**Bus 344 Internal Analysis and Potential Strategy Justification**

Team Otto Zone



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Executive Summary

Industry Description

The restaurant industry is a $660 billion industry that experts expect to continue to grow. Projected sales for full service restaurants were $208.21 billion in 2013 alone. Buffalo Wild Wings, a full service restaurant with over 1000 locations, is the company we conducted our research on in this paper

Recap of SWOT Analysis

* Strengths Used: Experience expanding into international markets
* Weaknesses Used: Chick wings account for 40% of sales, thus high volatility
* Opportunities Used: None
* Threats Used: Heavy government regulation, increasingly health conscious customers, and weak lunchtime sales

Recap of TOWS Matrix

Team Ottozone used the above strengths and weaknesses to develop three strategies that we believe align with BWW

Recap of Proposed 3 Strategies

* ST1: BWW looks to expand globally, specifically targeting Dubai (Market Development)
* WT1: BWW introduces new menu items that cater to health conscious customers (Product Development)
* WT2: BWW offers family discounts during lunch hours (Market Penetration)

Feasibility & Pros/Cons

* ST1 Pros: BWW has experience in global expansion with locations already in Mexico and Canada and Dubai offers a healthy growth opportunity
* ST1 Cons: BWW Corporate will have to assume more risk to fund these franchises, supply chains may be unstable/expensive, and start up costs are high
* WT1 Pros: Strategy targets a growing market, low cost of implementation, and supply chains are already in place
* WT1 Cons: Strategy could potentially affect BWW’s image as well as delay period between creation and implementation
* WT2 Pros: Strategy is low cost, low risk, and has a sizeable market to support it.
* WT2 Cons: Additional kitchen staff could be needed and profits would be marginal

Comparison and Recommendation

While we determined that all of the strategies were viable options, we ranked them according to their level of feasibility. Strategy ST1 was deemed least feasible due to a high cost of capital and large amount of risk. Strategy WT2 was the second most feasible option due to low start up costs but a low margin of profit as well. We ranked Strategy WT1 first due to the large and growing health market it reaches and the relative ease of implementation. Strategy WT1 has a high implementation feasibility that could result in noticeable profit margins.

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**Introduction and Industry Description:**

The full service restaurant industry provides sit-down dining where customers are waited on and pay their bills after eating their meal. The restaurant industry is a $660 billion dollar industry that experts at The Encyclopedia for Business expect to continue to grow. This industry offers specific cuisine types in order to capture desired target markets. Many full service restaurants to provide not only dine-in establishments but carry out options also. In 2013, the projected sales total for full service restaurants was $208.21 billion, which was up 2.9% from 2012 (Avant, 2012).

Team Ottozone chose to continue using Buffalo Wild Wings (BWW) as the basis for our research. Sally Smith was named CEO of BWW in 1994 and has helped to improve departmental infrastructure. The company’s mission is to “Wow people every day” by being guest driven, team focused, community connected, and dedicated to excellence. (Retail Industry) Today, BWW has over 1000 restaurant locations. The company hopes to provide a neighborhood atmosphere while showing sports. BWW’s wings can be flavored with 21 signature sauces, and they also offer hamburgers, sandwiches and salads. (Hughlett, 2012)

**Recap of SWOT analysis:**

In creating a SWOT analysis, team Ottozone came up with a variety of strengths, weaknesses, opportunities and threats. Each element of the SWOT analysis applicable to our potential strategies is reviewed in this section of the paper. To view the rest of the SWOT elements, see TOWS in appendix C.

The only strength used from our SWOT analysis in our strategies was BWW experience expanding into international markets. After expansion to Canada, BWW has plans to expand to Mexico and the Philippines (Hughlett, 2012). This experience could be used in our strategy ST1.

Team Ottozone used two weaknesses in the development of our strategies. The first weakness was that chicken wings account for 40% of BWW’s total sales. Since Chicken Prices are extremely volatile, BWW suffers from the weakness of being subject to these prices. (BWW, 2014) This applies to our strategy, WT1. The second weakness is a Limited target market. BWW currently has happy hour and sports specials, but they are mostly based on adult beverages and evening atmosphere. This means that BWW is not appealing to its full potential market of families and children. This weakness could be used in strategy WT2 (Statement of Fact) (Brandau, 2012).

