

# Chapter 1: An overview of marketing

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## Learning outcomes

### LO1 Gain an overview of marketing

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society. Marketing also requires all facets of a company to work together to pool ideas and resources.

### LO2 Explain the marketing exchange conditions and their influence on marketing.

One major goal of marketing is to create an exchange. An exchange has five conditions:

- There must be at least two parties.
- Each party has something that might be of value to the other party.
- Each party is capable of communication and delivery.
- Each party is free to accept or reject the exchange offer.
- Each party believes it is appropriate or desirable to deal with the other party.

Even if all five conditions occur, an exchange might not transpire. People engage in marketing whether or not an exchange happens.

**LO3 Describe the four competing marketing management orientations.**

An organisation's philosophy and orientation strongly influence the role of marketing and the character of marketing activities within that organisation. A production-oriented organisation focuses on the internal capabilities of the organisation rather than on the desires and needs of the marketplace. A sales orientation is based on the beliefs that people will buy more products if aggressive sales techniques are used and that high sales volumes produce high profits. A market-oriented organisation focuses on satisfying customer wants and needs while meeting organisational objectives. A societal marketing orientation goes beyond a market orientation to include the preservation or enhancement of individuals' and society's long-term best interests.

**LO4 Appreciate the application of the orientation to an organisation**

First, sales-oriented organisations focus on their needs; market-oriented organisations focus on customers' needs and preferences. Second, sales-oriented companies consider themselves deliverers of goods and services, whereas market-oriented companies view themselves as satisfiers of customers. Third, sales-oriented organisations direct their products to everyone; market-oriented organisations aim at specific segments of the population. Fourth, sales-oriented organisations place a higher premium on making a sale; while market-oriented seek a long-term relationship with the customer. Finally, sales-oriented businesses pursue maximum sales volume through intensive promotion, whereas market-oriented businesses pursue customer satisfaction through coordinated activities.

**LO5 Describe the reasons for studying marketing**

First, marketing affects the allocation of goods and services that influence a nation's economy and standard of living. Second, an understanding of marketing is crucial to understanding most businesses. Third, career opportunities in marketing are diverse, profitable and expected to increase significantly during the coming decade. Fourth, understanding marketing makes consumers more informed.

## Terms

Marketing	Societal marketing orientation
Exchange	Competitive advantage
Production orientation	Customer value
Sales orientation	Customer satisfaction
Market orientation	Relationship marketing
Marketing concept	Customer relationship management (CRM)

## Lesson plan for lecture

Learning objectives	PP slides
LO1 Define the term marketing.	4–5
LO2 Explain the marketing exchange conditions and their influence on marketing.	6–7
LO3 Explain the five competing business orientations that impact on marketing strategy.	8–15
LO4 Describe the marketing process.	16–21
LO5 Give several reasons for studying marketing.	22–24
Ethical issues	n/a

## Lesson plan for Company Clips (US video case)

### Satisfying customers: Geoffrey B. Small

Geoffrey B. Small is a super luxury fashion designer with an eye towards social justice and connecting with his buyers. In this video, Small discusses how he began designing clothes and deciding which customers to connect with and how. He also discusses the nature of consumer behaviour and beliefs in terms of how they purchase fashion and its effect on clothing prices.

These teaching notes combine activities that you can assign students to prepare before class, that you can do in class before watching or while watching the video, and that you can assign students to complete as assignments after watching the video.

During the viewing portion of the teaching notes, stop the video periodically where appropriate to ask students the questions or perform the activities listed on the grid. You may even want to give the students the questions before starting the video and have them think about the answer while viewing the segment. That way, students will be engaged in the activity rather than passively viewing.

