the firm will communicate the value of a product ▪ Builds on the strength of the product section and references the specific promotional tools to reach the target market ▪ References the specific promotional tools—advertising, sales promotion, personal selling, or public relations—the firm will use to reach its target market o Distribution/Place ▪ Where and when value will be delivered, at destinations – when, where, and at what time consumers want to consume it ▪ Should outline the different companies, people, and technologies that will be involved in the process of delivering (supply chain and logistics) ▪ Ex: in 2015 McDonald's began serving breakfast all day in response to customer requests, including over 120,000 requests on Twitter ▪ McDonald's made the strategic decision in 2015 to shift toward using only cage-free eggs. The company faces a distribution challenge because fewer than 10 percent of the nation's laying hens were categorized as "cage-free" at the time of the announcement. It could take McDonald's up to a decade to

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PPt 2.27	reach its goal of having 100 percent cage-free eggs in its products. ○ Pricing ▪ How much each consumer will pay and why that price was selected
Connect Application Exercise 2-3 **Social Media in Action**	**Topic:** Social Media By understanding the role social media can play in achieving your objectives, you will be able to apply these strategies to successfully implement a marketing plan for your organization in the years ahead. **CONNECT BACK Insight Questions:** 1. Should social media strategies always be included in a company's marketing plan since it is a popular medium? (Answer: not necessarily, and only if the demographics of the platform align) 2. How would you determine the social media platform a company should use (i.e., Facebook, Twitter, LinkedIn, YouTube, Snapchat, Pinterest, etc.)? Should they use all of them? (Answer: open ended, student answers will vary; check out the competitors and what platforms they are on; start with one platform and slowly add on others that are aligned socioculturally)
LO 2-6 Discuss the strategic decisions involved in reaching international consumers. • Marketing Strategy in a Global Context ○ Exporting ○ Licensing ○ Franchising ○ Joint Venture ○ Direct Ownership	**Key Terms:** • **Exporting** • **Licensing** • **Franchising** • **Joint venture** • **Direct ownership**
PowerPoint Slides PPt 2.29	**Lecture Notes:** • Globalization is the new reality ○ As a result, a firm's strategic planning process must consider what, if any, international presence the firm wants to pursue. THINK LIKE A MARKETER How do firms enter foreign markets?
Figure 2.5  **Figure Information:** *International Market Entry Strategies* As part of developing a marketing plan that involves global marketing, firms must choose from among the following five major	**Insight Questions:** 1. What is the least risky option for entering international markets? (Answer: exporting) 2. Which strategy offers marketers the advantages of expanding the reach of their products quickly in a low cost way? (Answer: licensing) 3. Which strategy is an attractive method of entering foreign markets because its licensees assume the majority of the capital costs and human resource issues? (Answer:

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strategic options for entering the international marketplace: exporting, licensing, franchising, joint venture, or direct ownership. Each offers a unique mix of risk and reward.	franchising) 4. Which strategy works best when the partners’ strategic goals align, their competitive goals diverge, and they are able to learn from one another without infringing on each other’s proprietary skills? (Answer: joint venture) 5. What is the riskiest method of entering an international market? (Answer: direct ownership)

PowerPoint Slides	**Lecture Notes:**
PPt 2.29	• Five major strategic options for entering the international marketplace – each offers a unique risk and reward: ○ Exporting – selling domestically produced products to foreign markets ▪ Least risky option ▪ Small companies account for 98% of all U.S. exporters ○ Licensing – legal process where one firm pays to use/distribute another firm’s resources (products, trademarks, patents, intellectual property, proprietary knowledge) ▪ Advantage of expanding the reach of products quickly at a low cost ▪ Riskier than exporting: • May be inadvertently creating a future competitor • Shares information and the right to use its proprietary technology, which may be used in the future • Could potentially misuse trademarks ○ Franchising – contractual arrangement in which the franchisor provides the franchisee the right to use its name, marketing, and operational support in exchange for a fee and share of the profits ▪ Attractive model because franchisees assume most of the capital costs and human resource issues ▪ Franchisor provides knowledge and information about running the business, which increases likelihood of success ○ Joint Venture – domestic firm partnership with a foreign company to create a new entity, allowing the domestic firms to enter the foreign market ▪ Riskier than previously mentioned options ▪ Work best when partners align with strategic goals, competitive goals diverge, and can learn from one another ▪ Inherent risks: culture clashes, mistrust over proprietary knowledge, conflict over new investments, disagreements on how to share revenue and profits
PPt 2.31	▪ Burger King allows franchisees to offer specific products in Japan, such as the "Aka Samurai Chicken" and "Aka Samurai Beef," to better satisfy local customer tastes.
PPt 2.29	○ Direct Ownership – requires a domestic firm to actively manage a foreign company or overseas facility ▪ Riskiest method ▪ Good option when the firm sees substantial sales potential in the international market, very little political risk, and similarities between domestic and foreign cultures

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Connect Application Exercise 2-4 		**Topic:** International Market Approaches By identifying an example of each strategy and its risk level, you will understand the potential risks and rewards of marketing your products globally. **CONNECT BACK Insight Questions:** 1. What key factors determine the market strategy? (Answer: open ended, student answers will vary; risk level desired, opportunity and resource availability; consumer research can also dictate the strategy chosen) 2. Do the same risks exist for small companies and large companies? (Answer: open ended, student answers will vary; no, smaller companies may incur larger risk because resources are limited) 3. How do rewards differ for small and large companies? (Answer: open ended, student answers will vary; larger companies may have more resources and expertise available)

LO 2-7	Describe the use of four key marketing analytics: return on marketing investment (ROMI), revenue analysis, market share analysis, and profitability analysis.
	• Marketing Analytics
	  ○ Return on Marketing Investment
	  ○ Revenue Analysis
	  ○ Market Share Analysis
	  ○ Profitability Analysis
		Key Terms:
		• **Marketing analytics**
		• **Return on marketing investment (ROMI)**
		• **Revenue analysis**
		• **Market share analysis**
		• **Profitability analysis**

PowerPoint Slides
PPt 2.32
		Lecture Notes:
		• Marketing analytics – Practice of measuring, managing, and analyzing marketing performance
		  ○ Goal: maximize marketing effectiveness and optimize return on investment
		  ○ Enables organizations to measure and evaluate marketing outcomes, and therefore the marketing strategy is more accountable
		
		THINK LIKE A MARKETER
		What types of marketing data should firms analyze? (Hint: Think of the marketing mix.)
		
		• **Return on Marketing Investment**
		  ○ Used to ensure the firm's expenditures produce results
		  ○ Return on marketing investment (ROMI) – measure of the firm's effectiveness in using the resources allocated to its marketing effort
		  ▪ Indicates the rate at which spending on marketing contributes to profits
		  ○ Sales – all of the revenue generated by core and noncore business activities
		  ○ Gross margin – equals the difference between price (the amount

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paid by the customer) and cost (the amount required to produce the good or service), which is expressed as a percentage
    - Subtract the cost of goods sold per unit from the selling price of the item, divided by the selling price
  - Marketing expenditures – amount of money spent on all marketing activities during a specified period of time
- **Revenue Analysis**
  - Measures and evaluates revenue from specific products or regions
  - Goal: pinpoint what is working and what is not, relative to the objectives of the organization
- **Market Share Analysis**
  - Indicates market share – percentage of the total market sales captured by a brand, product, or firm
  - Provides marketers with a quick look at how they are performing relative to their competitors
  - Typically depicted using a pie graph

Figure 2.6

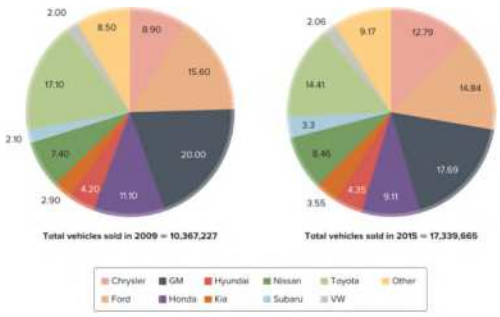


Figure Information: *Auto Manufacturer Market Share in the U.S., 2009 and 2015*

Market share is typically depicted using a pie graph, and auto manufacturers were facing a shrinking pie in 2009. As the economy began to recover, the pie grew again: By late 2013, vehicle sales were up to about 16 million. You can see that though percentages for the various manufacturers are similar, each represents more vehicles sold in 2015 than in 2009.

Insight Questions:

1. What does market share measure? (Answer: the firm's sales as a *percentage* of total market sales)
2. What does it not measure? (Answer: the size of market sales)
3. What impacts market share? (Answer: open ended, student answers will vary; for example, technology, ability to innovate, consumer interest)

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PowerPoint Slides
PPt 2.34
	Lecture Notes:
	• **Profitability Analysis**
	  ○ *Profits* are the positive gain from a business operation after subtracting all expenses
	  ○ Profitability analysis – measures how much profit the firm generates
	  ▪ Can be broken down to measure the profit contribution of regions, channels, or customer segments
	  ○ Marketers often use two important metrics to evaluate profitability
	  ▪ Customer acquisition – measures how much the firm spent to gain new customers
	  • Typically includes spending on marketing advertising, public relations, and sales
	  ▪ Individual customer profitability – profit a firm makes from a customer over a specified period of time

Today's Professional  *Photo provided by Tyler Cornwell*	**Tyler Cornwell** *Development Coordinator,* **The Red Wolves Foundation** Tyler Cromwell draws on his collegiate interests and explains how being honest, transparent, and consistent can further your career. He makes the suggestion of "analyzing your current state," and provides insight in answering the following questions: 1. Describe your job. 2. How did you get your job? 3. What has been the most important thing in making you successful at your job? 4. What advice would you give soon-to-be graduates? 5. What do you consider your person brand to be? **Review with students:** • What does he mean by "always think – think about everything"?

MARKETING PLAN EXERCISE

Your Marketing Plan. In this chapter we discussed the elements and importance of the situation analysis. The next step in developing a full marketing plan for yourself is to conduct a SWOT analysis on yourself. It should tie back to the objectives you developed at the end of Chapter 1. Be sure to think through each element and honestly assess where you are today. This will help you focus on what you need to accomplish over the rest of your college career. This activity is located at the end of the Learning Worksheet.

- **Strengths.** Most people have some notion of their strengths—maybe you're an effective public speaker, pay a great deal of attention to detail, or work well with others, for example. It's likely that you've had those strengths reinforced by those around you over the course of your life.
  - To effectively complete the strengths part of your personal SWOT analysis, list three to five strengths that you possess that will most affect your ability to achieve the objectives you identified in Chapter 1.
- **Weaknesses.** Most people are very honest about their strengths but are typically far less likely to be aware of, or to acknowledge, their weaknesses. Corporate recruiters often tell humorous stories about the responses they receive when asking new college graduates about their biggest weaknesses. Answers

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range from "I care too much," or "I am too smart for my group members," to "I am too attractive to have many friends." (Any of these responses might produce a negative impression in a job interview, by the way.)
    - Give serious consideration to your personal weaknesses, and then list three to five weaknesses that will affect your ability to achieve your objectives. By properly identifying your weaknesses, you can begin to plan strategically how to overcome them or, at the very least, minimize their influence on your career objectives.
- **Opportunities.** As the global economy changes, you will enter a job market very different from the one faced by previous generations. It is important to honestly assess your opportunities. Ask yourself questions like, What jobs in my major are most in demand? What internship openings are there, and how might those put me in a better position to find my dream job? If your goal is to attend graduate school, what kinds of scholarships, assistantships, or enrollment opportunities are out there for you?
    - For this part of the SWOT analysis, identify three to five external opportunities that could potentially benefit you in your professional development.
- **Threats.** Assessing threats is an essential part of developing a strategic plan for your professional future. If the economy goes into a recession at the same time you graduate, for example, your earnings growth could be reduced for years to come. By examining what potential threats could affect your professional development and creating contingency plans, you will be in a better position to succeed in your pursuit of a job.
    - Describe three to five threats that could affect your ability to achieve your objectives.

Student Task: You've now listed three to five strengths, weaknesses, opportunities, and threats that could affect your professional development. For each weakness and threat you identify, include a brief one- to two-sentence description of how you might overcome the challenge associated with it.

How It Works: Host a series of Personal Marketing Plan classes succeeding course exams. Each student should build a Personal Marketing Plan and realize that everyone is a marketer.

