# 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.

## 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.

## 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

(This activity is included in the PowerPoint for this chapter.) 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.

**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.

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| 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

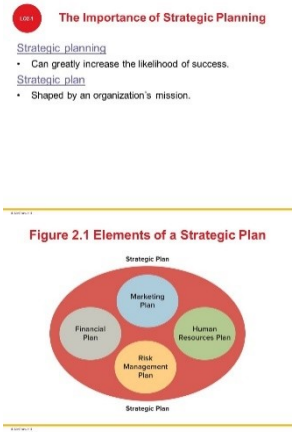
The following section provides the flow of information using the LEARNING OBJECTIVES as a guide, FIGURES and TABLES as visuals to elaborate on key areas, KEY TERMS learners will need to take away from the course and a notation of when to use POWERPOINT SLIDES with LECTURE NOTES to drive home teaching 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.

| | |
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| Executive Perspective<br><br>*Photo provided by Melissa Lowry* | **Melissa Lowry**<br>*Chief Marketing Officer,* **Zelle**<br><br>Melissa Lowry, a finance major in college, attributes her success to listening. She explains how being open to learning from each opportunity has taught her something, which is helpful in her current role. She describes herself as curious, supportive, and empathetic and addresses the following questions:<br><br>1. What has been the most important thing in making you successful at your job?<br>2. What advice would you give soon-to-be graduates?<br>3. How is marketing relevant to your role at Zelle?<br>4. What do you consider your personal brand to be?<br><br>Woven in the chapter, you see how Melissa later elaborates on:<br>• A "customer-first" mindset being foundational to |


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| | | marketing.<br><br>**Review with students:**<br>• How do marketers connect consumers' needs and wants to their role?<br>• How is strategic planning necessary for the customer's end-to-end experience? |
| **LO 2-1** | Discuss the importance of strategic planning for marketing.<br>• The Importance of Strategic Planning | **Key Terms:**<br>• **Strategic planning**<br>• **Strategic plan** |

**PowerPoint Slides**




**Lecture Notes:**

**The Importance of Strategic Planning**

- 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
- Whether you are marketing yourself or some other product, strategic planning can greatly increase the likelihood of success
- *Strategic planning* is the process of thoughtfully defining a firm's objectives and developing a method for achieving those objectives
- A *strategic plan* typically includes an organization's plans for key functional areas, such as marketing, human resources, finance, and risk management
- Firms must continually modify their strategies as conditions shift
- Strategic planning helps ensure that the organization will have the needed resources—financial, human, and operational—to succeed, select, and execute the right marketing-mix strategies to maximize success
- The strategic plan is shaped by the organization's mission

**Figure 2.1**




**Figure Information:** *Elements of a Strategic Plan*
The four components of a strategic

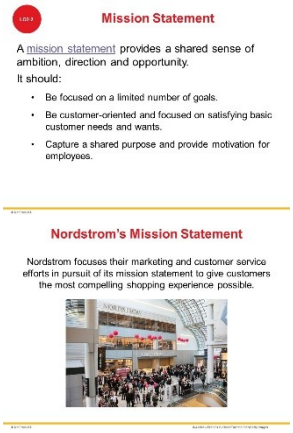
Insight Questions:

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; it should well documented, and a representative from each department should be included in decision making)


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| plan are interlinked and connected. Each of the components should be grounded in the firm's overall mission. | | |
| **LO 2-2** | Analyze the characteristics of an effective mission statement.<br>• Mission Statement | **Key Terms:**<br>• **Mission statement** |

**PowerPoint Slides**




**Lecture Notes:**

**Mission Statement**

- The first step in creating a quality strategic plan is to develop an effective mission statement
- A *mission statement* is a concise affirmation of the firm's long-term purpose and provides employees with a shared sense of ambition, direction, and opportunity
- A firm should begin the process of developing a mission statement by considering the following questions:
- What is our business?
- Who is our customer?
- What is our value to the customer?
- What *should* our business be?
- The mission statement provides a standard to ensure that the business never strays too far from its core goals and values through changing times
- A sound mission statement provides a basis for developing the marketing plan
- The three primary characteristics of a good mission statement include the following:
- (1) Be focused on a limited number of goals
- (2) Be customer-oriented and focused on satisfying basic customer needs and wants
- (3) Capture a shared purpose and provide motivation for the employees of the firm
- The mission statement provides a standard to ensure that the business never strays too far from its core goals and values through changing times