Team Ottozone used no opportunities and three threats when creating our strategies. The first threat we used is heavy government regulation in the United States. The U.S. has strict health and safety laws when compared to other countries (Zeevi, 2013). The possibility of less regulation encouraged us to create strategy ST1. The second threat is the public becoming more health conscious. (T4) Over the past several years, restaurant industry trends have led towards healthier eating. BWW is a chicken wings based restaurant, health trends are a threat, so they are losing market share. (Beck) This threat led to the development of WT1. The final threat used is weak lunch time sales, which accounts for only 21% of BWW’s sale (Buffalo Wild Wings). These low lunch time sales led to the development of WT2.

**Recap of TOWS matrix:**

In the analysis of the TOWS Matrix for BWW, the results of possible strategies in order to improve revenue exceeded our expectations. Keeping the BWW mission statement into account, we formed three strategies that most appropriately fit this company’s desires of improvement. Team Ottozone found strategies in all categories of the TOWS matrix but had difficulty finding strategies that fell into the category of opportunities and weaknesses.

**Recap of Proposed 3 Strategies:**

We chose to recap three strategies in our TOWS matrix. Please refer to the TOWS matrix (Appendix C to view each strategy, labeled ST1, WT1, and WT2.

Our first strategy was for BWW to expand further into international market (ST1).Strategy ST1 is an example of market development. BWW already has experience in international markets with locations in Canada and Mexico (Hakensen 2013). Finding a successful international growth model adds to BWW’s ability to tackle daunting high-risk international endeavors. It is possible that BWW could succeed if expanded to Dubai.

Our second strategy was to introduce new menu items that cater to health conscious customers which is an example of product development (WT1). The trend toward healthy eating has many restaurant owners, including BWW, concerned. The threat that consumers are becoming more health conscious along with BWW’s high calorie menu has combined to create an area of concern for managers. BWW must introduce a healthier food menu item to compensate this downward trend. Overall, the introduction of a new menu item has a high feasibility and will expand the horizon of target consumers while creating a new look for the BWW brand.

Our third strategy is to offer a family discount during lunch hours which is known as market penetration (WT2). Past data have shown that BWW experiences a decline in sales during their lunch period. Lunchtime sales account for only 21% of total sales, while dinner rush accounts for almost 50% of overall sales. Offering family discounts during lunch periods when sales are lower will allow for BWW to increase lunchtime sales and reach out to a more diverse target market. An offer such as kids aged 1-18 eating for half price will entice more families to dine at BWW.

**Feasibility & Pros/Cons: Refer to appendix A for further feasibility analysis**

ST1

Strategy ST1 involves BWW expanding globally, specifically targeting Dubai as their region of choice. Having already expanded to other parts of the world, such as Canada and Mexico, with plans to expand further into Mexico and the Philippines, BWW has proven that they have a successful international growth model.

Looking at the managerial feasibility of this strategy, all necessary management skills and abilities are in place. BWW is willing to hire and adequately train general managers and employees under the supervision of the franchisee, regional manager, and VP of franchising.

As for the financial feasibility of global expansion, strategy implementation gets much more risky for BWW. BWW corporate requires a domestic franchisee to open a minimum of two restaurants, and each franchise must have $1.5 million in cash and $3 million net worth in order to be considered as a franchisee. It is certain that either these requirements will be much higher in international markets, or that BWW corporate will have to assume more risk and fund their international franchisees extra expenses. However, BWW’s current franchisee financing policy is to “not provide loans, leases, or guarantees to the franchisee or the franchisee’s employees and vendors. If a franchisee becomes financially distressed, we do not provide financial assistance.”(Annual Report). It would be extremely risky to expect franchisees to fund this project almost entirely by themselves, then not offer any assistance if market acceptance and profitability doesn’t occur as early as anticipated. Additionally, the franchise royalty and advertising fees which total approximately 8% will not be as valuable to BWW since BWW will be assuming much more risk in these areas. In processing a non-quantitative Dupont analysis, this strategy results in a low feasibility.