Supporting Materials: At the end of each chapter's Learning Worksheet is a place for students to immediately relate the course content to their Personal Marketing Plan. Additionally, a Personal Marketing Plan Worksheet is provided in the Instructor's Online Resources. The worksheet recaps the chapter's content and outlines the supporting topics for reference. It is recommended that the Personal Marketing Plan be a semester-long, graded project and outcome for the course.

DISCUSSION QUESTIONS

1. Find mission statements from five Fortune 500 companies, then rank them from best (1) to worst (5) and discuss why you ranked them in that order. Which mission statements did you like best, and why? How would you modify the mission statement you ranked last to make it better? (Answer: As one example, Amazon's mission statement says: It's our goal to be Earth's most customer-centric company, where customers can find and discover anything at Amazon.com. While the mission is broad, it is concise and consumers relate to it.)
2. Conduct a SWOT analysis for your college or university. List three to five strengths, weaknesses, opportunities, and threats for your school. (Answer: Open ended, student answers will vary; Some factors to consider include accreditation, community support, alumni, increasing tuition, online education, value of degree, and career potential/requirements.)
3. Select a marketing strategy implemented by a large firm or nonprofit organization that you think was effective. Describe why you liked the strategy. Identify which of the strategic directions discussed in this chapter best reflects the strategy you chose. (Answer: open ended, student answers will vary; for example, Walk-On's is a growing sports bar brand that has recently begun franchising (licensing)

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with the backing and celebrity endorsement of NFL quarterback Drew Brees. The brand first maximized its product by delivering quality food and can now offer a business opportunity to others around the country.)

4. Select two businesses you frequent (e.g., restaurants, clothing stores, grocery stores, etc.). Who is their target market? Then identify at least two competitors (either direct or indirect) for each business. Describe how the two businesses you selected position themselves in the market relative to their competitors. Which one of the two businesses does a better job positioning its products to its target market? Explain your answer. (Answer: open ended, student answers will vary; for example, Target and Wal-Mart compete in relatively the same product categories but Target tends to be slightly more expensive in both the brands they carry and manufacture.)
5. Is marketing a firm's products globally always a good decision? Discuss your answer and provide examples of firms that have both succeeded and failed in international markets. (Answer: open ended, student answers will vary; for example, Not always, and it depends on the consumers' needs and interests of the marketplace. However, accessing consumers outside domestic boundaries may be a source of revenue and growth. Home Depot did not succeed in China, as consumers did not like DIY projects like Americans do, in spite of the housing market influx, and Wal-Mart did not succeed in Germany because they did not take into account cultural nuances. Devon, a mid-size U.S. oil and gas producer, acquired PenzEnergy and Santa Fe Snyder, which gave it access to operations in Azerbaijan, West Africa, and Brazil.)
6. Select a company from which you have made a purchase in the past month. Search online to conduct a market share analysis and a profitability analysis about that company. Based on that analysis, give the organization a marketing grade based on performance. Explain your grade. (Answer: open ended, student answers will vary; Items to consider are profit margin, tax rates, return on assets, return on capital, and return on equity; most of this information can be provided in an income statement and is available for publicly traded companies.)

SOCIAL MEDIA APPLICATION

Review your entire social media profile and consider how each of the social media platforms you use personally can affect your career positively or negatively as you move forward. Analyze your efforts to build your brand via social media using the following questions and activities as a guide:

1. List the social media platforms on which you have any type of presence. How many of those platforms do you check or use at least once per week?
2. Is the content you provide across the platforms consistent? Do you have the same image across platforms? What grade would you give your overall social media profile? Explain your answer.
3. In the chapter we discussed some traditional marketing analytics (also called *metrics*) used to measure marketing effectiveness. People use all sorts of metrics for all sorts of things. Here, use metrics to justify the overall social media grade you gave yourself. You can use any type of analytical tools (for example, number of friends, followers, likes, Klout score) to support your overall grade.

This activity is located in an additional worksheet that can be used with group interaction, and can be found in the Instructor's Online Resources. A sample grading rubric for this activity is also provided.

How It Works: Host a series of Social Media Application classes preceding course exams. This serves as a review for exams and emphasizes social media as a major marketing focus in today's environment. Put students in learning groups, and have them complete the worksheets together. After 20–30 minutes of facilitated learning, call on students to respond to the questions and discuss responses as a class.

Supporting Materials: Social Media Application Worksheets and a sample grading rubric are provided in the Instructor's Online Resources. The worksheets recap the chapter's content and outline the supporting topics

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for reference. It is important for students to be able to connect social media to real world examples as it is conveyed in the chapter; therefore, the grading rubric focuses on this.

MARKETING ANALYTICS EXERCISE

Have students complete the *Connect* exercise in Chapter 2 that focuses on a key marketing analytics measure: return on marketing investment (ROMI).

ETHICAL CHALLENGE

Fantasy sports are played by millions of Americans each year, generating billions of dollars in revenue. In the last decade, daily fantasy sites like FanDuel and DraftKings grew in popularity. To play, competitors assemble a roster of real-life players; competitors win prizes based on how well their combination of real-life players performs on the field. Broadly, the daily and weekly games require an entry fee, usually anywhere from 25 cents to $1,000, and prizes can reach millions.

Whether this constitutes sports betting, which is illegal in all but four states, has been a hotly contested issue. The 2006 federal legislation that prohibited online gambling made an exception for fantasy sports, which legislators said requires more skill than luck. That was before the advent, and massive growth, of daily fantasy sports.

In 2015, a *New York Times* story reported that a DraftKings employee may have used proprietary information to win money—most recently, $350,000 on a $25 entry fee—at FanDuel. The revelation unsettled fantasy sports players, as well as investors in both companies, which are privately held and were valued at more than $1 billion each in 2015.

Corporate investors in DraftKings include Major League Soccer, 21st Century Fox Inc., and Madison Square Garden. Corporate investors in FanDuel include KKR & Co. LP and Comcast Corp. Both of these fantasy sites are sponsors for a variety of professional sports leagues and ESPN.

Student Task:

1. Analyze the reasons for the success of daily fantasy sports from a marketing perspective. Who are the most likely participants in this type of contest? (Answer: A study on the demographics and psychographics of fantasy sports websites can indicate prime users of DraftKings and FanDuel. By tapping into the widely popular sports industry, value is created by associating gambling to managing one's own sports team.)
2. Use the ethical decision-making framework to analyze Major League Baseball's investment in DraftKings. (Answer: A decision-maker would have to consider the cultural effects of offering gambling services knowing there are consumers who have gambling problems. Here is an example where knowing the laws in the industry is required and careful consideration of risk management should be considered.)
3. If you were a marketer for the NCAA, would you look to develop a strategic partnership with daily fantasy league sites? Explain your answer. (Answer: Open ended, student answers will vary; To consider: market potential, legal situations, and requirements)

Source: Christie Smythe, Keri Geiger, and Scott Soshnick. "FanDuel Turns to Ex-Attorney General in Fantasy Sports Probe," Bloomberg.com, October 7, 2015.

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VIDEO CASE

Have students go to *Connect* to access the video case featuring Ford Motor and Potbelly Sandwich Shop Company that accompanies this chapter.

CAREER TIPS

To help students think about how to market themselves and develop their social skills, follow this insight.



Photo provided by Michael Friloux.

Michael Friloux, *Senior Vice President of Business Development* at **Citynet,** encourages you to spend time considering two things that many college graduates don't fully appreciate: the power of questions and the importance of people skills.

1. The Power of Questions: When in doubt, always ask the question.
2. The Importance of People Skills: It's important to cultivate positive and productive interactions with everyone you work with.

Review with students:

- What resources can be used to find the types of questions asked?
- What activities can you do now to give you the people skills needed?

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Marketing 2e: Social Media Application Grading Rubric

These activities will ask students to analyze the social media activities of organizations they are familiar with. During these class days, students are encouraged to bring in smartphones, laptops, and tablets so the social media strategies from the perspective of the consumer (those being marketed to) can be evaluated. This allows students to pull in real-world, current findings into the class, and better enables students to partake in class discussion and relation to the chapter's material.

Teaching Recommendation: Social Media Application class days should precede the course exam. There are 16 groups as there are 16 chapters in the text. After working on the worksheets as a group for 25 minutes, students will be called on via random assignment to provide their answers aloud a minimum of one time in the semester (@ 10 points). Each student from the group must respond to receive points. Rubric below:

Points	5	3	0	TOTAL SCORE
Answer:	Student is able to answer the question well and provide an example.	Student answered the question SOMEWHAT. Example provided is MEDIOCRE.	Student was NOT able to answer the question, and did NOT provide an example.	
Relate:	Student related their example to the chapter material. Advanced preparation is evident.	Student SOMEWHAT related their example to the chapter material. Advanced preparation is SOMEWHAT evident.	Student did NOT relate their example to the chapter material. NO advanced preparation evident.	

Group #	Name	Chapter #	ANSWER	RELATE	TOTAL	Chapter #	ANSWER	RELATE	TOTAL
1									
1									
1									
2									
2									
2									
3									
3									
3									
4									
4									
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Group #		Chapter #	ANSWER	RELATE	TOTAL	Chapter #	ANSWER	RELATE	TOTAL
11									
11									
11									
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Chapter 2: Strategic Planning

Students should use this Learning Worksheet to prepare for class discussion and take notes.

CHAPTER FORECAST

This chapter explores the importance of strategic planning in marketing. Executing a thoughtful strategic marketing plan is the most likely path to sustainable business success. The chapter examines the role of a mission statement, situation analysis, marketing strategy, global marketing strategy, and other elements of an effective marketing plan. The appendix that follows the chapter presents a complete sample marketing plan.

LEARNING OBJECTIVES

LO 2-1 Discuss the importance of strategic planning for marketing.
LO 2-2 Analyze the characteristics of an effective mission statement.
LO 2-3 Outline the five main components of the marketing plan.
LO 2-4 Explain three tools and techniques for the situation analysis: market summary, SWOT analysis, and competition analysis.
LO 2-5 Explain the basic tool and techniques of marketing strategy: segmentation, strategic direction, and the marketing mix.
LO 2-6 Discuss the strategic decisions involved in reaching international consumers.
LO 2-7 Describe the use of four key marketing analytics: return on marketing investment (ROMI), revenue analysis, market share analysis, and profitability analysis.

KEY TERMS

competitive advantage
direct ownership
diversification
exporting
financial projections
franchising
joint venture
licensing
market development
market penetration
market segmentation
market segments
market share analysis
market summary
marketing analytics
marketing plan
mission statement
opportunities (in SWOT analysis)
positioning
product development
profitability analysis
return on marketing investment (ROMI)
revenue analysis
situation analysis
strategic plan
strategic planning
strategy
strengths (in SWOT analysis)
SWOT analysis
target market
threats (in SWOT analysis)
weaknesses (in SWOT analysis)

THOUGHT-PROVOKING ACTIVITY

Set 1: What is a mission statement? Provide an example of a mission statement in a franchise.

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Set 2: What is the BCG matrix? With each of the four sections, provide an example.

CONTENT OUTLINE

The following section provides the flow of information using the LEARNING OBJECTIVES as a guide, FIGURES as a visual to elaborate on key areas, and KEY TERMS learners will need to take away from the course, and creates an opportunity for you to take LECTURE NOTES.

EXECUTIVE PERSPECTIVE NOTES Josh Brown, *Partner and Co-Owner*, Haag Brown Commercial Real Estate
How is marketing relevant in his role? What does he mean by saying, "...stay close to the coach and be ready to play?"

LO2-1: The Importance of Strategic Planning

- Essential to meeting both professional and personal objectives because it greatly increases the likelihood of success
- What does strategic planning mean? *To plan with strategy.*
- Strategic planning – process of thoughtfully defining a firm's objectives and developing a method for achieving those objectives
    - A continuous process – shifting conditions, customer needs and competitive threats are always present
    - Helps us to ensure that marketers select and execute the right marketing mix to maximize success
- Strategic plan – organization's plans for key functional areas, such as marketing, human resources, finance, and risk management

Strategic planning is essential to meeting both professional and personal objectives. In the same way that a strategic plan will help you accomplish your goal of earning a college degree, a firm's strategic plan helps guide it to success.

Figure 2.1 Elements of a Strategic Plan INSIGHT QUESTIONS
How often should firms go through strategic planning?
(Answer: Firms must continually modify their strategies as conditions shift.)
How is the marketing mix affected by strategic planning?
(Answer: It helps marketers select and execute the right marketing mix strategies to maximize success.)
How formal should the strategic planning process be, and who should be included?