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?

| | | |
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| **LO 2-3** | Outline the five main components of the marketing plan. | **Key Terms:**<br>• **Marketing plan** |


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| | | |
|---|---|---|
| | • The Marketing Plan<br>  ○ Executive Summary<br>  ○ Situation Analysis<br>  ○ Marketing Strategy<br>  ○ Financials<br>  ○ Controls | • **Situation analysis**<br>• **Market summary**<br>• **Strategy**<br>• **Financial projections** |

**PowerPoint Slides**


The Marketing Plan

Marketing plan

- Executive summary, i.e., the elevator pitch.
- Situation analysis.
  - Market summary.
  - SWOT analysis.
  - Competition analysis.
- Marketing strategy.
  - Can lead to higher profits, stronger brands, and larger market share.


The Marketing Plan

Marketing plan (continued)

- Financials.
  - Detail the overall profitability of both the firm and its individual units.
  - Financial projections.
  - Sales forecast.
  - Expense forecast.
  - Break-even analysis.


The Marketing Plan

Marketing plan (continued)

- Controls.
  - Implementation.
  - Organizational structure.
  - Contingency planning.


Figure 2.2 Key Components of the Marketing Plan

**Lecture Notes:**

**The Marketing Plan**

- The marketing plan is an action-oriented document or playbook that guides the firm's marketing strategy, and is grounded in the firm's mission statement
- Creating a marketing plan requires the input, guidance, and review of employees throughout the various departments of a firm, not just the marketing department
- The specific format of the marketing plan differs from organization to organization
- Most plans include five components: an executive summary, situation analysis, marketing strategy, financials section, and controls section

**Executive Summary**

- The executive summary is a one- to two-page synopsis of the marketing plan's main points
- It should convey the most valuable information of the marketing plan
- Although the executive summary comes first in the marketing plan, most firms complete this part of the plan last

**Situation Analysis**

- A *situation analysis* is a systematic collection of data to identify market trends, conditions, and competitive forces
- Its purpose is to identify factors that have the potential to influence the firm's performance and the choice of appropriate strategies
- A situation analysis has three subsections:
- (1) The *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
- (2) A *SWOT analysis* is an evaluation of a firm's strengths (S), weaknesses (W), opportunities (O), and threats (T)
- (3) The *competition analysis* subsection lists the firm's direct competitors
- This list should include both direct and indirect competitors
- *Indirect competitors* are those that can take market share as macro trends or consumer preferences change


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**Marketing Strategy**

- A *strategy* is the set of actions taken to accomplish organizational objectives
- The *marketing strategy* component lists the actions the firm must take to accomplish the marketing objectives it established in its mission statement and strategic planning
- A successful marketing strategy can lead to higher profits, stronger brands, and larger market share

**Financials**

- The financials section details the overall profitability of both the firm and its individual units
- *Financial projections* provide those reading the plan with a bottom-line numerical estimate of the organization's profitability
- A *sales forecast* projects how many units of a product the company expects to sell during a specific time period
- The *expense forecast* is an estimate of the costs the company will incur to create, communicate, and deliver the product
- *Break-even analysis* combines the data from the sales and expense forecasts

**Controls**

- The final section in most marketing plans outlines the *controls* the firm will put in place to monitor performance and adjust the plan over time
- Controls provide a link between the organization and its environment
- The *implementation* section provides a detailed account of *how* the specific actions of the marketing plan will be carried out and *who* will be responsible for doing so
- An outline of the organizational structure assigns specific responsibility for the parts of the marketing plan
- Contingency planning defines the actions the company will take if the initial marketing strategy falls short of expected results

THINK LIKE A MARKETER

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

**Figure 2.2**




**Figure Information:** *Key Components*

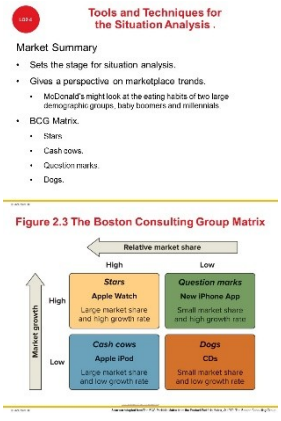
**Insight Questions:**

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)
3. Should a marketing plan have a short term or long-term