Pre-class prep for you	Pre-class prep for your students
<ul style="list-style-type: none"> <li>• Preview the <i>Company Clips</i> video segment for Chapter 1. This exercise reviews concepts for LO1 and LO3.</li> <li>• Review your lesson plan.</li> <li>• Make sure you have all of the equipment needed to show the video to the class.</li> <li>• You can also stream the video by clicking <a href="#">HERE</a></li> </ul>	<ul style="list-style-type: none"> <li>• Have students familiarise themselves with the following terms and concepts: marketing, <i>production orientation</i>, <i>marketing concept</i>, <i>market orientation</i> and <i>societal marketing orientation</i>.</li> <li>• Have students search for Geoffrey B. Small and read some articles about him. Depending on the amount of controversy/discussion you would like to spark, Small's articles on his forum at StyleZeitgeist (<a href="http://www.stylezeitgeist.com/">http://www.stylezeitgeist.com/</a> &gt; Discuss) are very informative about his stance on clothing and politics, but can be highly divisive.</li> </ul>
Video review exercise	
Warm up	Begin by asking students 'What is marketing?'
In-class preview	<ul style="list-style-type: none"> <li>• Segue into a discussion of the <i>marketing concept</i> and the four marketing management philosophies.</li> <li>• Write the four marketing philosophies on the board.</li> <li>• Take an informal class poll to see which model resonates most with students.</li> <li>• Ask students, while writing it on the board: 'What does an organisation <i>need</i> to succeed in competitive markets?'</li> <li>• While listening to students' insights, write the following points on the board. <ul style="list-style-type: none"> <li>○ a clear understanding of what customers want</li> <li>○ focus to produce what the customer wants, rather than on what management thinks should be produced.</li> </ul> </li> </ul> <p>Write the following viewing questions on the board, or simply prompt students to think about them as they watch the video.</p>

<b>Viewing questions</b> <i>(solutions below)</i>	<ol style="list-style-type: none"> <li>1 Is Geoffrey B. Small best described as having a market orientation or a societal-marketing orientation?</li> <li>2 How does Geoffrey B. Small implement the marketing concept?</li> </ol>
<b>Follow-up</b>	<ul style="list-style-type: none"> <li>• Have students reflect on their earlier research into Geoffrey B. Small and have them write a paragraph on how they think he uses social media to demonstrate his commitment to a societal marketing orientation.</li> <li>• Have students break into groups of up to four students and have each group brainstorm a marketing concept for one product, including their intended customer and marketing philosophy.</li> <li>• Outside of class, have students individually create a marketing concept for one product. Have them compose a brief paragraph, to be turned in later, discussing how they found out what the customer wanted.</li> </ul>
<b>Solutions for viewing activities</b>	<ol style="list-style-type: none"> <li>1 Is Geoffrey B. Small best described as having a market orientation or a societal-marketing orientation?   <i>Geoffrey B. Small would be best described as having a societal-marketing orientation because Small takes the basic market orientation focus – ‘What do customers want and need?’ – and adds a societal, environmental focus – ‘How can we benefit society?’</i> </li> <li>2 How does Geoffrey B. Small implement the marketing concept?   <i>Geoffrey B. Small implements the marketing concept by creating clothing that satisfies his customers desire to have long-living clothing from a company that is driven to protect the environment and civil rights. He discovered the small demographic of wealthy but socially motivated buyers and built clothing that they perceived as having a high value. As he says in the video, ‘you need to give the customer what they need and that they need badly enough that they are willing to give you money for it’.</i> </li> </ol>

## Video assignment

### Satisfying customers: Geoffrey B. Small

- 1 Geoffrey B. Small takes great pride in offering a high level of handwork in his clothing because:
  - a it offers higher customer value.
  - b it is part of his marketing orientation.
  - c it is how he markets his clothing.
  - d he can employ more people that way.

ANS: A

*Small says that his customers value handwork because it provides them a direct link with the people who made the clothes, something that most designers and clothing producers do not take the time or cost to offer their customer.*

- 2 True or false? Geoffrey B. Small believes that one function of advertising is to make the customer believe what companies say. Therefore, he doesn't advertise and lets the clothes speak for themselves.

ANS: True

*Geoffrey B. Small says that corporate advertising has taught customers that the lower the price the better the bargain. However, he argues this inevitably costs the customer more, and that he has to re-educate his customers to understand that value comes in longevity, eco-friendly and politically friendly products that work.*

- 3 How would Geoffrey B. Small answer the question 'what is this organisation's business?'
  - a Making clothes for environmentally aware customers.
  - b Offering a great product and great service by honestly communicating with the customer.
  - c Showing people how clothes should be made – locally.
  - d Giving the customer something they need badly enough that they will pay for it.