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(Answer: open ended, student answers will vary; it should be well documented, and a representative from each department should be included in decision-making)

LO 2-2: Mission Statement

- First part of a quality marketing plan
- A concise affirmation of the firm's long-term purpose, and provides employees with a shared sense of ambition, direction, and opportunity
- Drives other decisions a firm makes, including how to best get goods and services to consumers
- Consider the following questions – they are challenging yet important:
    - What is our business?
    - Who is our customer?
    - What is our value to the customer?
    - What will our business be?
    - What should our business be?
- Three primary characteristics of a good mission statement:
    - Focus on a limited number of goals
    - Customer oriented, satisfying the basic customer needs and wants
    - Capture a shared purpose and provide motivation for employees

THINK LIKE A MARKETER Find an example of a "bad" mission statement. What makes it "bad"? How could it be better?
THINK LIKE A MARKETER What do you think of a company not having a mission statement?

In pursuit of its mission statement to build the best products and implement environmentally friendly solutions, Patagonia partners with a Long Beach company, Upcycle It Now, to deconstruct old rain coats and fleece jackets and use them to create dog attire.

LO2-3: The Marketing Plan

Marketing plan – action-oriented document/playbook that guides the analysis, implementation, and control of the firm's marketing strategy

- Primary strategic planning tool
- Contains input, guidance, and review from various departments, employees
- Essential that all departments know the plan
- Format will vary

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Contains (all grounded by the mission statement):

- Executive summary
- Situation analysis
- Marketing strategy
- Financials
- Controls

Figure 2.2 *Key Components of the Marketing Plan* INSIGHT QUESTIONS
Who is involved in developing the marketing plan
(Answer: Most departments in a firm, not just the marketing department.)
What types of objectives should be considered in the marketing strategy?
(Answer: specific, measurable, and realistic objectives)
Should a marketing plan have a short-term or long-term vision?
(Answer: Both, and it should tie into the organization's mission for long-term sustainability.)

Key Components of the Marketing Plan

- Executive summary:
  - Synopsizes the marketing plan's main points in 1–2 pages
  - Briefly discuss the basic ideas and strategies behind your plan
  - Completed last
  - *Elevator pitch* of the marketing plan

THINK LIKE A MARKETER
What's your elevator pitch? (Recall your work from Chapter 1's Personal Marketing Plan exercise.)

- Situation analysis:
  - Foundation of the marketing plan (current situation understood so the firm can best move forward)
  - Analyzes the environment with the following key sections:
    - Market summary – describes the current state of the market.
      - A *market* is the group of consumers or organizations that is interested in and able to buy a particular product.
      - Understanding where a market is and where it might be going gives organizations a view of what resources to invest where.
    - SWOT analysis – an evaluation of a firm's strengths (S), weaknesses (W), opportunities (O), and threats (T)
    - Competition analysis – lists the firm's direct competitors

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- *Indirect competitors* are those that can take market share as macro trends or consumer preferences change
- Easier to identify direct competitors

- Marketing Strategy:
  - Strategy – set of actions taken to accomplish organizational objectives based on the mission
  - Defines the target market and outlines the positioning and marketing mix strategies based on specific, measurable, and realistic objectives
  - Lists the actions the firm must take to accomplish the marketing objectives it established in its mission statement and strategic planning
  - Can lead to higher profits, strong brands, larger market share
- Financials:
  - Details the financial projections, including the sales and expense forecasts and break-even analysis
  - Can include numerous items, but all should contain the following:
    - Sales Forecast – projects how many units of a product expected to sell during a specific time period
    - Expense Forecast – estimate of the costs the company will incur to create, communicate, and deliver the product
      - Needed so resources can be allocated, and to know when the product will become profitable
    - Break-Even Analysis – combines the data provided in the previous two so the company can estimate how much it needs to sell to cover all expenses
- Controls:
  - Proposes how to monitor and adjust the plan through the following key items:
  - Implementation:
    - Detailed account of how specific actions of the marketing plan will be carried out and who will be responsible for carrying it out
    - Plan is only good if implemented well
    - Each part should be tied back to the marketing strategy and objectives in the mission statement
    - Adjustments may be necessary
  - Organizational Structure:
    - What specific departments should be responsible that fall under their control?
    - Helps clarify ownership, accountability, and drive positive results
  - Contingency Planning:
    - Actions a company will take if the initial marketing strategy does not achieve results
    - Monitor progress, and change course when necessary

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LO2-4: Tools and Techniques for the Situation Analysis

Market Summary

- Sets the stage for the situation analysis section of the marketing plan
  - Ex: McDonald's – look at size of fast food market in the U.S. and how rapidly #s are growing or declining
- Should provide perspective on important marketplace trends
  - Ex: McDonald's – look at eating habits of baby boomers and millennials
- Growth opportunities internationally and potential sales through international expansion would also be considered

BCG Matrix

- Popular analysis tool to describe a current market
- Graphically depicts the strength and attractiveness of a market
- Combines two elements: market growth and relative market share
- Result: four unique product categories (stars, cash cows, question marks, and dogs/problem child)

Figure 2.3 *The Boston Consulting Group Matrix* INSIGHT QUESTIONS
What does the BCG Matrix determine?
(Answer: where its product will fall in the marketplace and serve as a starting point for developing marketing strategies to address that market position)
What quadrant would represent the Apple iPad?
(Answer: star)
What quadrant would represent a new iPhone application?
(Answer: question mark)

- Star
  - Combine large market share in an industry with a high growth rate
  - Generally have to invest heavily in marketing to communicate value as the industry continues to grow
  - Ex: Apple's iPhone
- Cash cow
  - Products that have a large market share in an industry with low growth rates
  - Marketers may decide to allocate only enough marketing resources to keep sales strong without increasing product-development and costs or negatively affecting profits
  - Ex: MP3 player
- Question mark
  - Small market share in a high-growth industry
  - Typically new to the market

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  - Require significant marketing investment in promotion, product management, and distribution
  - Marketers for the new Apple Watch must move quickly and creatively to reach potential users before competitors develop comparable products
  - Have an uncertain future
  - Marketers must monitor the product's position to determine whether to continue allocating resources to it
  - Ex: new iPhone app
- Dog
  - Products that have small market share in industries with low growth rates
  - Typically should be discontinued – frees up resources for products with more profit potential
  - Ex: compact discs

SWOT Analysis

- An evaluation of a firm's **s**trengths, **w**eaknesses, **o**pportunities, and **t**hreats
- Most common mistake – failing to separate internal from external issues
- Internal considerations of the firm
  - Strengths – internal capabilities that help the company achieve its objectives
    - Brand recognition
    - Brand reputation
    - Effective supply chain strategy
    - Long-term profitability
  - Weakness – internal limitations that prevent/disrupt the firm's ability to meet objectives
    - Inflexible to market changes
    - Difficult to find and retain employees
    - Drive to achieve shareholder value conflicts with CSR
- External considerations of the environment
  - Opportunities – external factors that firm can capitalize to meet or exceed objectives
    - Internal expansion
    - Positive environmental commitments
    - CSR committee
    - Public interest in ethical and sustainable business practices
  - Threats – current and potential external factors that may challenge the firm's short and long-term performance
    - Weak economy – fewer people dining out
    - Consumer trend to choose healthier options
    - Contributes to global warming
    - Health concerns
    - Increased production costs
  - What happens next?

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- How can the firm use its strengths to take advantage of opportunities?
- How can the firm overcome weaknesses that keep it from taking advantage of opportunities?
- How can the firm use its strengths to reduce the impact of threats?
- How can the firm overcome weaknesses that will make threats a reality?

Table 2.1 *Example SWOT Analysis for McDonald's* INSIGHT QUESTIONS
Which elements of a SWOT analysis are internal considerations?
(Answer: strengths and weaknesses)
Which elements of a SWOT analysis are external considerations?
(Answer: opportunities and threats)
What key words or action-oriented words do you see in the example?
(Answer: effective, rigorous, flexible, promotes, positive, contributes)
What qualitative and quantitative measures exist in the example SWOT analysis?
(Answer: open ended, student answers will vary; for example, brand awareness, number of international locations and sales numbers in international markets, operating and production costs, employee satisfaction and turnover rates, perception of the brand and its products)

CONNECT BACK: Reference Connect Application Exercise 2-1
In a real SWOT analysis, what resources will you use to compose your SWOT analysis?
(Answer: open ended, student answers will vary; for example, friends and family members, professors and current/past employers)
For measurement and analysis, figure out which elements are quantitative, and which ones are qualitative.
(Answer: open ended, student answers will vary; Figuring out how each element of the SWOT analysis is measured is just as important as the content itself.)
When should a SWOT analysis be conducted? Think in terms of frequency, product development and strategic planning.
(Answer: open ended, student answers will vary; no less than once a year)

Competition Analysis

- Clearly state the firm's direct and indirect competition; including vulnerability, addressing market share
- Thoughtful and thorough analysis
- Direct competitors – describe the relative products to the brand
    - Market research can provide key data for this section
- Indirect competitors – comparative products of the brand
    - Tend to be overlooked or ignored completely

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When completing a situation analysis, it's just as important for a firm like McDonald's to analyze indirect competitors, such as Panera Bread, as it is to analyze direct competitors, such as Burger King.

LO2-5: Basic Tools and Techniques of Marketing Strategy

- Marketing strategy lists the specific actions the firm must take to accomplish the marketing objectives it has established
- The effectiveness depends on the clarity of the short- and medium-term objectives the firm has defined
- Three basic characteristics:
    - Specific – increase ad revenues. By how much? By when? How does the marketing strategy relate?
    - Measurable – Is the strategy working?
    - Realistic – attainable goals that illustrate a serious, do-able marketing plan

Segmentation, Target Markets, and Positioning

- Market segmentation – process of dividing a large market into smaller groups
    - Plays an important role in the success of almost every organization in the U.S. and throughout the world
- Market segments – smaller groups of consumers who have shared characteristics and similar product needs
- Target market – group of customers toward which an organization has decided to direct its marketing efforts
    - Large and small, depending on business size
    - Multinational company – firm with multiple target markets that operates in two or more countries
- Positioning activities – Activities a firm undertakes to create a certain perception of its product in the eyes of the target market
    - Success can be dependent on this
    - Consider the competition, needs and wants of the target market, and the element of desire/uniqueness of the good/service

Strategic Direction

- Based on the product and industry related to the market

Figure 2.4 *The Four Basic Categories of Market Growth Strategies* INSIGHT QUESTIONS
Which strategy involves encouraging current customers to buy more each time they patronize a store or to buy from the store on a more frequent basis?
(Answer: market penetration)
Which strategy did Dr Pepper Ten use in their campaign launch of, "It's not for women?"
(Answer: product development)

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Which strategy focuses on selling existing goods and services to new customers?
(Answer: market development)
List three examples of companies that have used the diversification strategy.
(Answer: open ended, student answers will vary; for example, Disney)

- Market penetration
  - Selling more of existing goods and services to existing customers
  - Involves encouraging current customers to buy more each time they patronize a store or to buy from the store on a more frequent basis
  - Ex: Pizza Hut Big Dinner Box
- Product development
  - Creating new goods and services for existing markets
  - Ex: Dr. Pepper Ten
- Market development
  - Selling existing goods and services to new customers
  - Ex: Wal-Mart International
- Diversification
  - Attract new customers by offering new products that are unrelated to the existing products produced by the organization
  - Ex: Disney offering ABC and ESPN, vacation properties

International expansion is an increasingly necessary part of a successful market development strategy for small firms as well as retailers like Wal-Mart.

CONNECT BACK: Reference Connect Application Exercise 2-2
Which strategies can be used to enter into international markets?
(Answer: all)
List two examples of organizations that have implemented each one of the four strategies. Which strategy is easiest to identify?
(Answer: open ended, student answers will vary; for example, Apple and Starbucks)

Marketing Mix

- How does the marketing mix support the strategy?
- Combination of activities that a firm can do to influence demand for its good or service
- Product
  - Detailed description of the product being offered
  - Goods, services, and related items (warranties/guarantees)

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    - Can possess a competitive advantage – when customers perceive that it has more value than other products in its category; can be short-lived if competitors are quickly able to offer the same or better features
        - Firm's real goal is to develop products that achieve sustainable competitive advantage – outperform competitors over a long period of time
- Promotion
    - How the firm will communicate the value of a product
    - Builds on the strength of the product section and references the specific promotional tools to reach the target market
    - References the specific promotional tools—advertising, sales promotion, personal selling, or public relations—the firm will use to reach its target market
- Distribution/Place
    - Where and when value will be delivered, at destinations – when, where, and at what time consumers want to consume it
    - Should outline the different companies, people, and technologies that will be involved in the process of delivering (supply chain and logistics)
    - Ex: in 2015 McDonald's began serving breakfast all day in response to customer requests, including over 120,000 requests on Twitter

McDonald's made the strategic decision in 2015 to shift toward using only cage-free eggs. The company faces a distribution challenge because fewer than 10 percent of the nation's laying hens were categorized as "cage-free" at the time of the announcement. It could take McDonald's up to a decade to reach its goal of having 100 percent cage-free eggs in its products.