When considering market feasibility of strategy ST1, there are numerous potential markets available to choose from. Team Ottozone believes that Dubai would be the most feasible option because it meets BWW franchising requirements including the population and urban center requirements. BWW plans to expand quickly and “intend(s) to enter new domestic and international markets by opening several restaurants within a one-year period to quickly build our brand awareness” (Annual Report). BWW corporate will also have to be patient because “Sales at restaurants opening in new markets may take longer to reach profitable levels, if at all” (Annual Report).

Finally, considering technological feasibility is important to the success of strategy ST1. The firm uses the same internet connected point of sale system in foreign markets as they do in domestic markets. The rest of the equipment will be typical commercial grade restaurant equipment. BWW will have no issues using satellite television to display American sports and sports located closely to the target region. The difficulty, however, will be found in creating the appropriate production capacity. Since the firm negotiates directly with independent suppliers, they will find it difficult to regulate the suppliers and prices could be extreme. Potential distractions such as this could hinder BWW’s profitability (Annual Report).

WT1

As the trend towards healthy eating becomes more popular amongst those dining out, it is important for BWW to adapt and introduce more health conscious menu items. According to surveys from the National Restaurant Association, 71% of adults are trying to eat healthier at restaurants than they did two years ago (NRA). This provides a large market segment for BWW to target by implementing healthy menu items. Through advertising and marketing BWW will be able to reach this health conscious market segment, increasing their market size and profitability (Annual Report).

As for managerial feasibility, BWW has a highly experienced research and development department that “continuously tests and introduces new menu items.” Introducing these items aligns directly with BWW's company goal, which is to “balance the established menu offerings that appeal to our loyal guests with new menu items that increase guest frequency and attract new guests” (BWW). This company goal shows that BWW' managers are willing to take risks and diversify their menu by adding new items. Managers also will already have experience when it comes to changing BWW' menu offerings making this strategy have high managerial feasibility.

When considering the financial feasibility of this strategy it is important to recognize that BWW does not pay dividends. Additionally, their sales increased 23.0% from 2012-2013, and their income increased almost 25%. This left BWW with an end of year cash balance of $65.1 million. Since the advertising and research/development infrastructure is already in place for BWW, developing and distributing a new menu item is estimated to add no additional costs. Any overruns could easily be funded by BWW’ cash reserves, without any external financing. After processing a non-quantitative Dupont analysis for strategy WT1, we found this strategy to be highly financially feasible. Please see appendix B for more financial information (Annual Report).

Buffalo Wild Wings has an efficient supply chain that can keep their production capacity high. Most of their domestic supply chain is managed by McLane services, and BWW has an efficient purchasing team that negotiates competitive prices with other manufacturers and suppliers (Annual Report). The experienced research and development department has the technology necessary to implement this strategy.

WT2

Our third strategy is offering a family discount during lunch time hours. It is important to first consider the managerial feasibility of this endeavor. Top management is the main driving force in making sure every department does their part to implement this strategy. With a proven advertising department and extensive training program for management, BWW top management has the necessary resources to execute this strategy (BWW, 2014).

Financial feasibility for this project is very similar to WT1. If BWW continues to see increases in income similar to their 24.93% increase from 2012 and 2013, they will have a surplus of cash. In 2013, BWW had $65.1 million in cash on hand at the end of the year. Since existing advertising costs can be refocused on this project for radio, table and neighborhood advertisements, BWW will easily be able to fund any cost overruns with cash. Managers will hire cost accountants to determine the desired discount rate and where to cut costs in the production process to avoid losses (Food Cost) (Huebsch). After processing a non-quantitative Dupont analysis, we determined that this strategy would not drastically change any of the Dupont’s elements and would be only marginally profitable.