ANS: B

*Small says that he doesn't like the word marketing, and that he focuses on offering a great product and great service by honestly communicating with the customer, which is*

*the business he is in. Part of that business involves making clothes which are purchased by environmentally aware customers, but the business is larger than that.*

- 4 To which marketing management philosophy does Geoffrey B. Small subscribe?
- a Production orientation
  - b Marketing orientation
  - c Sales orientation
  - d Societal orientation

ANS: D

*Small's focus on local, sustainable culture, as well as his civil rights focus suggests that he has a societal marketing orientation, which is the idea that an organisation exists to not only satisfy customer wants and to meet organisational goals, but also to preserve or enhance individuals' and society's long-term best interests. Production orientation occurs when the internal capabilities of the organisation drive business decisions, rather than the wants and needs of the market.*

- 5 When Small describes how his customers choose to purchase his clothes (by evaluating that his brand is environmentally conscientious, whereas most other brands are not), which condition of exchange is being met?
- a Each party has something of value to the other party.
  - b Each party is capable of communication and delivery.
  - c Each party is free to accept or reject the exchange offer.
  - d Each party believes it is appropriate or desirable to deal with the other party.

ANS: D

*By evaluating Small's brand based on aspects such as environmental concerns, customers are choosing to buy from Small because it is desirable to deal with him, since he has similar values as the customer. Both parties do have something of value, but this particular aspect of the evaluation process does not apply to that condition of exchange.*

- 6 When Small discusses how customers crave personal interaction, knowledge of the person who created the garment, and want unique, humanness in their clothing, what is he describing?
- a Avoiding unrealistic pricing
  - b Having a strong sales team
  - c Building relationships
  - d Building trust

ANS: C

*Small is discussing building relationships with his customers by increasing the handwork on his clothing.*

- 7 Which aspect of customer value is Small discussing when he refers to cost cutting, dividing the cost of a garment over the years it is worn and the money invested in the company?
- a Avoiding unrealistic pricing
  - b Empowering customers
  - c Using the marketing concept
  - d Increasing customer satisfaction

ANS: A

*Despite having high initial prices, Small's work is designed to be worn for more than twenty years, making it an, ultimately, less expensive garment than one purchased at a budget chain store that has to be replaced every six months.*

- 8 Small's focus on the longevity of his garments suggests that he is:
- a empowering his customers.
  - b decreasing customer satisfaction.
  - c offering products that perform.
  - d harming his business model.

ANS: C

*If a pair of pants or a coat lasts 25 years, that is a product that performs.*



- 9 By providing the customer the top-quality product that lasts for 25 years, Geoffrey B. Small is:
- a placing a premium on making a sale.
  - b providing customer satisfaction.
  - c using the marketing concept.
  - d developing a deeper understanding of his customers.

ANS: B

*This is the type of quality and longevity desired by Small's customers, so he is providing them customer satisfaction.*

- 10 Small's refusal to give in to the pressure to make more, to change methods, to lower prices, in order to keep using local products and maintain a high level of quality indicates:
- a a shift to a production orientation.
  - b a shift in the organisation's primary goal.
  - c a refusal to use the tools at his disposal.
  - d his commitment to the societal marketing orientation.

ANS: D

*Small believes that his methods for creating clothing are in people's and society's best long-term interests, and by refusing to change his methods, he is demonstrating his commitment to the societal marketing orientation.*

## Lesson plan for group work

### Class activity – Marketing is not just advertising

The objective of this exercise is to get students to think about what may be involved in marketing a product. They should construct plans that list the major variables in the marketing mix. This activity will emphasise that marketing is not just advertising.

First, divide the class into small groups of four or five people. Then ask students to assume that they have just purchased a tennis racquet factory that has been shut down for the last few years. The automated equipment and computer system are in excellent shape, and the personnel needed to run the factory are readily available. However, before jumping

into production, what questions need to be asked and answered? What plans need to be made? Which of these plans concern marketing?