- Pricing
    - How much each consumer will pay and why that price was selected

CONNECT BACK: Reference Connect Application Exercise 2-3
Should social media strategies always be included in a company's marketing plan since it is a popular medium?
(Answer: not necessarily, and only if the demographics of the platform align)
How would you determine the social media platform a company should use (i.e., Facebook, Twitter, LinkedIn, YouTube, Snapchat, Pinterest, etc.)? Should they use all of them?
(Answer: open ended, student answers will vary; check out the competitors and what platforms they are on; start with one platform and slowly add on others that are aligned socioculturally)

LO2-6: Marketing Strategy in a Global Context

- Globalization is the new reality
- As a result, a firm's strategic planning process must consider what, if any, international presence the firm wants to pursue.

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THINK LIKE A MARKETER
How do firms enter foreign markets?

Figure 2.5 *International Market Entry Strategies* INSIGHT QUESTIONS
What is the least risky option for entering international markets?
(Answer: exporting)
Which strategy offers marketers the advantages of expanding the reach of their products quickly in a low cost way?
(Answer: licensing)
Which strategy is an attractive method of entering foreign markets because its licensees assume the majority of the capital costs and human resource issues?
(Answer: franchising)
Which strategy works best when the partners' strategic goals align, their competitive goals diverge, and they are able to learn from one another without infringing on each other's proprietary skills?
(Answer: joint venture)
What is the riskiest method of entering an international market?
(Answer: direct ownership)

Five major strategic options for entering the international marketplace – each offers a unique risk and reward:

- Exporting – selling domestically produced products to foreign markets
  - Least risky option
  - Small companies account for 98% of all U.S. exporters
- Licensing – legal process where one firm pays to use/distribute another firm's resources (products, trademarks, patents, intellectual property, proprietary knowledge)
  - Advantage of expanding the reach of products quickly at a low cost
  - Riskier than exporting:
    - May be inadvertently creating a future competitor
    - Shares information and the right to use its proprietary technology, which may be used in the future
    - Could potentially misuse trademarks
- Franchising – contractual arrangement in which the franchisor provides the franchisee the right to use its name, marketing, and operational support in exchange for a fee and share of the profits
  - Attractive model because franchisees assume most of the capital costs and human resource issues

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  - Franchisor provides knowledge and information about running the business, which increases likelihood of success
- Joint Venture – domestic firm partnership with a foreign company to create a new entity, allowing the domestic firms to enter the foreign market
  - Riskier than previously mentioned options
  - Work best when partners align with strategic goals, competitive goals diverge, and can learn from one another
  - Inherent risks: culture clashes, mistrust over proprietary knowledge, conflict over new investments, disagreements on how to share revenue and profits

Burger King allows franchisees to offer specific products in Japan, such as the "Aka Samurai Chicken" and "Aka Samurai Beef," to better satisfy local customer tastes.

- Direct Ownership – requires a domestic firm to actively manage a foreign company or overseas facility
  - Riskiest method
  - Good option when the firm sees substantial sales potential in the international market, very little political risk, and similarities between domestic and foreign cultures

CONNECT BACK: Reference Connect Application Exercise 2-4
What key factors determine the market strategy?
(Answer: open ended, student answers will vary; risk level desired, opportunity and resource availability; consumer research can also dictate the strategy chosen)
Do the same risks exist for small companies and large companies?
(Answer: open ended, student answers will vary; no, smaller companies may incur larger risk because resources are limited)
How do rewards differ for small and large companies?
(Answer: open ended, student answers will vary; larger companies may have more resources and expertise available)

LO2-7: Marketing Analytics

- Practice of measuring, managing, and analyzing marketing performance
- Goal: maximize marketing effectiveness and optimize return on investment
- Enables organizations to measure and evaluate marketing outcomes, and therefore the marketing strategy is more accountable

THINK LIKE A MARKETER What types of marketing data should firms analyze? (Hint: Think of the marketing mix.)

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Return on Marketing Investment

- Used to ensure the firm's expenditures produce results
- Return on marketing investment (ROMI) – measure of the firm's effectiveness in using the resources allocated to its marketing effort
- Indicates the rate at which spending on marketing contributes to profits
    - Sales – all of the revenue generated by core and noncore business activities
    - Gross margin – equals the difference between price (the amount paid by the customer) and cost (the amount required to produce the good or service), which is expressed as a percentage
        - Subtract the cost of goods sold per unit from the selling price of the item, divided by the selling price
    - Marketing expenditures – amount of money spent on all marketing activities during a specified period of time

Revenue Analysis

- Measures and evaluates revenue from specific products or regions
- Goal: pinpoint what is working and what is not, relative to the objectives of the organization

Market Share Analysis

- Indicates market share – percentage of the total market sales captured by a brand, product, or firm
- Provides marketers with a quick look at how they are performing relative to their competitors
- Typically depicted using a pie graph

Figure 2.6 *Auto Manufacturer Market Share in the U.S., 2009 and 2015* INSIGHT QUESTIONS
What does market share measure?
(Answer: the firm's sales as a *percentage* of total market sales)
What does it not measure?
(Answer: the size of market sales)
What impacts market share?
(Answer: open ended, student answers will vary; for example, technology, ability to innovate, consumer interest)

Profitability Analysis

- *Profits* are the positive gain from a business operation after subtracting all expenses
- Profitability analysis – measures how much profit the firm generates
- Can be broken down to measure the profit contribution of regions, channels, or customer segments
- Marketers often use two important metrics to evaluate profitability

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- Customer acquisition – measures how much the firm spent to gain new customers
  - Typically includes spending on marketing advertising, public relations, and sales
- Individual customer profitability – profit a firm makes from a customer over a specified period of time

TODAY'S PROFESSIONAL NOTES
Tyler Cornwell, *Development Coordinator,* The Red Wolves Foundation
What does he mean by "always think – think about everything"?

MARKETING PLAN EXERCISE

Your Marketing Plan. In this chapter we discussed the elements and importance of the situation analysis. The next step in developing a full marketing plan for yourself is to conduct a SWOT analysis on yourself. It should tie back to the objectives you developed at the end of Chapter 1. Be sure to think through each element and honestly assess where you are today. This will help you focus on what you need to accomplish over the rest of your college career.

- **Strengths.** Most people have some notion of their strengths—maybe you're an effective public speaker, pay a great deal of attention to detail, or work well with others, for example. It's likely that you've had those strengths reinforced by those around you over the course of your life.
  - To effectively complete the strengths part of your personal SWOT analysis, list three to five strengths that you possess that will most affect your ability to achieve the objectives you identified in Chapter 1.
- **Weaknesses.** Most people are very honest about their strengths but are typically far less likely to be aware of, or to acknowledge, their weaknesses. Corporate recruiters often tell humorous stories about the responses they receive when asking new college graduates about their biggest weaknesses. Answers range from "I care too much," or "I am too smart for my group members," to "I am too attractive to have many friends." (Any of these responses might produce a negative impression in a job interview, by the way.)
  - Give serious consideration to your personal weaknesses, and then list three to five weaknesses that will affect your ability to achieve your objectives. By properly identifying your weaknesses, you can begin to plan strategically how to overcome them or, at the very least, minimize their influence on your career objectives.
- **Opportunities.** As the global economy changes, you will enter a job market very different from the one faced by previous generations. It is important to honestly assess your opportunities. Ask yourself questions like, What jobs in my major are most in demand? What internship openings are there, and how might those put me in a better position to find my dream job? If your goal is to attend graduate school, what kinds of scholarships, assistantships, or enrollment opportunities are out there for you?
  - For this part of the SWOT analysis, identify three to five external opportunities that could potentially benefit you in your professional development.
- **Threats.** Assessing threats is an essential part of developing a strategic plan for your professional future. If the economy goes into a recession at the same time you graduate, for example, your earnings growth could be reduced for years to come. By examining what potential threats could affect your professional development and creating contingency plans, you will be in a better position to succeed in your pursuit of a job.
  - Describe three to five threats that could affect your ability to achieve your objectives.

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Your Task: You've now listed three to five strengths, weaknesses, opportunities, and threats that could affect your professional development. For each weakness and threat you identify, include a brief one- to two-sentence description of how you might overcome the challenge associated with it.

Instruct students to insert their responses to the above in Chapter 2's section of the Personal Marketing Plan.

Chapter 2	**SITUATION ANALYSIS** SWOT Analysis *Strengths* • • • • *Weaknesses* • • • • *Opportunities* • • • • *Threats* • • • •

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Chapter 2: Strategic Planning

Use this Learning Worksheet to prepare for class discussion and take notes.

CHAPTER FORECAST

This chapter explores the importance of strategic planning in marketing. Executing a thoughtful strategic marketing plan is the most likely path to sustainable business success. The chapter examines the role of a mission statement, situation analysis, marketing strategy, global marketing strategy, and other elements of an effective marketing plan. The appendix that follows the chapter presents a complete sample marketing plan.

LEARNING OBJECTIVES

LO 2-1 Discuss the importance of strategic planning for marketing.
LO 2-2 Analyze the characteristics of an effective mission statement.
LO 2-3 Outline the five main components of the marketing plan.
LO 2-4 Explain three tools and techniques for the situation analysis: market summary, SWOT analysis, and competition analysis.
LO 2-5 Explain the basic tool and techniques of marketing strategy: segmentation, strategic direction, and the marketing mix.
LO 2-6 Discuss the strategic decisions involved in reaching international consumers.
LO 2-7 Describe the use of four key marketing analytics: return on marketing investment (ROMI), revenue analysis, market share analysis, and profitability analysis.

KEY TERMS

competitive advantage
direct ownership
diversification
exporting
financial projections
franchising
joint venture
licensing
market development
market penetration
market segmentation
market segments
market share analysis
market summary
marketing analytics
marketing plan
mission statement
opportunities (in SWOT analysis)
positioning
product development
profitability analysis
return on marketing investment (ROMI)
revenue analysis
situation analysis
strategic plan
strategic planning
strategy
strengths (in SWOT analysis)
SWOT analysis
target market
threats (in SWOT analysis)
weaknesses (in SWOT analysis)

THOUGHT-PROVOKING ACTIVITY

Set 1: What is a mission statement? Provide an example of a mission statement in a franchise.

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Set 2: What is the BCG matrix? With each of the four sections, provide an example.

CONTENT OUTLINE

The following section provides the flow of information using the LEARNING OBJECTIVES as a guide, FIGURES as a visual to elaborate on key areas, and KEY TERMS learners will need to take away from the course, and creates an opportunity for you to take LECTURE NOTES.

EXECUTIVE PERSPECTIVE NOTES Josh Brown, *Partner and Co-Owner*, Haag Brown Commercial Real Estate
How is marketing relevant in his role? What does he mean by saying, "...stay close to the coach and be ready to play?"

LO2-1: The Importance of Strategic Planning

- Essential to meeting both professional and personal objectives because it _____ _____
- What does strategic planning mean? _____
- Strategic planning – _____ _____
  - A continuous process – shifting conditions, _____ are always present
  - Helps us to ensure that marketers select and execute the right marketing mix to maximize success
- _____ – organization's plans for key functional areas, such as marketing, human resources, finance, and risk management

_____ is essential to meeting both professional and personal objectives. In the same way that a strategic plan will help you accomplish your goal of earning a college degree, a firm's strategic plan helps guide it to success.

Figure 2.1 Elements of a Strategic Plan INSIGHT QUESTIONS
How often should firms go through strategic planning?

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How is the marketing mix affected by strategic planning?
How formal should the strategic planning process be, and who should be included?