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| *of the Marketing Plan*<br><br>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. | vision? (Answer: Both, and it should tie into the organization's mission for long-term sustainability. The marketing plan should state the timeframe for which it addresses, e.g., fiscal year 2023 or Quarter 3 of 2023.) |
| **LO 2-4** Explain three tools and techniques for the situation analysis: market summary, SWOT analysis, and competition analysis.<br>• Tools and Techniques for the Situation Analysis<br>  ○ Market Summary<br>  ▪ BCG Matrix<br>  ○ SWOT Analysis<br>  ▪ Internal Considerations<br>  ▪ External Considerations<br>  ○ Competition Analysis | **Key Terms:**<br>• **SWOT analysis**<br>• **Strengths (in SWOT analysis)**<br>• **Weaknesses (in SWOT analysis)**<br>• **Opportunities (in SWOT analysis)**<br>• **Threats (in SWOT analysis)** |

**PowerPoint Slides**




**Lecture Notes:**

**Tools and Techniques for the Situation Analysis**

- The situation analysis in the marketing plan includes a market summary, a SWOT analysis, and an analysis of the competition

**Market Summary**

- The market summary sets the stage for the situation analysis section by focusing on the current state of the market to which the firm will sell its products
- A quality market summary should provide a perspective on important marketplace trends

**BCG Matrix**

- One of the most popular analysis tools to describe the current market is The Boston Consulting Group (BCG) matrix
- The vertical axis measures market growth; the horizontal axis measures relative market share
- *Relative market share* is defined as the sales volume of a product divided by the sales volume of the largest competitor


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- The BCG matrix combines those two elements—market growth and relative market share—to produce four unique product categories
- Each of those four product categories—stars, cash cows, question marks, and dogs—requires a different marketing strategy
- Star products combine large market share in an industry with a high growth rate
- Cash cows are products that have a large market share in an industry with low growth rates
- Question marks have small market share in a high-growth industry, and products in this quadrant are typically new to the market
- Dogs are products that have small market share in industries with low growth rates

**Figure 2.3**

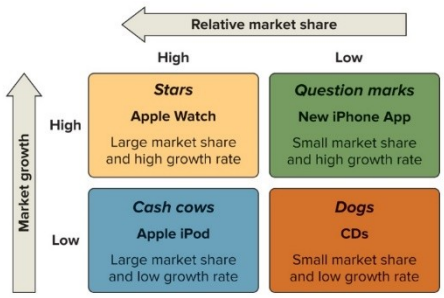


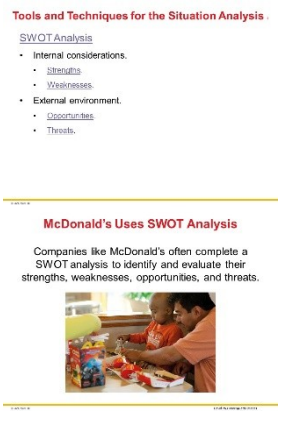

**Figure Information:** *The Boston Consulting Group Matrix*

The BCG matrix (1970) combines the two elements of market growth and relative market share to produce four unique product categories—stars, cash cows, question marks, and dogs—each of which requires a different marketing strategy.

**Insight Questions:**

1. What does the BCG Matrix determine? (Answer: where its product will fall in the marketplace, and it serves as a starting point for developing marketing strategies to address market position)
2. What quadrant would represent the Apple iPod, and why? (Answer: cash cow, because it represents large market share and a low growth rate)
3. What quadrant would represent a new iPhone app, and why? (Answer: question mark, because it represents small market share and a high growth rate)

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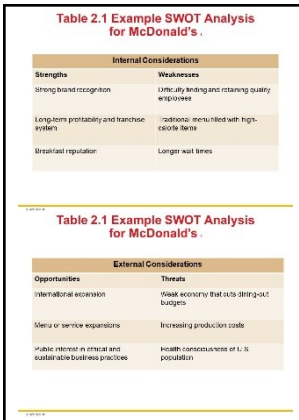

## SWOT Analysis

- A *SWOT analysis* is an evaluation of a firm's strengths, weaknesses, opportunities, and threats
- The strengths and the weaknesses aspects of the analysis focus on *internal* characteristics of the firm
- The opportunities and threats aspects of the SWOT analysis focus on the *external* environment

## Internal Considerations

- The internal considerations in a SWOT analysis are the firm's strengths and weaknesses
- *Strengths* are internal capabilities that help the company achieve its objectives


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Table 2.1 Example SWOT Analysis for McDonald's .

| Internal Considerations | |
|---|---|
| Strengths | Weaknesses |
| Strong brand recognition | Difficulty finding and retaining quality employees |
| Long-term profitability and franchise system | Traditional menu filled with high-calorie items |
| Breakfast reputation | Longer wait times |

Table 2.1 Example SWOT Analysis for McDonald's .