The following suggested questions should be brought up after the students suggest theirs. All these questions are about marketing issues.

- 1 What are the needs of tennis players? Do they need more or different styles of tennis racquets?
- 2 How many different categories of tennis players are there? What kind of racquet does each category need? (Handles, sizes, shapes, weights and prices are factors.)
- 3 Which category of player does this organisation want to sell to?
- 4 Estimate how many people are in this chosen category. How many of them will be playing over the next five years? How often will they buy a new racquet?
- 5 When will these customers buy? (Are there seasons or trends?)
- 6 Where are these customers located? Where do they shop for tennis racquets?
- 7 What price are these customers willing to pay? Does this price leave a profit for the company?
- 8 How will the company communicate with potential customers? What type of promotion will reach them?
- 9 How will the racquets be packaged? What type of warranty will they carry? How will the organisation provide customer service?
- 10 How many other companies are making racquets? What kinds and what prices of racquets do competitors offer?
- 11 What is the industry as a whole projected to do in the next five to ten years?

All these questions must be answered before beginning production. As the students should now see, marketing strategy drives the business.

## Questions and exercises

### Review question

- 1 Give an example of a company that might be successfully following a production orientation. Why might an organisation in this industry be successful following a production orientation?

*A mature product, such as a small no-frills tinned food, is sold on price. A production orientation of lowest cost would work for this. In addition, a production orientation may work in a developing country where consumers have fewer options.*

- 2 Of the four marketing orientations, which orientation best suits with the food retail company espousing lowest prices every day?

*An initial response could be the selling orientation as the focus is on selling. However, this is not the case as there are no pressure tactics and the lowest price will not always guarantee highset profits. This organisation's orientation is market – oriented, as it is about satisfying the customer and in a tight market, pricing strategies are often used if the organisation has strong influence on the channel suppliers.*

- 3 Why would the exchange fail to go through if all five conditions for an exchange exist between you and a mechanic, and the mechanic is offering to work on your car with no labour charges?

*The five conditions must exist for the exchange to occur, but neither party is required to go through with the exchange.*

- 4 A salesperson approaches you in a store. They start telling you how you must buy the product because if you do not, you will be jeopardising the future of your children. What marketing orientation is being used by the salesperson?

*This person is using a sales orientation.*

- 5 Comment on the statement, 'Marketing makes you buy things you don't always want'.

*Marketing does not make people do anything. It presents and highlights products that will satisfy needs and wants of customers. However, at the end of the transaction the customer can always walk away from the exchange.*

## Application questions

- 1 Your company president has decided to restructure the organisation and become more market-oriented. She is going to announce the changes at an upcoming meeting. She has asked you to prepare a short speech outlining the general reasons for the new company orientation.

*Students' answers should focus on:*

- *customer wants and needs*
- *distinguishing the company's products and services from competitors' offerings*
- *the integration of all organisational activities to satisfy customer wants and needs.*

*The latter point justifies the need for the restructuring. The speech can also contain some of the following topics:*

- *the commitment of top management to the new market orientation*
- *the necessity of competitive intelligence*
- *inter-functional coordination needed to satisfy customer wants and needs.*

- 2 Donald E. Petersen, chairperson of the board of Ford Motor Company, remarked, 'If we aren't customer-driven, our cars won't be either'. Explain how this statement reflects the marketing concept.

*Although students' answers will vary, they should address some of these points. The marketing concept focuses on satisfying customer needs while meeting organisational objectives. Most prosperous organisations, including Ford, have adopted this management philosophy because experience has taught them that customer satisfaction is crucial to their success.*

- 3 A friend of yours agrees with the adage, 'People don't know what they want – they only want what they know'. Write your friend a letter expressing the extent to which you think marketers shape consumer wants.

*Although students' answers will vary, they should address some of the following points: Marketers cannot create demand or make people buy things that they do not want or need. Marketing does, however, inform, persuade and remind people about the availability, features, advantages and benefits associated with new and existing products. One important task of marketing is to introduce people to products that they otherwise might not know about.*

- 4 Your local supermarket uses the slogan is 'It's your store'. However, when you asked one of the stock people to help you find a bag of chips, he told you it was not his job and that you should look a little harder. On your way out, you noticed a sign with an address for complaints. Draft an email explaining why the supermarket's slogan will never be credible unless its employees carry it out.