LO 2-2: Mission Statement

- First part of a quality marketing plan
- A concise affirmation of the firm's _____, and provides employees with a shared sense of _____
- Drives other decisions a firm makes, including how to best get goods and services to consumers
- Consider the following questions – they are challenging yet important:
    - _____
    - _____
    - What is our value to the customer?
    - _____
    - What should our business be?
- Three primary characteristics of a good mission statement:
    - Focus on a _____
    - Customer oriented, satisfying the basic customer needs and wants
    - _____ and provide motivation for employees

THINK LIKE A MARKETER Find an example of a "bad" mission statement. What makes it "bad"? How could it be better?
THINK LIKE A MARKETER What do you think of a company not having a mission statement?

In pursuit of its _____ to build the best products and implement environmentally friendly solutions, Patagonia partners with a Long Beach company, Upcycle It Now, to deconstruct old rain coats and fleece jackets and use them to create dog attire.

LO2-3: The Marketing Plan

_____ – action-oriented document/playbook that guides the analysis, implementation, and control of the firm's marketing strategy

- Primary strategic planning tool
- Contains _____
- Essential that _____ know the plan

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- Format will vary

Contains (all grounded by the mission statement):

- _____
- Situation analysis
- Marketing strategy
- _____
- Controls

Figure 2.2 *Key Components of the Marketing Plan* INSIGHT QUESTIONS
Who is involved in developing the marketing plan
What types of objectives should be considered in the marketing strategy?
Should a marketing plan have a short-term or long-term vision?

Key Components of the Marketing Plan

- Executive summary:
  - Synopsizes the marketing plan's main points in _____ pages
  - Briefly discuss _____
  - Completed _____
  - _____ of the marketing plan

THINK LIKE A MARKETER
What's your elevator pitch? (Recall your work from Chapter 1's Personal Marketing Plan exercise.)

- Situation analysis:
  - Foundation of the marketing plan (current situation understood so the firm can best move forward)
  - Analyzes _____ with the following key sections:
    - _____ – describes the current state of the market.
      - A _____ is the group of consumers or organizations that is interested in and able to buy a particular product.

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- Understanding where a market is and where it might be going gives organizations a view of what resources to invest where.

▪ _____ – an evaluation of a firm's strengths (S), weaknesses (W), opportunities (O), and threats (T)

▪ _____ – lists the firm's direct competitors

- _____ are those that can take market share as macro trends or consumer preferences change
- Easier to identify _____ competitors

- Marketing Strategy:
  - Strategy – _____
  - Defines the target market and outlines _____ _____ based on specific, measurable, and realistic objectives
  - Lists the actions the firm must take to accomplish the marketing objectives it established in its mission statement and strategic planning
  - Can lead to higher profits, strong brands, larger market share
- Financials:
  - Details the financial projections, including the sales and expense forecasts and break-even analysis
  - Can include numerous items, but all should contain the following:
    - _____ – projects how many units of a product expected to sell during a specific time period
    - Expense Forecast – _____ _____
      - Needed so resources can be allocated, and to know when the product will _____
    - _____ – combines the data provided in the previous two so the company can estimate how much it needs to sell to cover all expenses
- Controls:
  - Proposes how to monitor and adjust the plan through the following key items:
  - Implementation:
    - Detailed account of _____ _____
    - Plan is only good if implemented well
    - Each part should be _____ and objectives in the mission statement
    - _____ may be necessary
  - Organizational Structure:
    - What specific departments should be responsible that fall under their control?
    - Helps clarify _____ and drive positive results

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- Contingency Planning:
  - Actions a company will take if the initial marketing strategy does not _____ _____
  - _____, and change course when necessary

LO2-4: Tools and Techniques for the Situation Analysis

Market Summary

- Sets the stage for the _____ section of the marketing plan
  - Ex: McDonald's – look at size of fast food market in the U.S. and how rapidly _____
- Should provide perspective on important marketplace trends
  - Ex: McDonald's – look at _____ of baby boomers and millennials
- _____ and potential sales through international expansion would also be considered

BCG Matrix

- Popular analysis tool to describe _____
- Graphically depicts _____
- Combines two elements: _____
- Result: four unique product categories (stars, cash cows, question marks, and dogs/problem child)

Figure 2.3 *The Boston Consulting Group Matrix* INSIGHT QUESTIONS
What does the BCG Matrix determine?
What quadrant would represent the Apple iPad?
What quadrant would represent a new iPhone application?

- _____
  - Combine large market share in an industry with a high growth rate
  - Generally have to invest _____ in marketing to communicate value as the industry continues to grow
  - Ex: Apple's iPhone
- Cash cow
  - _____
  - Marketers may decide to allocate only enough marketing resources to keep sales strong without increasing product-development and costs or negatively affecting profits

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- Ex: _____
- Question mark
  - _____
  - Typically _____
  - Require significant marketing investment in promotion, product management, and distribution
  - Marketers for the new Apple Watch must _____ _____ before competitors develop comparable products
  - Have an uncertain future
  - Marketers must monitor the product's position to determine _____ _____
  - Ex: new iPhone app
- _____
  - Products that have small market share in industries with low growth rates
  - Typically should be discontinued – _____ _____
  - Ex: compact discs

SWOT Analysis

- An evaluation of a firm's _____
- Most common mistake – _____
- _____ considerations of the firm
  - _____ – internal capabilities that help the company achieve its objectives
    - Brand recognition
    - Brand reputation
    - Effective supply chain strategy
    - _____
  - Weakness – _____
    - Inflexible to market changes
    - Difficult to find and retain employees
    - Drive to achieve shareholder value conflicts with CSR
- _____ considerations of the environment
  - Opportunities – external factors that firm can capitalize to meet or exceed objectives
    - Internal expansion
    - Positive environmental commitments
    - CSR committee
    - _____
  - Threats – _____ _____

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- _____
- Consumer trend to choose healthier options
- Contributes to global warming
- Health concerns
- Increased production costs

- What happens next?
  - _____
  - How can the firm overcome weaknesses that keep it from taking advantage of opportunities?
  - _____
  - How can the firm overcome weaknesses that will make threats a reality?

Table 2.1 *Example SWOT Analysis for McDonald's* INSIGHT QUESTIONS
Which elements of a SWOT analysis are internal considerations?
Which elements of a SWOT analysis are external considerations?
What key words or action-oriented words do you see in the example?
What qualitative and quantitative measures exist in the example SWOT analysis?

CONNECT BACK: Reference Connect Application Exercise 2-1
In a real SWOT analysis, what resources will you use to compose your SWOT analysis?
For measurement and analysis, figure out which elements are quantitative, and which ones are qualitative.
When should a SWOT analysis be conducted? Think in terms of frequency, product development and strategic planning.

Competition Analysis

- Clearly state the firm's _____; including vulnerability, addressing market share
- Thoughtful and thorough analysis

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- Direct competitors – describe the relative products to the brand
  - Market research can provide key data for this section
- _____ – comparative products of the brand
  - Tend to be overlooked or ignored completely

When completing a _____, it's just as important for a firm like McDonald's to analyze indirect competitors, such as Panera Bread, as it is to analyze direct competitors, such as Burger King.

LO2-5: Basic Tools and Techniques of Marketing Strategy

- _____ lists the specific actions the firm must take to accomplish the marketing objectives it has established
- The effectiveness depends on _____ the firm has defined
- Three basic characteristics:
  - _____ – increase ad revenues.. By how much? By when? How does the marketing strategy relate?
  - _____ – Is the strategy working?
  - _____ – attainable goals that illustrates a serious, do-able marketing plan

Segmentation, Target Markets, and Positioning

- _____ – process of dividing a large market into smaller groups
  - Plays an important role in the success of almost every organization in the U.S. and throughout the world
- Market segments – _____ _____
- _____ – group of customers toward which an organization has decided to direct its marketing efforts
  - Large and small, depending on business size
  - _____ – firm with multiple target markets that operates in two or more countries
- Positioning activities – _____ _____
  - Success can be dependent on this
  - Consider the _____ of the target market, and the element of desire/uniqueness of the good/service

Strategic Direction

- Based on the product and industry related to the market

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Figure 2.4 *The Four Basic Categories of Market Growth Strategies* INSIGHT QUESTIONS
Which strategy involves encouraging current customers to buy more each time they patronize a store or to buy from the store on a more frequent basis?
Which strategy did Dr Pepper Ten use in their campaign launch of, "It's not for women?"
Which strategy focuses on selling existing goods and services to new customers?
List three examples of companies that have used the diversification strategy.

- Market penetration
  - _____
  - Involves encouraging current customers to buy more each time they patronize a store or to buy from the store on a more frequent basis
  - Ex: Pizza Hut Big Dinner Box
- _____
  - Creating new goods and services for existing markets
  - Ex: _____
- Market development
  - _____
  - Ex: Wal-Mart International
- _____
  - Attract new customers by offering new products that are unrelated to the existing products produced by the organization
  - Ex: _____

_____ is an increasingly necessary part of a successful market development strategy for small firms as well as retailers like Wal-Mart.

CONNECT BACK: Reference Connect Application Exercise 2-2
Which strategies can be used to enter into international markets?
List two examples of organizations that have implemented each one of the four strategies. Which strategy is easiest to identify?

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Marketing Mix

- How does the marketing mix support the strategy?
- Combination of activities that a firm can do to influence demand for its good or service
- Product
  - _____
  - Goods, services, and related items (_____)
  - Can possess a _____ – when customers perceive that it has more value than other products in its category; can be short-lived if competitors are quickly able to _____
    - Firm's real goal is _____ _____ – outperform competitors over a long period of time
- Promotion
  - How the firm will communicate _____
  - Builds on the strength of the product section and references the specific promotional tools to reach the target market
  - References the specific promotional tools—_____ _____—the firm will use to reach its target market
- Distribution/Place
  - _____ _____
  - Should outline the different companies, people, and technologies that will be involved in the process of delivering (supply chain and logistics)
  - Ex: _____ _____

McDonald's made the _____ in 2015 to shift toward using only cage-free eggs. The company faces a _____ because fewer than 10 percent of the nation's laying hens were categorized as "cage-free" at the time of the announcement. It could take McDonald's up to a decade to reach its goal of having 100 percent cage-free eggs in its products.

- Pricing
  - _____

CONNECT BACK: Reference Connect Application Exercise 2-3
Should social media strategies always be included in a company's marketing plan since it is a popular medium?
How would you determine the social media platform a company should use (i.e., Facebook, Twitter, LinkedIn, YouTube, Snapchat, Pinterest, etc.)? Should they use all of them?

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LO2-6: Marketing Strategy in a Global Context

- _____ is the new reality
- As a result, a firm's strategic planning process must consider _____ _____.

THINK LIKE A MARKETER How do firms enter foreign markets?

Figure 2.5 *International Market Entry Strategies* INSIGHT QUESTIONS
What is the least risky option for entering international markets?
Which strategy offers marketers the advantages of expanding the reach of their products quickly in a low cost way?
Which strategy is an attractive method of entering foreign markets because its licensees assume the majority of the capital costs and human resource issues?
Which strategy works best when the partners' strategic goals align, their competitive goals diverge, and they are able to learn from one another without infringing on each other's proprietary skills?
What is the riskiest method of entering an international market?

Five major strategic options for entering the international marketplace – each offers a unique risk and reward:

- Exporting – _____
  - _____risky option
  - Small companies account for _____% of all U.S. exporters
- _____– legal process where one firm pays to use/distribute another firm's resources (products, trademarks, patents, intellectual property, proprietary knowledge)
  - Advantage of expanding the reach of products quickly at a low cost
  - Riskier than exporting:
    - _____
    - Shares information and the right to use its proprietary _____, which may be used in the future
    - Could potentially misuse _____

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- _____ – contractual arrangement in which the franchisor provides the franchisee the right to use its name, marketing, and operational support in exchange for a fee and share of the profits
    - Attractive model because _____ _____
    - Franchisor provides knowledge and information about running the business, which _____
- Joint Venture – _____ _____
    - Riskier than previously mentioned options
    - Work best when _____ _____
    - Inherent risks: _____ _____

Burger King allows _____ to offer specific products in Japan, such as the "Aka Samurai Chicken" and "Aka Samurai Beef," to better satisfy local customer tastes.

- Direct Ownership – requires a domestic firm to actively manage a foreign company or overseas facility
    - _____ method
    - Good option when the firm sees _____, very little political risk, and similarities between domestic and foreign cultures

CONNECT BACK: Reference Connect Application Exercise 2-4
What key factors determine the market strategy?
Do the same risks exist for small companies and large companies?
How do rewards differ for small and large companies?