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

- *Weaknesses* are internal limitations that may prevent or disrupt the firm's ability to meet its stated objectives

**External Considerations**

- The external considerations in a SWOT analysis are the opportunities and threats the firm faces
- Opportunities are external factors that the firm may be able to capitalize on to meet or exceed its stated objectives
- Threats are current or potential external factors that may challenge the firm's short- and long-term performance
- Companies like McDonald's often complete a SWOT analysis to identify and evaluate their strengths, weaknesses, opportunities, and threats
- For example, the firm can ask questions like:
- *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**

| Internal Considerations | |
|---|---|
| **Strengths** | **Weaknesses** |
| • Strong brand recognition<br>• Long-term profitability and franchise system<br>• Breakfast reputation | • Difficulty finding and retaining quality employees<br>• Traditional menu filled with high-caloric items<br>• Longer wait times |
| **External Considerations** | |
| **Opportunities** | **Threats** |
| • International expansion<br>• Menu or service expansions<br>• Public interest in ethical and sustainable business practices | • Weak economy that cuts dining-out budgets<br>• Increasing production costs<br>• 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 their strengths, weaknesses, opportunities, and threats. Evaluating internal and external considerations are extremely important in determining a firm's position and competitive advantage.

**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: strong, difficulty, longer, weak, expansion, increasing, etc.)
4. What qualitative and quantitative measures exist in the example SWOT analysis? (Answer: Open ended; brand recognition, 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, etc.)

**Connect Assignment 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.


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**CONNECT BACK Insight Questions:**

1. In a real SWOT analysis, what resources will you use to compose your personal SWOT analysis? (Answer: Open ended; 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; 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; no less than once a year)

**PowerPoint Slides**




**Lecture Notes:**

**Competition Analysis**

- The competition analysis section should begin by clearly stating the organization's *direct competitors*
- *Indirect competitors,* though, typically receive far less attention or are overlooked entirely
- 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

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


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- Product Development
- Market Development
- Diversification

- Marketing Mix
  - Product
  - Promotion
  - Ditribution
  - Pricing

**PowerPoint Slides**
















**Lecture Notes:**

**Basic Tools and Techniques of Marketing Strategy**

- The *marketing strategy* lists the specific actions the firm must take to accomplish the marketing objectives it has established
- The basic tools and techniques of marketing strategy include decisions about (1) segmentation, target markets, and positioning; (2) strategic directions; and (3) the marketing mix
- Quality marketing objectives have three basic characteristics:
- (1) Specific
- (2) Measurable
- (3) Realistic

**Segmentation, Target Markets, and Positioning**

- Marketers must identify who their intended customers are
- That knowledge enables them to segment the market, identify a target market, and correctly position their product for that market

**Segmentation**

- *Market segmentation* is the process of dividing a large market into smaller groups
- Those smaller groups are *market segments*, the groups of consumers who have shared characteristics and similar product needs

**Target Markets**

- A *target market* is the group of customers toward which an organization directs its marketing efforts
- Small firms may have only one target market
- Large organizations might enter multiple target markets

**Positioning**

- Success within the target market depends, to some degree, on how the firm *positions* its product
- *Positioning* refers to the activities a firm undertakes to create a certain perception of its product in the eyes of the target market