Since family dining accounts for 31.59% of total food service sales, the market segment is big enough to support BWW’s strategy of family discounts. With nationwide full-service restaurant industry sales of $208.21 billion, the market is definitely sizeable (Avant, 2012). The firm has the ability to reach these markets through their proven advertising departments and encourage people to visit and develop a personal connection with BWW. In order to meet their marketing goals, the advertising team will have to design a promotional piece that will entice families to eat lunch at BWW.

According to BWW’ investor presentation, 19% of total sales occur at lunch compared to 49% of total sales at dinner time (Investor Presentation). These figures show that BWW would potentially have to add on additional kitchen staff to have the necessary production capacity to meet an increase in sales brought on by strategy WT2. Along with an increase in kitchen staff, additional staffing may need to be hired.

**Comparison and Recommendation**

After reviewing the feasibility of each strategy, team Ottozone decided to rank the strategies from lowest to highest according to the pros and cons we derived from the feasibility analysis.

The feasibility analysis of Global Expansion strategy ST1 resulted in several pros and cons. One of the positive aspects of this strategy included BWW’s previous experience opening restaurants in new markets. Another positive is the corporate structure that allows for hiring and training of qualified employees and managers. One negative aspect of expanding globally was the risk of depending on a franchisee. This could lead to failure in new markets. Another extremely risky aspect is trying to find reliable and affordable international suppliers. Because of its minimally beneficial positives and potentially detrimental negatives, Ottozone ranked ST1 as our least feasible strategy.

Team Ottozone ranked the lunchtime family discount strategy (WT2) to have medium feasibility when compared to the other two strategies. Pros of this strategy included BWW’s proven advertising department and efficient supply chain. These positives would allow BWW to develop an advertising campaign and supply the products needed for expected lunchtime sales increases. A potential con could be that cost accountants would have to find an appropriate discount that would entice families while also resulting in positive margins. Another consequence of this strategy could be decreased lunchtime food quality from cost cutting during production. Due to increased table turnover, BWW could have to train new employees to work during lunch hours. A final negative aspect would be increasing prices of some menu items to compensate for discounts in other areas. Individually, some of the negatives seemed harmless, but with so many chances for increased implementation costs and risks, WT2 was ranked second in feasibility.

When compared to strategies ST1 and WT2, Team Ottozone decided that introducing new healthier menu items (WT1) was our most feasible strategy. One of the many positives of this strategy is that a large percentage of adults want to start eating healthier. Introducing new, more nutritious menu items will increase market share and appeal to the health concerned consumer. Costs of developing new menu items will be low due to BWW’s existing research and development department. Introducing a new menu item would diversify BWW’s menu, helping to mitigate the risk of volatility in chicken wing prices, which is currently one of their top selling items. The only foreseeable negative of adding healthy menu items is the potential of altering the current atmosphere with the newly drawn demographic. The positives of this strategy strongly outweigh the negatives, making WT1 our most feasible strategy.

As a result of the feasibility analysis and rankings, Team Ottozone is confident in recommending that BWW implement the strategy of developing new menu items. This strategy is most realistic when compared to the other strategies due to its ability to be financed with cash on hand combined with its potential for an increased target market. The project directly lines up with BWW’s managerial core value which is to “balance the established menu…with new menu items that increase guest frequency and attract new guests.” BWW has the existing research and development infrastructure that “continuously tests and introduces new menu items.” The culmination of all of the feasibility categories creates a strategy that is realistic, affordable and likely to be profitable for BWW (Annual Report).

Team Ottozone selected BWW as the company to analyze for the remainder of the IBC project. BWW is a full service restaurant with a mission to “Wow people every day” by being guest driven, team focused, community connected and dedicated to excellence. Our team proposed three different strategies that could improve BWW. The strategies were to expand globally, to introduce new, healthy menu items and to offer family discounts during lunch. After reviewing the pros and cons and the feasibility of implementing each strategy, Team Ottozone chose to recommend developing new healthy menu items as the strategy with the most potential. This strategy is financially feasible, mission oriented and potentially very profitable.