LO2-7: Marketing Analytics

- Practice of _____
- Goal: _____
- Enables organizations to measure and evaluate marketing outcomes, and therefore the marketing strategy is more accountable

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THINK LIKE A MARKETER What types of marketing data should firms analyze? (Hint: Think of the marketing mix.)

Return on Marketing Investment

- Used to _____
- Return on marketing investment (ROMI) – _____
  _____
- Indicates the rate at which _____
  - _____ – all of the revenue generated by core and noncore business activities
  - Gross margin – _____ (the amount paid by the customer) _____ (the amount required to produce the good or service), which is expressed _____
    - Subtract the cost of goods sold per unit from the selling price of the item, divided by the selling price
  - _____ – amount of money spent on all marketing activities during a specified period of time

Revenue Analysis

- Measures and evaluates _____
- Goal: _____

Market Share Analysis

- Indicates _____ – percentage of the total market sales captured by a brand, product, or firm
- Provides marketers with a quick look at how they are performing relative _____
- Typically depicted using _____

Figure 2.6 *Auto Manufacturer Market Share in the U.S., 2009 and 2015* INSIGHT QUESTIONS
What does market share measure?
What does it not measure?
What impacts market share?

Profitability Analysis

- _____ are the positive gain from a business operation after subtracting all expenses

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- Profitability analysis – _____
- Can be broken down to measure the profit contribution of _____ _____
- Marketers often use two important metrics to evaluate profitability
    - _____ – measures how much the firm spent to gain new customers
        - Typically includes spending on _____
    - _____ – profit a firm makes from a customer over a specified period of time

TODAY'S PROFESSIONAL NOTES
Tyler Cornwell, *Development Coordinator,* The Red Wolves Foundation
What does he mean by "always think – think about everything"?

MARKETING PLAN EXERCISE

Your Marketing Plan. In this chapter we discussed the elements and importance of the situation analysis. The next step in developing a full marketing plan for yourself is to conduct a SWOT analysis on yourself. It should tie back to the objectives you developed at the end of Chapter 1. Be sure to think through each element and honestly assess where you are today. This will help you focus on what you need to accomplish over the rest of your college career.

- **Strengths.** Most people have some notion of their strengths—maybe you're an effective public speaker, pay a great deal of attention to detail, or work well with others, for example. It's likely that you've had those strengths reinforced by those around you over the course of your life.
    - To effectively complete the strengths part of your personal SWOT analysis, list three to five strengths that you possess that will most affect your ability to achieve the objectives you identified in Chapter 1.
- **Weaknesses.** Most people are very honest about their strengths but are typically far less likely to be aware of, or to acknowledge, their weaknesses. Corporate recruiters often tell humorous stories about the responses they receive when asking new college graduates about their biggest weaknesses. Answers range from "I care too much," or "I am too smart for my group members," to "I am too attractive to have many friends." (Any of these responses might produce a negative impression in a job interview, by the way.)
    - Give serious consideration to your personal weaknesses, and then list three to five weaknesses that will affect your ability to achieve your objectives. By properly identifying your weaknesses, you can begin to plan strategically how to overcome them or, at the very least, minimize their influence on your career objectives.
- **Opportunities.** As the global economy changes, you will enter a job market very different from the one faced by previous generations. It is important to honestly assess your opportunities. Ask yourself questions like, What jobs in my major are most in demand? What internship openings are there, and how might those put me in a better position to find my dream job? If your goal is to attend graduate school, what kinds of scholarships, assistantships, or enrollment opportunities are out there for you?
    - For this part of the SWOT analysis, identify three to five external opportunities that could potentially benefit you in your professional development.

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- **Threats.** Assessing threats is an essential part of developing a strategic plan for your professional future. If the economy goes into a recession at the same time you graduate, for example, your earnings growth could be reduced for years to come. By examining what potential threats could affect your professional development and creating contingency plans, you will be in a better position to succeed in your pursuit of a job.
    - Describe three to five threats that could affect your ability to achieve your objectives.

Your Task: You've now listed three to five strengths, weaknesses, opportunities, and threats that could affect your professional development. For each weakness and threat you identify, include a brief one- to two-sentence description of how you might overcome the challenge associated with it.

Insert your responses to the above in Chapter 2's section of the Personal Marketing Plan.

Chapter 2	**SITUATION ANALYSIS** SWOT Analysis *Strengths* • • • • *Weaknesses* • • • • *Opportunities* • • • • *Threats* • • • •

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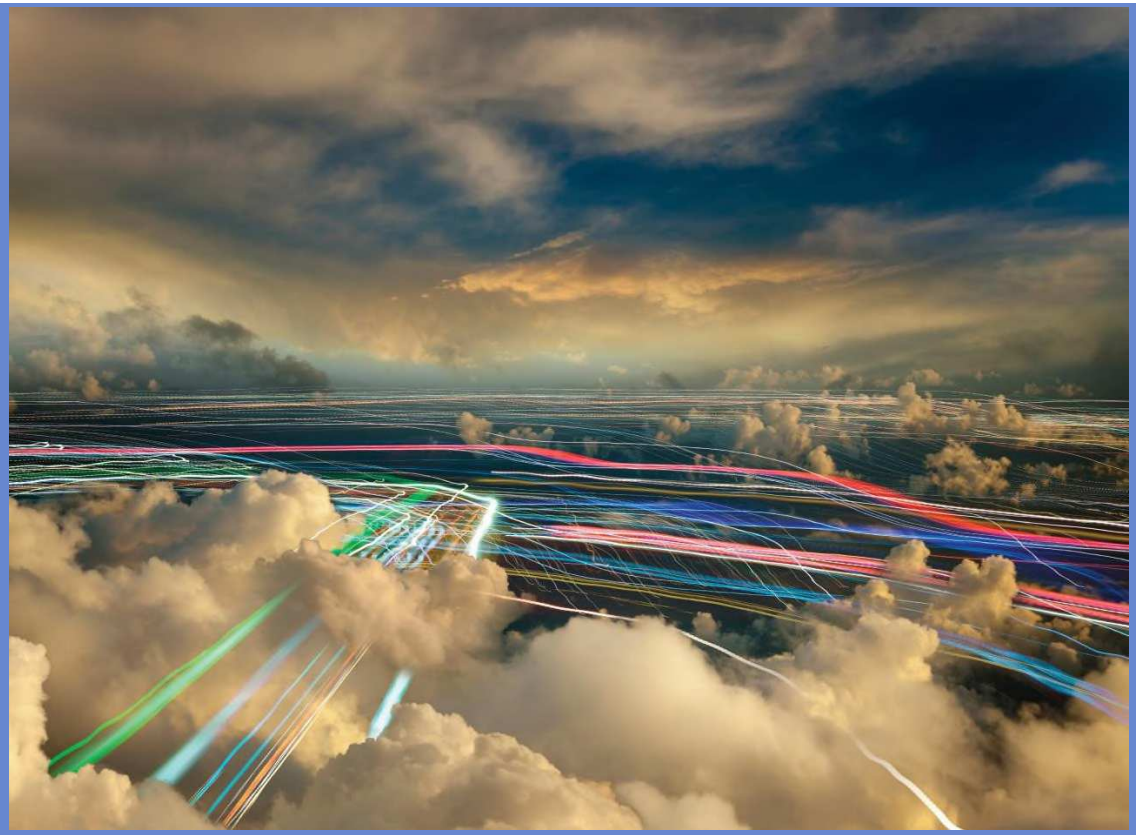
Marketing Principles 101



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Marketing in the 21st Century



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Chapter 2: Strategic Planning

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Learning Objectives

LO 2-1 Discuss the importance of strategic planning for marketing.

LO 2-2 Analyze the characteristics of an effective mission statement.

LO 2-3 Outline the five main components of the marketing plan.

LO 2-4 Explain three tools and techniques for the situation analysis: market summary, SWOT analysis, and competition analysis.

LO 2-5 Explain the basic tools and techniques of marketing strategy: segmentation, strategic direction, and the marketing mix.

LO 2-6 Discuss the strategic decisions involved in reaching international consumers.

LO 2-7 Describe the use of four key marketing analytics: return on marketing investment (ROMI), revenue analysis, market share analysis, and profitability analysis.

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Thought-Provoking Activity

- **READY?**
  - Do the activity. Answer the questions. Get points.
- **SET:**
  - You have 4 minutes
- **GO!**
  - Random selection of 2-3 students

1. What is a mission statement? Provide an example of a mission statement in a franchise.
2. What is the BCG matrix? For each of the four elements of the matrix, provide an example.

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Executive Perspective



Photo provided by Josh Brown

Josh Brown

Partner and Co-Owner

at Haag Brown Commercial Real Estate

- He credits his professional success with a background of winning at small things which boosted his confidence.
- Surround yourself with supporters and this starts with your family.
- Know that it is okay to start over when you fail.
- In real estate, you are marketing yourself. The client's ultimate investment is in the people, not the company.
- He wants his brand to reflect an air of activity and motion that revolves around the clients' desires and wishes.

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A Strategic Plan Will Help You Earn Your Degree

Strategic planning is essential to meeting both professional and personal objectives. In the same way that a strategic plan will help you accomplish your goal of earning a college degree, a firm's strategic plan helps guide it to success.



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LO2-1

The Importance of Strategic Planning

- Strategic planning
  - Defining a firm's objectives
  - Developing a method for achieving those objectives
- Strategic plan
  - An organization's plans for key functional areas
  - Shaped by an organization's mission

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Figure 2.1 Elements of a Strategic Plan



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LO2-2

Mission Statement

Mission Statement

- Describes a firm's markets and products or services
- Provides a shared sense of purpose, direction and opportunity
- It should:
  - Be focused on a limited number of goals
  - Be customer-oriented and focused on satisfying basic customer needs and wants
  - Capture a shared purpose and provide motivation for the employees of the firm

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Patagonia's Mission Statement



© Bethany Mollenkof/Los Angeles Times via Getty Images

In pursuit of its mission statement to build the best products and implement environmentally friendly solutions, Patagonia partners with a Long Beach company, Upcycle It Now, to deconstruct old rain coats and fleece jackets and use them to create dog attire.

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LO2-3

The Marketing Plan 1 of 2

Marketing plan

- Executive summary
- Situation analysis
  - Market summary
  - SWOT analysis
  - Competition analysis
- Marketing strategy

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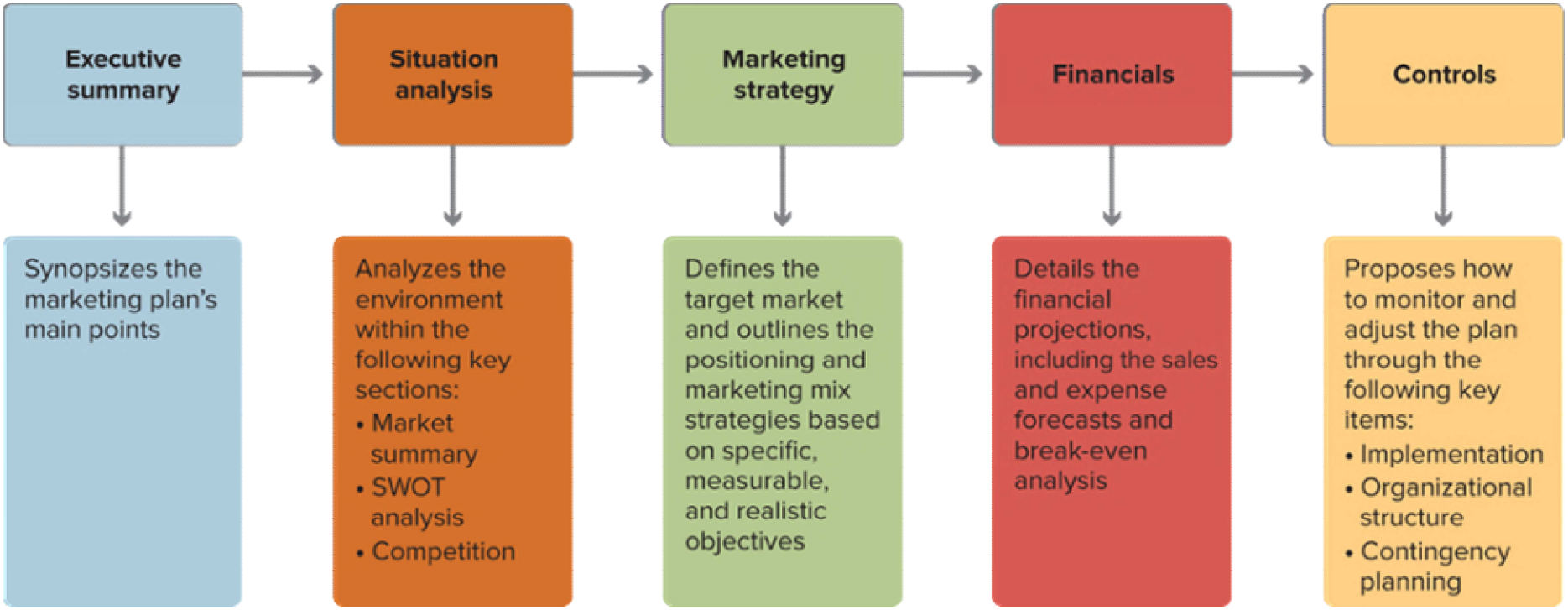
The Marketing Plan 2 of 2