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| | • The firm has total control over this element of its marketing efforts, and the concept is critical to how it develops the rest of its marketing strategy<br>• To position its product, the firm must take into consideration the competition, the needs and wants of the target market, and the element of mystique or drama that the good or service naturally has<br><br>**Strategic Direction**<br>• A company's marketing strategy can follow various paths, which depend on the product and industry<br>• *Market penetration is* selling more of existing goods and services to existing customers<br>• *Product development is* creating new goods and services for existing markets<br>• *Market development is* selling existing goods and services to new customers<br>• *Diversification is* offering new goods and services to attract new customers<br><br>**Market Penetration**<br>▪ *Market penetration* strategies emphasize selling more of the firm's existing goods and services to existing customers<br>▪ This growth strategy often involves encouraging current customers to buy more each time they patronize a store or to buy from the store on a more frequent basis<br><br>**Product Development**<br>▪ *Product development* strategies involve creating new goods and services for existing markets<br><br>**Market Development**<br>▪ *Market development* strategies focus on selling existing goods and services to new customers<br>▪ The targeted new customers could be of a different gender, age-group, or education level<br><br>**Diversification**<br>▪ *Diversification* strategies seek to attract new customers by offering new products that are unrelated to the firm's existing products |
| **Figure 2.4** | **Insight Questions:**<br>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)<br>2. Which strategy did Dr Pepper Ten use in their campaign launch of, "It's not for women?" (Answer: |


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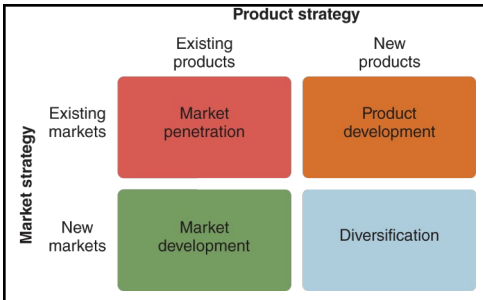



**Figure Information:** *The Four Basic Categories of Market Growth Strategies*

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.

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: Disney; open ended)

**Connect Assignment 2-2**

connect

**Topic:** Strategic Directions

By matching particular strategies with companies that used those strategies, you will better understand how different marketing strategies may affect your future employer.

**CONNECT BACK Insight Questions:**

1. Which strategies can be used to enter into international markets? (Answer: Open ended; all have an effect.)
2. List two examples of organizations that have implemented each one of the four strategies. Which strategy is easiest to identify? (Answer: Open ended; for example, think of Apple and Starbucks)

**PowerPoint Slides**


Basic Tools and Techniques of Marketing Strategy

Marketing Mix

- Includes the good or service itself and any related services like warranties and guarantees.
  - Sustainable competitive advantage.
  - Ability to provide a combination of goods, services, and ideas.
- Promotion details how the firm will communicate the value of its product.
  - McDonald's might plan to increase advertising spending on Filet-o-Fish sandwiches during Lent.

**Lecture Notes:**

**Marketing Mix**

- The *marketing mix* is the combination of activities that a firm can do to influence demand for its good or service
- It is often referred to as the *four Ps of marketing:* product, price, place, and promotion

**Product**

- The *product* section of the marketing plan consists of a detailed description of the product being offered, and any related services like warranties and guarantees that accompany the good or service


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- The product description should clearly state what *value* the product holds for the customer
- A product possesses a *competitive advantage* when customers perceive that it has more value than other products in its category

**Promotion**

- The *promotion* section of the marketing plan details *how* the firm will communicate the value of its product
- This section builds on the strengths of the product section
- It references the specific promotional tools—advertising, sales promotion, personal selling, or public relations—the firm will use to reach its target market

**Distribution**

- Distribution strategies fall within the *place* marketing-mix element
- The distribution section of the marketing plan describes where and when the firm will deliver value to its customers
- The distribution section should outline all the different companies, people, and technologies that will be involved in the process of delivering the product to customers

**Pricing**

- The *pricing* section of the marketing plan specifies how much money customers must pay for the product and explains why the firm selected that price

**Connect Assignment 2-3**

connect

**Social Media in Action**

social media

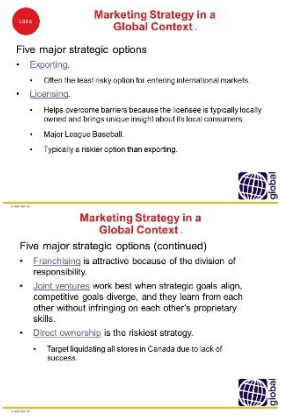
**Topic:** Social Media Strategies

In 2021, several social media influencers found out how they would look with some extra stuffing thanks to a unique activation strategy that embraces the fun nature of Little Caesars marketing.