*Students' answers will vary widely, but they should explain that the marketing orientation, and the concern for customers, must extend to every member of the organisation. This concern is very important when the customer has actual contact with a front-line employee.*

- 5 Write a letter to a friend or family member explaining why you think that a course in marketing will help you in your career in some field other than marketing.

*Students' answers will vary, but they should include a discussion of market orientation to the success of the organisation and the role of employees in the delivery of customer value.*

## Application exercise

Understanding the differences among the various marketing management philosophies is the starting point for understanding the fundamentals of marketing. From reading the chapter, you may be convinced that the market orientation is the most appealing philosophy and the one best suited to creating a competitive advantage. Not all companies, however, use the market orientation. In addition, companies that follow it may not execute well in all areas.

### Activities

- 1 Visit your local grocery store and visit the aisles containing cereal, snack food and dental hygiene. Go up and down each aisle slowly, noticing how many different products are available and how they are organised on the shelves.
- 2 Count the varieties of product in each product category. For example, how many different kinds of cereal are on the shelves? How many different sizes? Do the same for snack food and toothpaste.
- 3 Now try to find a type of product in the grocery store that does not exhibit such variety. There may not be many. Why do you think there are enough kinds of cereals to fill an entire aisle (and then some), but only a few different types of, say, peanut butter? Can this difference be explained in terms of marketing management philosophy (peanut butter manufacturers do not follow the marketing concept) or by something else entirely?
- 4 Have you ever wanted to see a particular kind of cereal or snack food on the shelf? Think of product varieties (like grapefruit-flavoured toothpaste or peanut butter-covered popcorn) that you have never seen on the shelf but would be interested in trying if someone would make it. Write a letter or send an email to an appropriate company, suggesting that it add your concept to its current product line.

## Purpose

The purpose of this application is to introduce the students to the marketing concept. This exercise sends students to the supermarket to evaluate the range of products and product categories, and to draw conclusions about the marketing orientations of particular brands/companies based on what they find.

## Setting it up

You may want to assign this to pairs of students. That way they can discuss their observations as they move through the store. There is no single solution for this application.

## Ethics exercise

In today's business environment, ethics are extremely important. In recent years, numerous scandals and trials have stemmed from a lack of ethical judgment. For this reason, we have included an ethical exercise in every chapter. A brief scenario will present you with a situation in which the right thing to do may or may not be crystal clear and you will need to decide the ethical way out of the dilemma.

Rani Pharmaceuticals is the maker of several popular drugs used to treat high blood pressure and arthritis. Over time, the company has developed a positive relationship with many of the patients who use its medications through a quarterly newsletter that offers all the latest information on new medical research findings and general health and fitness articles. A group of investors who also own Soothing Waters Hot Tubs and Spas has just acquired the company. The marketing director for Soothing Waters would like to use Rani's mailing list for a direct-mail promotion.

## Questions

- 1 What should Rani Pharmaceuticals do?

*In order to avoid the semblance of impropriety, it might be better for the marketing director of Soothing Waters to ask Rani to include an information piece about the hot tubs in the quarterly newsletter. The article could include a bounce-back card on which the patient could indicate his or her interest in receiving more information about the hot tubs directly from Soothing Waters. Although it is ethical for a company to leverage its customer information across the organisation, a company should always be mindful of how its customers will perceive it doing so.*

- 2 Do you think it is ethical to use customer information across multiple divisions of the same company? Explain.

*This is a situation to be handled with caution. Rani's should not simply hand over customer information. Although it is not unethical per se for a company to leverage its customer information across the organisation, it could jeopardise the positive relationship that Rani's has developed with its customers. One solution may be to include a note in the newsletter about Soothing Waters and customers can request more information.*

- 3 To which marketing management philosophy do you think the marketing director for Soothing Waters subscribes? Explain.