Marketing plan (continued)

- Financials
  - Financial projections
  - Sales forecast
  - Expense forecast
  - Break-even analysis
- Controls
  - Implementation
  - Organizational structure
  - Contingency planning

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Figure 2.2 Key Components of the Marketing Plan



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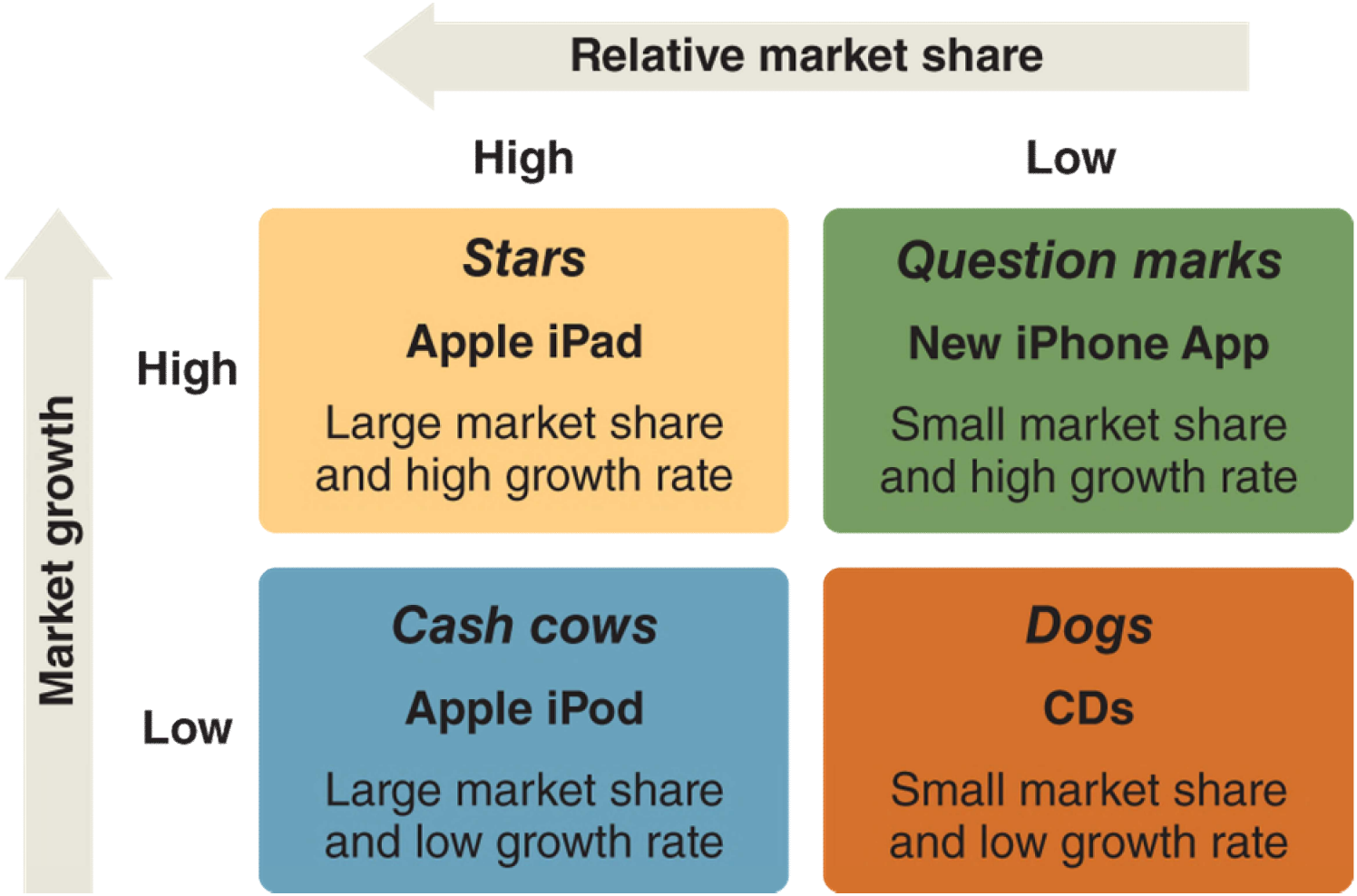
LO2-4

Tools and Techniques for the Situation Analysis 1 of 3

- Market summary
  - Sets the stage for situation analysis
  - Gives a perspective on marketplace trends
- BCG Matrix
  - Stars
  - Cash cows
  - Question marks
  - Dogs

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Figure 2.3 The Boston Consulting Group Matrix



Source: Adapted from The BCG Portfolio Matrix from the Product Portfolio Matrix, © 1970, The Boston Consulting Group.

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Tools and Techniques for the Situation Analysis

2 of 3

SWOT Analysis

- Internal considerations
  - Strengths
  - Weaknesses
- External environment
  - Opportunities
  - Threats

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McDonald's uses SWOT Analysis

Companies like McDonald's often complete a SWOT analysis to identify and evaluate their strengths, weaknesses, opportunities, and threats.



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Table 2.1 Example SWOT Analysis for McDonald's (1 of 2)

- Internal Considerations
  - Strengths:
    - Strong brand recognition
    - Long-term profitability and franchise system
    - Breakfast reputation
  - Weaknesses:
    - Difficulty finding and retaining quality employees
    - Perception of unhealthy food
    - Longer wait times

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Table 2.1 Example SWOT Analysis for McDonald's (2 of 2)

- External Considerations
  - Opportunities:
    - International expansion
    - Menu or service expansions
    - Public interest in ethical and sustainable business practices
  - Threats:
    - Weak economy cuts dining-out budgets
    - Increasing production costs
    - Health conscious of U.S. population

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Tools and Techniques for the Situation Analysis

3 of 3

Competition Analysis

- Direct competitors
- Indirect competitors

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Direct and Indirect Competitors

When completing a situation analysis, it's just as important for a firm like McDonald's to analyze indirect competitors, such as Panera Bread, as it is to analyze direct competitors, such as Burger King.



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LO2-5

Basic Tools and Techniques of Marketing Strategy 1 of 4

- Marketing strategy
- Quality marketing objectives
  - Specific
  - Measurable
  - Realistic

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Basic Tools and Techniques of Marketing Strategy 2 of 4

Segmentation, Target Markets, and Positioning

- Market segmentation
  - Market segments
- Target markets
- Positioning activities

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Basic Tools and Techniques of Marketing Strategy 3 of 4

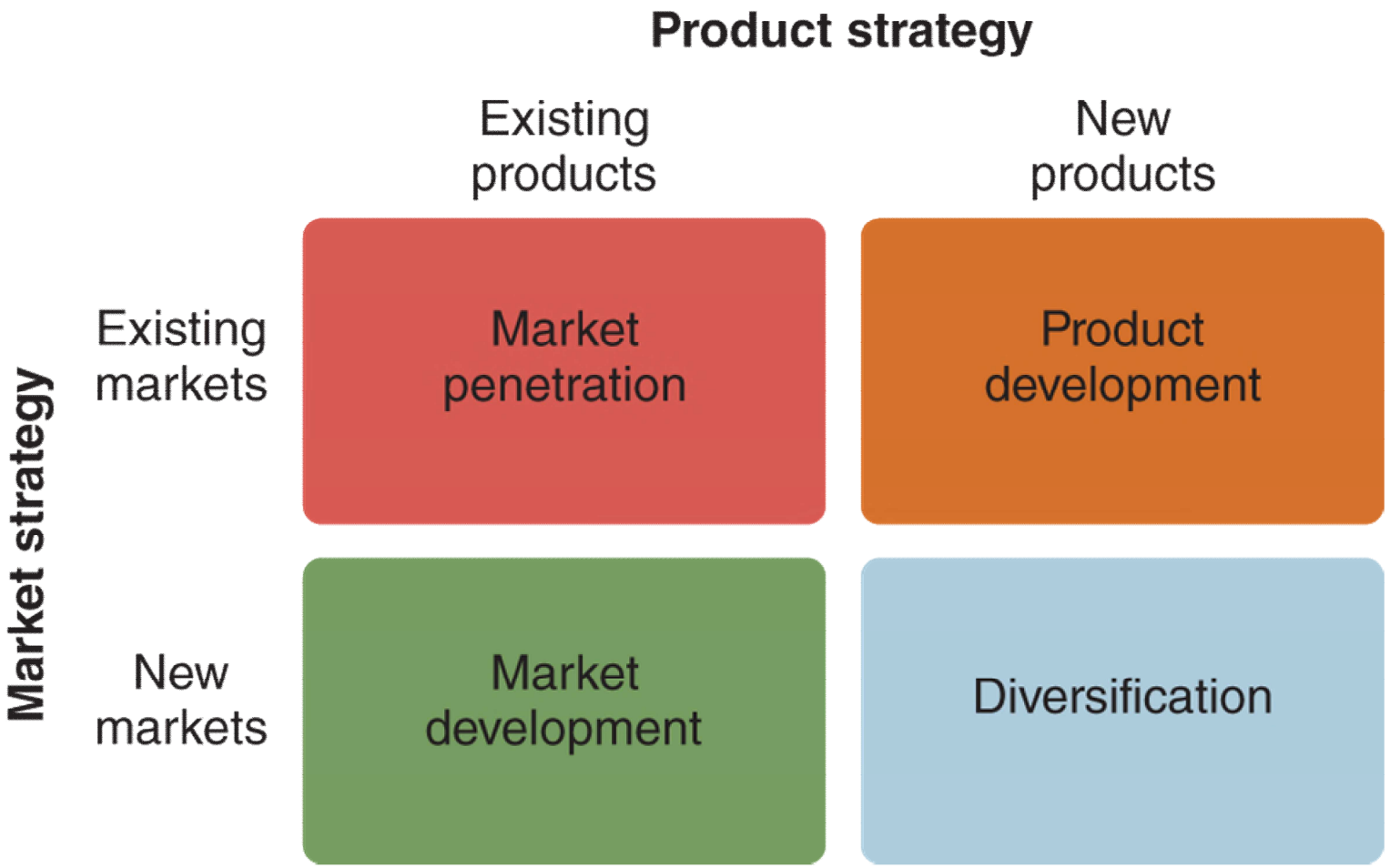
Strategic Direction

- Market penetration
- Product development
- Market development
- Diversification



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Figure 2.4 The Four Basic Categories of Marketing Growth Strategies



Jump to Appendix 3 long image description

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International Expansion and Market Development

International expansion is an increasingly necessary part of a successful market development strategy for both small firms as well as large retailers like Walmart.



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Basic Tools and Techniques of Marketing Strategy 4 of 4

Marketing Mix

- Product
  - Competitive advantage
- Promotion
- Distribution
- Pricing

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McDonald’s Strategic Decision

McDonald's made the strategic decision in 2015 to shift toward using only cage-free eggs. The company faces a distribution challenge because fewer than 10 percent of the nation’s laying hens were categorized as “cage-free” at the time of the announcement. It could take McDonald’s up to a decade to reach its goal of having 100 percent cage-free eggs in its products.



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LO2-6

Marketing Strategy in a Global Context

Five major strategic options

- Exporting
- Licensing
- Franchising
- Joint Venture
- Direct Ownership



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Figure 2.5 International Market Entry Strategies



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International Franchisees



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Burger King allows franchisees to offer specific products in Japan, such as the "Aka Samurai Chicken" and the "Aka Samurai Beef," to better satisfy local customer tastes.