As part of the company's Extra Stuffed pizza launch, Little Caesars delivered "stuffed people"—life-sized dolls with nine feet of cheese and pepperoni stuffed inside of them. Little Caesars based several of these "stuffed people" off of popular TikTokers, including Spencer X, Adam Waheed, The McFarlands, and Brooke Averick. The TikTok stars then shared a series of videos on their accounts featuring their stuffed versions doing a variety of mundane tasks.

Little Caesars marketers are focused on their brand voice and how they connect to consumers. Little Caesars marketers identified TikTok as a platform where they could get in early and express this fun personality in a new way to young, highly engaged audiences. TikTok users have embraced Little Caesars, which is now the most-


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| | | followed pizza brand.<br><br>**Source:** Larissa Faw, "Little Caesars Drops Mini Dopplegangers," Adweek.com, July 22, 2021.<br><br>**CONNECT BACK Insight Questions:**<br>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)<br>2. How would you determine the social media platform a company should use (i.e., Facebook, Twitter, LinkedIn, YouTube, Pinterest, etc.)? Should all of them be used? (Answer: Open ended; check out the competitors and what platforms they are on. Start with one platform and slowly add on others that are aligned in sociocultural ways.) |
| **LO 2-6** | Discuss the strategic decisions involved in reaching international consumers.<br>• Marketing Strategy in a Global Context<br>○ Exporting<br>○ Licensing<br>○ Franchising<br>○ Joint Venture<br>○ Direct Ownership | **Key Terms:**<br>• **Exporting**<br>• **Licensing**<br>• **Franchising**<br>• **Joint venture**<br>• **Direct ownership** |
| **PowerPoint Slides**<br><br> | **Lecture Notes:**<br><br>**Marketing Strategy in a Global Context**<br>• The new reality of globalization means a firm's strategic planning process must include a discussion about what, if any, international presence the firm wants to pursue<br><br>• One of the most critical strategic decisions involves how to enter foreign markets<br>• The firm must choose from among the five major strategic options for entering the international marketplace: exporting, licensing, franchising, joint venture, or direct ownership<br>• Each offers a unique mix of risk and reward<br><br>**Exporting**<br>• Exporting is selling domestically produced products to foreign markets<br>• Typically, the least risky option for entering international markets is | |


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Figure 2.5 International Market Entry Strategies



International Franchisees



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.

exporting

- Increasingly, firms of all sizes export their products to other countries
- Social media tools enable small businesses to engage global customers in a way that was not possible a decade ago
- Logistics firms like FedEx and UPS also help increase export opportunities by providing small businesses with a quick, efficient way to deliver products almost anywhere in the world

**Licensing**

- Licensing is 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
- The use of licensing to enter international markets has increased significantly in recent years due to several factors, including more regulation, rising research and development (R&D) costs, and shortened product life cycles
- Despite its growing popularity, licensing is typically a riskier option than exporting
- Major risks include:
- The licensor may be inadvertently creating a future competitor in the form of the licensee
- The licensor shares information and the right to use its proprietary technology with the licensee, who might use that knowledge in the future
- The licensee could potentially misuse trademarks

**Franchising**

- Franchising is a contractual arrangement in which the franchisor provides a franchisee (local owner operator) the right to use its name and marketing and operational support in exchange for a fee and, typically, a share of the profits
- Franchising is an attractive method of entering foreign markets because the franchisee assumes the majority of the capital costs and human resource issues
- The franchisor provides knowledge and information about running the business, and that division of responsibility increases the likelihood of success
- The disadvantages of franchising include the risks of granting your name to a franchisee in a faraway place where direct oversight is difficult

**Joint Venture**

- A riskier option than exporting, licensing, or franchising is a joint venture
- In a joint venture, 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
- Joint ventures work best when the partners' strategic goals align, their


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competitive goals diverge, and they are able to learn from one another without infringing on each other's proprietary skills
- Joint ventures can result in mistrust over proprietary knowledge, conflict over new investments, and disagreements about how to share revenue and profits

**Direct Ownership**
- The riskiest method of entering an international market is direct ownership
- In *direct ownership*, a domestic firm actively manages a foreign company or overseas facilities
- Direct ownership is a good strategic option when the firm sees substantial sales potential in the international market, very little political risk (the risk of local government unrest), and similarities between the foreign and domestic cultures
- Direct ownership requires far more resources and commitment than any of the other options as it can be difficult to manage local resources from afar

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 strategic options for entering the international marketplace: exporting, licensing, franchising, joint venture, or direct investment. Each offers a unique mix of risk and reward.