*The marketing director for Soothing Waters seems to be taking a sales orientation marketing approach. This is an aggressive approach and it may be in Soothing Waters' best interest to redirect and pursue a market orientation.*

- 4 Does the AMA Statement of Ethics address using customer information by multiple divisions of the same company in its Statement of Ethics? Go to <https://www.ama.org> > about AMA > Statement of Ethics, then write a brief paragraph on how the AMA Code of Ethics relates to Rani Pharmaceuticals' dilemma

*The AMA Code of Ethics does not provide specific guidelines for the use of information across an organisation. In fact, the lack of principles relative to information collection, archiving, dissemination and general use indicates that the area of marketing information has evolved more rapidly than the Code. [You may wish to have your students draft a sample code of ethics relating to the area of marketing information. This can be done as a group activity or as an individual assignment.]*

- 5 Does the Privacy Act in your country change the position of the organisation in dealing with the database of clients held by an organisation?

*The privacy of individuals are dealt with differently in various countries. Many international organisations have unwittingly breached Privacy Laws in the way they store, manage and use the names and details of customers and potential customers on their databases.*

## Chapter cases

### Case 1 – Walt Disney

The Walt Disney Company recently announced that it will be implementing organisation advertising rules on its television channels, radio stations and its websites. Disney will ban all ads for junk food on its media networks, hoping to get kids to eat better by removing the

temptation of junk food advertising. The new rules will make Disney a pioneer in recognising the force of advertising on consumer behaviour. Disney will evaluate a company's broad offerings, beyond the specific product it hopes to advertise on one of Disney's channels.

Products such as Kraft's Capri Sun and Oscar Meyer Lunchables do not meet Disney's nutrition standards. Capri Sun has too much sugar and Lunchables has high sodium content. Cereal with more than 10 grams of sugar or a meal with more than 600 calories will not meet nutrition standards and cannot be advertised. Even McDonald's, which is involved in the advertising initiative as part of its support for First Lady Michelle Obama's campaign to curb childhood obesity, may not make Disney's cut. The rules took effect in 2015 and Disney hopes that driven by the desire to keep kids interested in their products through advertising, companies will reformulate products to meet nutrition standards.

**Source:** 'Disney's new diet for kids: no more junk food ads', *Yahoo*, 5 June 2012, <http://finance.yahoo.com/news/disneys-diet-kids-no-more-junk-food-ads-222602295.html> (Accessed 25 March, 2013).

## True or false questions

- 1 True or false? Disney's decision to implement new rules banning junk food advertisements suggests a societal marketing orientation.  
*ANS: True*
- 2 True or false? The junk food companies that want to advertise on Disney's television channels likely have a sales orientation.  
*ANS: True*
- 3 True or false? The type of advertisements a company chooses to broadcast on its television stations is inconsequential because marketing does not play a very large role in society.  
*ANS: False*
- 4 True or false? The goal of junk food advertisers is to encourage marketing, whereby people giving up something (money) in order to receive something they would rather have (junk food).  
*ANS: False*  
*People giving up something (money) in order to receive something they would rather have (junk food) is an exchange.*
- 5 True or false? Because it is sold at a low price, junk food provides high customer value.



*ANS: False*

*Customer value is not simply a matter of low cost. A low-quality product selling for a low price does not necessarily provide value.*

## Multiple choice questions

- 1 Which of the following was likely not one of Disney's considerations when determining its marketing concept?
  - a Do our customers want to see junk food advertisements on our channels and websites?
  - b How do junk food advertisements affect our long-term goals?
  - c Will new stricter advertising rules distinguish us from our customers?
  - d How do our television shows and websites affect our bottom line?
  - e What do customers picture when they think about our television channels?