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**Appendix A: Feasibility**

1. ST1: Global Expansion
   1. Managerial
      1. Necessary Skills and Abilities: BWW has the necessary skills and abilities to expand globally. If looking to franchise operations in Dubai, they would appoint a regional manager, and then find a franchisee consultant to communicate with experienced franchisees. The franchisee and regional manager would hire a general manager for each location. All franchising actions would be overseen by the VP of franchising for BWW. Managers are then trained at certified training restaurants. This training addresses key aspects of the business, core focus areas such as operations, and culture. After training, the general managers will develop training methods that apply to their specific hourly employees. The hourly employees will be required to complete position certifications by doing “hands on” training.
      2. Willingness to take risks: BWW has already taken international risks in Canada and Mexico. They have five signed franchise development agreements for restaurants in the Philippines and Mexico. Additionally, financial risks are partially placed on the Franchisees, who will pay for most of the development. In return, the franchisees pay a royalty fee of 5% and an advertising fee of 3%. The BWW 10-k annual report states: “We believe our focus on our new restaurant opening procedures, along with our expanding North American and international presence, will help to mitigate the overall risk associated with opening restaurants in new markets.” (annual report)
      3. Values and experience: Managerial values are based on sports, where BWW attempts to create a “unique experience, centered around sports, (which) sets us apart from our competition. They also value Striving to “wow” customers every day, and create “a unique brand experience with a loyal fan base, award-winning wings and sauces, a variety of beers and an exciting social atmosphere.”
   2. Financial
      1. What amounts of financial resources are needed for the proposed action?
         1. Minimum of $750,000 required to open a franchise or location
         2. Minimum area development is two restaurants
            1. Therefore, liquid assets must be 1.5 million and net worth 3 million (franchise info)
            2. This information most likely pertains to domestic franchising, so costs could be even higher
      2. When will funds be needed?
         1. Funds are required before approval is granted (franchise info)
      3. Where will funds be obtained from? (internal or external)
         1. “We do not provide loans, leases, or guarantees to the franchisee or the franchisee’s employees and vendors. If a franchisee becomes financially distressed, we do not provide financial assistance.“
         2. External, Franchisee can obtain up to 80% of costs in equity.
      4. What effect does the proposed action have on finances of the firm?
         1. See Dupont Appendix B
   3. Market
      1. Is the market (or segment) there: With the exception of Mexico and Canada, international markets are currently nonexistent. BWW acknowledges that “We may not be successful in operating our restaurants in new markets on a profitable basis… Success of these new restaurants will be affected by the different competitive conditions, consumer tastes and discretionary patterns of the new markets as well as our ability to generate market awareness of the BWW brand” (Annual Report)
      2. Can the market be developed: “We intend to enter new domestic and international markets by opening several restaurants within a one-year period to quickly build our brand awareness.” (Annual Report)
      3. Is there a sizable enough market: When expanding, BWW looks for a population of 40,000+, $30,000 or greater median household income. They look for areas where there is a shopping mall or large store atmosphere (Walmart, home depot, regional malls, colleges, movie theaters, etc.) (Franchise Info) Since Dubai is a wealthy Middle Eastern area with lots of shopping locations and a consumer mentality, the market is sizeable. The firm will be able to reach these markets through their usual sports marketing techniques. (Annual Report)
      4. What should they do to meet these goals: In order to meet goals, BWW plans to expand quickly to increase brand awareness. This will be achieved by opening multiple locations in one area at once. Franchise requirements call for a minimum of two locations in any given area. BWW will need to consult with local franchisees and select ones with operational experience in the market. Finally, once opening locations, BWW must be patient: “Sales at restaurants opening in new markets may take longer to reach profitable levels, if at all.”
   4. Technical
      1. Does the firm have the production capacity: Since the firm negotiates directly with independent suppliers, it will be difficult to find suppliers in foreign countries. It will be hard to regulate these new suppliers, and prices could be extreme. There is always the possibility of potential distraction or unusual expenses associated with the technological expansion into international markets. (Annual Report)