**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: 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)

**Connect Assignment 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; risk level desired, opportunity


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| | and resource availability; consumer research can also dictate the strategy chosen.)<br>2. Do the same risks exist for small companies and large companies? (Answer: Open ended; no, smaller companies may incur larger risk because resources are limited.)<br>3. How do rewards differ for small and large companies? (Answer: Open ended; 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.<br>• Marketing Analytics<br>○ Return on Marketing Investment<br>○ Revenue Analysis<br>○ Market Share Analysis<br>○ Profitability Analysis | **Key Terms:**<br>• **Marketing analytics**<br>• **Return on marketing investment (ROMI)**<br>• **Revenue analysis**<br>• **Market share analysis**<br>• **Profitability analysis** |

**PowerPoint Slides**




**Lecture Notes:**

**Marketing Analytics**

- *Marketing analytics* is the practice of measuring, managing, and analyzing marketing performance. Its goal is to maximize marketing effectiveness and optimize return on investment
- Use of marketing analytics enables organizations to measure and evaluate marketing outcomes
- Marketing strategy becomes more accountable when organizations base decisions on analytics

**Return on Marketing Investment**

- *Return on marketing investment (ROMI)* is a measure of the firm's effectiveness in using the resources allocated to its marketing effort
- In the calculation, *sales* include 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
- Gross margin is calculated by subtracting the cost of goods sold per unit from the selling price of the item, divided by the selling price
- *Marketing expenditures* is the amount of money spent on all marketing activities during a specified period of time


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**Revenue Analysis**

- *Revenue analysis* measures and evaluates revenue from *specific* products or regions
- Its goal is to pinpoint what is working and what is not, relative to the objectives of the organization
- Revenue analysis pinpoints the *specific sources* of revenue

**Market Share Analysis**

- *Market share analysis* indicates *market share,* which is the percentage of the total market sales captured by a brand, product, or firm
- Market share provides marketers with a quick look at how they are performing relative to their competitors
- It does measure the firm's sales as a *percentage* of total market sales, but it does not indicate the *size* of the market sales

**Profitability Analysis**

- *Profits* are the positive gain from a business operation after subtracting all expenses
- *Profitability analysis* measures how much profit the firm generates. It can also be broken down to measure the profit contribution of regions, channels, or customer segments
- *Customer acquisition* measures how much the firm spent to gain new customers
- Customer-acquisition costs typically include spending on marketing advertising, public relations, and sales
- Marketers also measure *individual customer profitability,* which is the profit a firm makes from a customer over a specified period of time

THINK LIKE A MARKETER

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

**Figure 2.6**

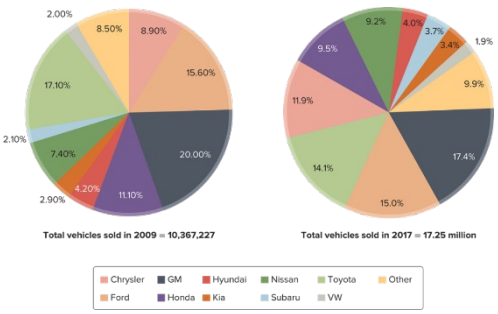



**Figure Information:** *Auto Manufacturer Market Share in the United States, 2009 and 2017*

Market share is typically depicted using

**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; technology, ability to innovate, consumer interest, etc.)


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| a pie graph, and auto manufacturers were facing a shrinking pie in 2009. As the economy began to recover, the pie grew again: By 2017, vehicle sales were up to over 17.2 million. You can see that though percentages for the various manufacturers are similar, each represents more vehicles sold in 2017 than in 2009. | |
| **Today's Professional**<br><br>*Photo provided by Kylle Scott* | **Kylle Scott**<br>*Marketing Director,* **Greenway Equipment**<br><br>Kylle Scott draws on her perspective toward networking and developing connections. She shares her perspective on interviewing with humble confidence and provides insight in answering the following questions:<br><br>1. Describe your job.<br>2. How did you get your job?<br>3. What has been the most important thing in making you successful at your job?<br>4. What advice would you give soon-to-be graduates?<br>5. What do you consider your person brand to be?<br><br>**Review with students:**<br>• What "story" about yourself will you tell in your interview process?<br>• What key words would you use to describe yourself? |