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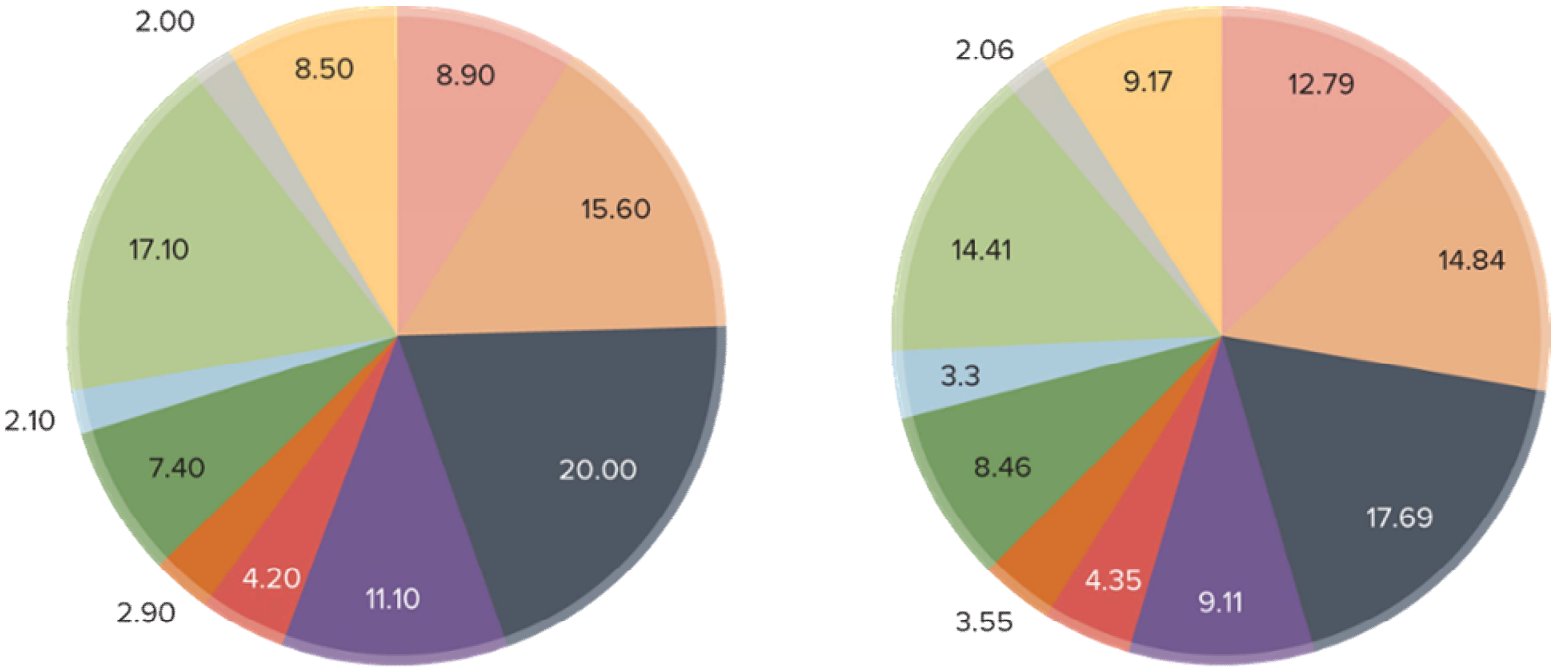
LO2-7

Marketing Analytics 1 of 2

- Marketing analytics
- Return on Marketing Investment (ROMI)
- Revenue analysis
- Market share analysis

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Figure 2.6 Auto Manufacturer Market Share in the U.S., 2009 and 2015



Source: Edmunds.com.

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Marketing Analytics 2 of 2

Profitability analysis

- Customer acquisition
- Customer profitability

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Today's Professional



Photo provided by Tyler Cornwell

Tyler Cornwell

Development Coordinator

The Red Wolves Foundation

- Responsible for raising funds for student-athletes.
- Started planning early for his career by participating in a volunteer internship during college.
- Attributes his current success to "doing what you say you are going to do." In other words, establish and build trust with your clients.
- Advice to soon-to-be graduates is based on the advice he received "Always think – think about everything." This advice triggered him to question why things are the way they are and seek solutions to problems.
- He labels his personal brand as authenticity. You must know who you are and be comfortable delivering your message to others.

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Discussion Questions 1 of 2

1. Find mission statements from five Fortune 500 companies, then rank them from best (1) to worst (5). Discuss why you ranked them in that order. Which mission statements did you like best? How would you modify the mission statement you ranked last to make it better?
2. Conduct a SWOT analysis for your college or university. List three to five strengths, weaknesses, opportunities, and threats for your school.
3. Select a marketing strategy implemented by a large firm or nonprofit organization that you think was effective. Describe why you liked the strategy. Identify which of the strategic directions discussed in this chapter best reflects the strategy you chose.

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Discussion Questions 2 of 2

4. Select two businesses you frequent (e.g., restaurants, clothing stores, grocery stores, etc.). Who is their target market? Then identify at least two competitors (either direct or indirect) for each business. Describe how the two businesses you selected position themselves in the market relative to their competitors. Which one of the two businesses does a better job positioning its products to its target market? Explain your answer.

5. Is marketing your products globally always a good decision? Discuss your answer and provide examples of firms that have both succeeded and failed in international markets.

6. Select a company from which you have made a purchase in the past month. Search online to conduct a market share analysis and a profitability analysis about that company. Based on that analysis, give the organization a marketing grade based on performance. Explain your grade.

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Social Media Application

Review your entire social media profile and consider how each of the social media platforms you use personally can affect your career positively or negatively as you move forward. Analyze your efforts to build your brand via social media using the following questions and activities as a guide:

- List the social media platforms on which you have any type of presence. How many of those platforms do you check or use at least once per week?
- Is the content you provide across the platforms consistent? Do you have the same image across platforms? What grade would you give your overall social media profile? Explain your answer.
- In the chapter we discussed some traditional marketing analytics (also called *metrics*) used to measure marketing effectiveness. People use all sorts of metrics for all sorts of things. Here, use metrics to justify the overall social media grade you gave yourself. You can use any type of analytical tools (for example, number of friends, followers, likes, Klout score) to support your overall grade.



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Key Terms 1 of 11

Competitive advantage

- The superior position a product enjoys over competing products if consumers believe it has more value than other products in its category.

Return to slide

Direct ownership

- A method of entering an international market in which a domestic firm actively manages a foreign company or overseas facilities.

Return to slide

Diversification

- A marketing strategy that seeks to attract new customers by offering new products that are unrelated to the existing products produced by the organization.

Return to slide

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Key Terms 2 of 11

Exporting

- Selling domestically produced products to foreign markets.

Return to slide

Financial projections

- A bottom-line numerical estimate of the organization's profitability.

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Franchising

- A contractual arrangement in which the franchisor provides a franchisee the right to use its name and marketing and operational support in exchange for a fee and, typically, a share of the profits.

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Key Terms 3 of 11

Joint venture

- An arrangement in which a domestic firm partners with a foreign company to create a new entity, thus allowing the domestic firm to enter the foreign company's market.

Return to slide

Licensing

- A legal process in which one firm pays to use or distribute another firm's resources, including products, trademarks, patents, intellectual property, or other proprietary knowledge.

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Key Terms 4 of 11

Market development

- A marketing strategy that focuses on selling existing goods and services to new customers.

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Market penetration

- A marketing strategy that emphasizes selling more of existing goods and services to existing customers

Return to slide

Market segmentation

- The process of dividing a larger market into smaller groups, or market segments, based on meaningfully shared characteristics.

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Key Terms 5 of 11

Market segments

- The groups of consumers who have shared characteristics and similar product needs.

Return to slide

Market share analysis

- Marketing analytics tool that measures the percentage of total market sales captured by a brand, product, or firm.

Return to slide

Market summary

- A description of the current state of the market.

Return to slide

Marketing analytics

- The practice of measuring, managing, and analyzing marketing performance.

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Key Terms 6 of 11

Marketing plan

- An action-oriented document or playbook that guides the analysis, implementation, and control of the firm's marketing strategy.

Return to slide

Mission statement

- A concise affirmation of the firm's long-term purpose.

Return to slide

Opportunities (in SWOT analysis)

- External factors that the firm may be able to capitalize on to meet or exceed it stated objectives.

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Key Terms 7 of 11

Positioning

- The activities a firm undertakes to create a certain perception of its product in the eyes of the target market.

Return to slide

Product development

- A marketing strategy that involves creating new goods and services for existing markets.

Return to slide

Profitability analysis

- Marketing analytics tools that measure how much profit the firm generates, as well as how much profit certain aspects of the firm, including regions, channels, and customer segments, contribute.

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Key Terms 8 of 11

Return on marketing investment (ROMI)

- A measure of the firm's effectiveness in using the resources allocated to its marketing effort.

Return to slide

Revenue analysis

- Marketing analytics tool that measures and evaluates revenue from specific products or regions.

Return to slide

Situation analysis

- The systematic collection of data to identify the trends, conditions, and competitive forces that have the potential to influence the performance of the firm and the choice of appropriate strategies.

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Key Terms 9 of 11

Strategic plan

- An organization's plan for key functional areas, such as marketing, human resources, finance, and risk management.

Return to slide

Strategic planning

- The process of thoughtfully defining a firm's objectives and developing a method for achieving those objectives.

Return to slide

Strategy

- The set of actions taken to accomplish organizational objectives.

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Key Terms 10 of 11

Strengths (in SWOT analysis)

- Internal capabilities that help the company achieve its objectives.

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SWOT analysis

- An evaluation of a firm's strengths, weaknesses, opportunities, and threats.

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Key Terms 11 of 11

Target market

- The group of customers toward which an organization has decided to direct its marketing efforts.

Return to slide

Threats (in SWOT analysis)

- Current and potential external factors that may challenge the firms' short- and long-term performance.

Return to slide

Weaknesses (in SWOT analysis)

- Internal limitations that may prevent or disrupt the firm's ability to meet its stated objectives.

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Appendix 1 Figure 2.2 Key Components of the Marketing Plan

- Executive summary synopsizes the marketing plan's main points
- Situation analysis analyzes the environment within the following key sections: market summary, SWOT analysis, competition
- Marketing strategy defines the target market and outlines the positioning and marketing mix strategies based on specific, measurable, and realistic objectives
- Financials detail the financial projections, including the sales and expense forecasts and break-even analysis
- Controls propose how to monitor and adjust the plan through the following key items: implementation, organizational structure, contingency planning.
- All five of the key components are connected to each other in a row, starting with the executive summary and ending with controls.

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Appendix 2 Figure 2.3 The Boston Consulting Group Matrix

- Describes the strength and attractiveness of a market based on market growth and relative market share
- Stars measure high in market growth and high in relative market share. Example: Apple iPad
- Question marks measure high in market growth and low in relative market share. Example: New iPhone App
- Cash cows measure low in market growth and high in relative market share. Example: Apple iPod
- Dogs measure low in market growth and low in relative market share. Example: CDs

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Appendix 3 Figure 2.4 The Four Basic Categories of Marketing Growth Strategies

- Market penetration is the result of selling existing products to an existing market
- Product development is the result of creating new products for an existing market
- Market development is the result of selling existing products to a new market
- Diversification is the result of offering new products to attract a new market

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Appendix 4 Figure 2.5 International Market Entry Strategies

- The lowest risk and lower potential returns are found in exporting
- Licensing, franchising, and joint venture have consecutively slightly higher risk and higher potential returns than exporting
- Direct ownership is associated with the highest risk and higher potential returns

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Appendix 5 Figure 2.6 Auto Manufacturer Market Share in the U.S., 2009 and 2015

- In 2009, 10,367,227 total vehicles were sold. This was divided between the auto manufacturers as Chrysler 8.90 percent; Ford 15.60 percent; GM 20.00 percent; Honda 11.10 percent; Hyundai 4.20 percent; Kia 2.90 percent; Nissan 7.40 percent; Subaru 2.10 percent; Toyota 17.10 percent; VW 2.00 percent; Other 8.50 percent.
- In 2015, 17,339,665 total vehicles were sold. This was divided between the auto manufacturers as Chrysler 12.79 percent; Ford 14.84 percent; GM 17.69 percent; Honda 9.11 percent; Hyundai 4.35 percent; Kia 3.55 percent; Nissan 8.46 percent; Subaru 3.3 percent; Toyota 14.41 percent; VW 2.06 percent; Other 9.17 percent.

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