      2. Does the firm have the necessary technology: Each international location is required to use existing point of sale and payment infrastructure, and the rest of their technology is commercial grade restaurant equipment. Satellite television technology will allow BWW to show any televised sporting event around the globe, while targeting local televised sporting locations in Dubai.
2. WT1: Health Conscious Menu Item
   1. Managerial
      1. Necessary Skills and Abilities: BWW has a highly experienced research and development department that “continuously tests and introduces new menu items.” (4).
      2. Willingness to take risks: BWW is constantly looking to diversify and improve their menu to counteract their biggest source of risk, the volatility of chicken prices. This mentality would leave BWW management open to and capable of altering and adding healthier food items to their menu. (11)
      3. Values and Experience: Buffalo Wild Wing’s core value applicable to their menu is to “balance the established menu…with new menu items that increase guest frequency and attract new guests.” (4). Adding healthier options to their menu follows this goal by pleasing a growing health conscious market. BWW management is thoroughly experienced in adjusting their menu to the wants of their customers leading to a high feasibility for the success of implementing a healthier menu.
      4. Additional HR Needs: BWW already has a proven management program that is largely responsible for their fiscal success over the past decade that shows that there will be little to no new HR strategies required for the implementation of strategy WT1.
   2. Financial
      1. What amount of financial resources are needed for the proposed action:
         1. Buffalo Wild Wing’s average advertisement budget is $64,000 per month per site with an even larger corporate budget nationwide. While the implementation of a new marketing campaign will add extra costs to business operations (annual report)
         2. Increased sales will increase the amount paid by franchise and corporate locations into the national advertising fund (3%)
         3. Existing research and development department can shift efforts to healthier items from current research areas.
      2. When will funds be needed
         1. Research funds will be needed immediately, but advertising funds won’t be needed right away because it will take some time to develop and distribute products to individual locations
      3. Where will funds be obtained from? (External or Internal)
         1. BWW does not pay dividends
         2. Restaurant sales increased by $221.4 million, or 23.0%, 2013
         3. Advertising costs increased by 8945, or 34.23% from 2012-2013
         4. Income increased 24.93% between 2012 and 2012.
         5. If BWW cannot pay dividends, then they will be able to afford allocating some of their 65.1 million dollar cash balance to finance this opportunity
      4. What effect does the proposed action have on finances of the firm?
         1. See Dupont Appendix B
   3. Market
      1. Is the market (or segment) there?: With 71% of adults saying that they were looking to eat healthier in the future, there is clearly a market that would be receptive of strategy WT1. Positive reception of new menu items would make BWW more successful for the foreseeable future.
      2. Can the market be developed? : The restaurant industry as a whole has experienced a health conscious shift that would provide an instantaneous market that could support the expense of more nutritious menu items.
      3. Does the firm have the ability to “reach” those markets?: BWW marquee item is high calorie wings and sauces which have the potential to alienate the health conscious market that the organization is trying to reach. Due to the company’s already existent brand loyalty, we are confident that word of mouth advertising along with restaurant ad campaigns will allow BWW to reach a large portion of this new market with strategy WT1.
      4. What should they do to meet these goals?: In order to reach their goal of successfully marketing strategy WT1, BWW will need to look at running a thorough ad campaign. While there would be focus placed on television spots, a large part of the marketing strategy would focus on magazine advertisements, mail campaigns, and potentially investing in billboards in areas near franchise locations.
   4. Technical
      1. Does the firm have the production capacity?: BWW already has a very efficient supply chain that can keep BWW production capacity high. Most of their domestic supply chain is managed by McLane Foodservices and they have a purchasing team that negotiates with other competitively priced manufacturers, suppliers, growers, and distributors (7). T. Marzetti Company produces all of BWW sauces and they “maintain sufficient inventory levels to ensure consistent supply to our restaurants.” (7).