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## 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 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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**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). Discuss why you ranked them in that order. Which mission statement(s) did you like best, and why? How would you modify the mission statement you ranked last to make it better? (Answer: Open ended; 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. Amazon is a popular and respected brand, so students may select it because they are familiar with the brand and think positively of its service. To improve, the mission statement could include something about its competitive advantage with its fast turnaround with shipping.)
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; some factors to consider include accreditation, athletics, community support, alumni membership and involvement, 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; Walk-On's is a growing sports bar brand that has recently begun franchising (licensing) 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). 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; 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.)


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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. (Answer: Open ended; 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, 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; items to consider are profit margin, tax rates, return on assets, return on capital and return on equity, and marketing expenses; most of this information can be provided in an income statement—and is available online 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 (e.g., number of friends, followers, likes, interactivity level) 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 is provided in the Instructor's online resources. The worksheets recap the chapter's content and


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outline the supporting topics 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

Sports marketers in the United States have wondered for years if legalized gambling would lead to more people watching games, leading to increasing numbers of consumers seeing ads and engaging with brands in a variety of different ways. Betting on sports is legal in many parts of the world including Australia and western Europe but flourishes globally even when it's outlawed. Annual illegal sports wagers are estimated at $50 billion to $150 billion compared with Nevada's record $4.8 billion of legal sports bets in 2017. In May 2018, the Supreme Court struck down the 1992 law that made sports gambling legal only in Nevada, freeing New Jersey to legalize sports gambling and other states to follow. Professional U.S. sports leagues, which had been traditionally concerned how betting would encourage corruption, have now become increasingly supportive. The National Basketball Association and Major League Baseball are seeking a 1 percent fee on all bets placed on their games.

One case for legalization is that sports betting goes on regardless of whether the law permits it, so why not generate taxes that benefit communities? Legalization also gives bettors greater assurance their wagers will be honored and raises government funding that otherwise went into the pockets of illegal bookmakers. Some marketers highlight data that suggest higher television ratings and increased social media activity occur for heavily wagered games. However, those who oppose the issue say that the benefits don't justify the costs of gambling, including potential indebtedness of a larger number of citizens. Some stakeholders want marketers to have similar limits on ads promoting gambling to younger people that currently exist for tobacco and alcohol. Athletes and academics also warn of a growing gambling culture around sports, in which the point spread becomes the focus of fans rather than cheering for a favorite team and simply following the action. This loss of fan identification with a favorite team might also reduce the ability of sports marketers to develop lifelong fans that might buy jerseys, tickets, and merchandise for generations to come.

Student Task:

1. Analyze the reasons for the success of legalized sports gambling from a marketing perspective. Explain how legalized sports gambling may benefit a company in your home state? (Answer: Open ended; by tapping into the widely popular sports industry, value is created by associating gambling to managing one's own sports team and financial gain is a possibility. However, many are addicted to gambling and this provides an additional channel for those who are affected.)
2. Use the ethical decision-making framework to analyze Major League Baseball's decision to support legalized gambling and its request to receive a 1 percent fee on all bets made on the sport. (Answer: Open ended; a decision maker would have to consider the cultural


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effects on 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 National Collegiate Athletic Association, would you look to develop strategic partnerships to profit off of legalized gambling on collegiate sports? Explain your answer. (Answer: Open ended; to consider: market potential, impact on revenue, regulation and administration, legal situations, ethical conduct of participants, and requirements)

**Source:** Ira Boudway and Grant Clark, "Sports Betting," Bloomberg.com, May 17, 2018, https://www.bloomberg.com/quicktake/sports-betting.

## VIDEO CASE

Have students go to *Connect* to access the video cases featuring Potbelly Sandwich Shop that accompanies this chapter.

## PODCAST

Have students go to *Connect* to access the podcast that accompanies this chapter.

## CAREER TIPS

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

**Career Tips**



*Photo provided by Michael Friloux.*

**Michael Friloux,** *Senior vice president and chief technology officer* at **Uniti,** 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, develop the habit to always ask questions.
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 in the next 3 months to develop people skills?


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