      2. Does the firm have the necessary technology?: Due to BWW continuous mission to adapt their menu to the wants and needs of their customers, they already have an experienced research and development department fully capable of carrying out strategy WT1.
3. WT2: Family Discount During Lunch
   1. Managerial
      1. Necessary Skills and Abilities: With a proven advertising department and extensive training for management, BWW has the necessary resources to execute this strategy. The structured top management team will oversee the implementation of this strategy, targeting family business during lunch hours. (BWW, 2014) (Example?)
      2. Willingness to take risks: BWW is willing to take risks when it comes to promotions due largely to the fact that chicken prices are extremely volatile. This volatility is counteracted by introducing new menu items, conducting effective marketing promotions, reducing food cost and waste, and implementing menu price increases (10-K). BWW needs to attract customers who will not only take advantage of the family lunch discounts but other menu items as well (DeAngelis). To increase profits from this strategy BWW may increase costs of other menu items such as appetizer, drinks, and desserts (Bricker).
      3. What are their values? What are their experience? This strategy aligns directly with BWW’ value of increasing same-store sales, average unit volumes, and profitability (BWW 10-K). By providing family discounts, BWW could possibly attract first time customers, creating new relationships and solidifying relationships with usual customers, broadening their clientele and boosting revenue (NFIB).
      4. Additional Human Resource Needs: (hiring plan, training of existing and new employees, etc.) Offering a family discount during lunch may increase customer traffic through the restaurant requiring better trained employees. In these trainings the employees will need to be prepared for an increase of customer traffic, and turning tables over quicker, while maintaining hospitality (Arthur). Human resource management cost will rise due to the additional training that is required (Arthur).
   2. Financial
      1. What amount of financial resources are needed for the proposed action:
         1. Buffalo Wild Wing’s average advertisement budget is $64,000 per month per site with an even larger corporate budget nationwide. While the implementation of a new marketing campaign will add extra costs to business operations (annual report)
         2. The firm can direct promotional money from existing advertising budgets toward this project
      2. When will funds be needed
         1. Not immediately, because it will take some time to develop and distribute products to indivdual locations
      3. Where will funds be obtained from? (External or Internal)
         1. BWW does not pay dividends
         2. Restaurant sales increased by $221.4 million, or 23.0%, 2013
         3. Advertising costs increased by 8945, or 34.23% from 2012-2013
         4. Income increased 24.93% between 2012 and 2013.
         5. If BWW has extra cash that they cannot pay in dividends, then they will be able to afford allocating some of their 65.1 million dollar cash balance to finance this opportunity
      4. What effect does the proposed action have on finances of the firm?
         1. See Dupont Appendix B
   3. Market
      1. Is the market (or market segment) there? The target market for this promotion would be families. Family dinning accounts for 31.59% of total food service sales making this market segment big enough to support the strategy of family discounts (Nation’s Restaurant News, 2014).
      2. Is there a sizable enough market? The market is large enough to support the implementation of offering family discounts at lunch time. Full-service restaurant sales, including family-dining restaurants, are estimated at $201.5 billion, according to National Restaurant Association data (Nation’s Restaurant News).
      3. Does the firm have the ability to “reach” those markets? BWW has a proven marketing department in place whose marketing programs are designed to build brand awareness with sports fans, encouraging them to visit and ultimately develop a personal connection to BWW (10-K). The primary methods BWW uses for advertising are television commercials and local and national radio spots. For this strategy national and local radio spots should be used due to the cost effectiveness.
      4. What should the firm do to meet these goals? In order to implement a family discount during lunch, advertising will need to design a promotional piece that will entice families to eat lunch at BWW (DeAngelis).
   4. Technical
      1. Does the firm have the production capacity? If not, what needs to be done to ensure the firm has the necessary production capacity? According to BWW’ investor presentation 19% of total sales occur at lunch compared to 49% of total sales at dinner time (Investor Presentation). These figures show that BWW has the production capacity required for this strategy however, additional staffing may need to be hired.
      2. Does the firm have the necessary technology?

**Appendix B: Dupont Analysis**

Non-Quantitative Dupont Analysis (All assumptions are ceteris paribus)

**ST1: Global Expansion**

Net Profit Margin: (Net Income ↓)/ (Net Sales ↑)

Buffalo Wild Wings expects to see either negative or minimal profits in the first several years after expanding to international locations. With the added expenses of advertising, training, managing franchisees and distribution networks, Buffalo Wild Wings will see a decrease in net income. It is likely that even with the addition of the new locations, net sales will increase at a rate similar to previous years. With these two expected outcomes in each lever, Net profit margin will ultimately decrease for Buffalo Wild Wings.

Total Asset Turnover: (Net Sales ↑) / (Total Assets ↑)

As was previously stated, net sales are likely to increase. With expansion into new locations, Buffalo Wild Wings will acquire new assets, causing their total assets to increase as well. Because it is difficult to quantify the changes in Net Sales and Total Assets resulting from this strategy, we cannot estimate a change in total asset turnover.

Return on Investment: (Net Income ↓) / (Total Assets ↑)

As previously stated, Net Income is expected to decrease. Total assets are expected to increase. With the levers heading in opposite directions, Return on Investment is likely to decrease. This is a result of low profitability on expensive investments in foreign operations.

Financial Leverage: (Total Assets ↑) / (Stockholders Equity↑)

Previously stated, total assets in this case will increase. Due to increased assets, there will also be an increase in Stockholders equity. It is difficult to calculate the change in financial leverage due to both levers increasing.

Strategy ST1 is very costly, and the low ROI and decreased profit margin make this strategy very risky.

**WT1: Introduce Healthy Menu Items**

Net Profit Margin: (Net Income↑/ (Net Sales↑)

Since the costs of implementing this strategy are mostly covered by existing departments, net income is likely to increase immediately due to expanded target markets. Net sales will increase and result in increased net income. With these suspected forecasts in each lever, it is difficult to estimate a change in this category.

Total Asset Turnover: (Net Sales↑) / (Total Assets ↔)

As stated before, net sales will see an increase through this implementation. For this strategy, total assets will remain the same. With an increase in net sales and with total assets remaining neutral, the strategy creates an overall increase in Total Asset Turnover.

Return on Investment: (Net Income↑) / (Total Assets↔)

As previously stated, Buffalo Wild Wings is likely to see an increase in net income. It is also stated that total assets will remain the same. This being said, return on investment will see a minimal but eventually positive change. According to these levers it shows that implementing this strategy will increase return on investment.

Financial Leverage: (Total Assets↔) / (Stockholders Equity ↔)

As stated beforehand, total assets will remain unchanged. Since stockholders’ equity will remain the same as well, financial leverage will not be a factor in implementing this strategy.

With this strategy being low cost and creating an increased target market, this strategy is highly financially feasible.

**WT2: Offer Family Discounts During Lunch Hours**

Net Profit Margin: (Net Income ↑)/ (Net Sales ↑)

Offering family discounts during lunch hours, Buffalo Wild Wings will see a minimal net income increase from implementing this strategy. As for Net Sales, Buffalo Wild Wings will eventually see a rise with increased traffic during lunch. With these expected outcomes in the levers, it is difficult to calculate the change in net profit margin.

Total Asset Turnover: (Net Sales ↑ / (Total Assets↔)

As previously stated, offering family discounts during lunch hours will increase the amount of customers during this time of the day thus increasing Buffalo Wild Wing’s Net sales. Implementing this strategy, total assets will remain the same. With the suspected outcomes of these levers, Buffalo Wild Wings will see an increase in Total Asset Turnover. An increase in total asset turnover is a positive sign of success for this strategy.

Return on Investment: (Net Income ↑) / (Total Assets↔)

As previously stated, Net Income will see little a minimal increase. Total assets will also see no change through this implementation. According to these levers, it illustrates that the return on investment will increase minimally in the future.

Financial Leverage: (Total Assets ↔) / (Stockholders Equity↔)

As previously stated, total assets will not alter through the implementation of this strategy. Stockholders’ equity is likely to remain the same. Financial leverage will remain the same

Although strategy WT2 is feasible financially, the benefits are minimal due to only minor increases in sales and net income.

**Appendix C: TOWS Matrix**