*ANS: D*

*What a business thinks it produces is not of primary importance to its success. Instead, what customers think they are buying – the perceived value – defines a business.*

- 2 If Disney allowed customers to choose which types of advertising they saw on its websites, it would be engaging in:
  - a realistic pricing
  - b co-creation
  - c offering products that perform
  - d giving the buyers facts
  - e providing after-sales support

*ANS: B*

*Co-creation allows customers to help create their own experiences.*

- 3 Disney customers' evaluations of the company's websites and television channels in terms of whether those products meet their needs and expectations is called:
  - a customer gratification
  - b customer fulfilment
  - c customer approval
  - d customer agreement

- e customer satisfaction

ANS: E

*The customers' evaluation of a good or service in terms of whether that good or service has met their needs and expectations is called customer satisfaction.*

- 4 Which of the following describes a Disney customer service representative who has been given the authority to respond to a complaint about junk food advertisement by pulling the advertisement in question and flagging it for review by Disney's marketing team?
- a The employee is empowered.
  - b The employee is improving Disney's customer relationship management.
  - c The employee is working in a teamwork-oriented environment.
  - d The employee is operating under a sales orientation.
  - e The employee is opposed to junk food advertisements.

ANS: A

*Empowerment is delegation of authority to solve customers' problems quickly – usually by the first person the customer notifies regarding a problem.*

- 5 Who at Disney needs to both be aware of and understand the company's decision to impose strict junk food advertising rules?
- a The CEO
  - b The CEO and his chief advisors
  - c The CEO, his chief advisors and the marketing team
  - d The CEO, his chief advisors, the marketing team and the financial team
  - e Every businessperson at the company

ANS: E

*All businesspeople, regardless of specialisation or area of responsibility, need to be familiar with the terminology and fundamentals of accounting, finance, management and marketing.*

## Case 2 – Girl Scout Cookies: what's your favourite cookie?

Almost since the foundation of the Girl Scouts of the United States of America in 1912, cookie sales have played a major role in supporting the Girl Scouts organisation at the council and troop levels. By now, sales have grown into a major moneymaking operation,

bringing in over US\$714 million per year. Recent years, however, have seen sales lagging with nearly six years of year-over-year declines of about 1 per cent each until the trend reversed last year. The recent economic downturn hasn't helped matters either. After a restructuring of its operations in 2004, the Girl Scouts have made several changes to the program that they hope will help spark sales and create cost-saving opportunities.

This year, Girl Scout troops will be selling boxes of cookies at US\$4 even, up from the US\$3.50 price tag mandated in 2006. Before that, local councils were allowed to set their own prices, resulting in price wars as some troops attempted to undercut each other to increase sales. Portions on some cookie varieties have been reduced by one ounce per box, and other varieties will use plastic packaging instead of more expensive cardboard.

The Girl Scouts will also be asking certain troops to limit their line-ups to just six varieties. The six top-selling cookies – Thin Mints, Do-si-dos, Trefoils, Samoas, Lemon Chalet Cremes and Tagalongs – account for about 77 per cent of cookie sales, and many attempts to create cookies geared towards specific markets have not fared well in recent years. The Dulce de Leche cookies, based on classic Latin American treats, were designed to appeal to Hispanic markets as part of the Girl Scouts' broader diversity initiatives. However, sales figures did not seem to indicate any particular market preference for that variety. A 'diabetic friendly' sugar-free chocolate chip variety also failed to generate a significant sales boost.

While funds from sales can cover as much as two-thirds of local Girl Scout councils' annual budgets, the Girl Scout cookie program is not just about trying to maximise profits. All income is distributed at a local level, by individual councils, by helping fund field trips, cover camp fees and provide financial aid. While each Girl Scout does not keep the income from her sales, troop members will see the direct benefits of their efforts.

These kinds of strategies help reinforce the broader purposes of the cookie program: namely teaching girls valuable lessons in marketing and career training. The Girl Scouts specify five essential life skills that the cookie program focuses on developing – goal setting, decision-making, money management, people skills and business ethics – and many of the initiatives recently taken to improve cookie sales are taking these purposes into account. As councils are shifting their focuses onto better business approaches and skill development, many are hosting sales training seminars. The council of Nassau County, New York, brought in professional sales trainer Jeff Goldberg to teach the Scouts the same techniques he would use for any other business.

Says Goldberg, 'Goal setting, which was the first thing we covered, is the first thing I cover with any group of salespeople. If you don't have a goal, how are you going to get there?' The Nassau County council is encouraging all girls to try to sell 100 boxes each. In

these seminars, Goldberg also covers other important sales strategies, such as brainstorming methods, places for selling and self-presentation cues like smiling, being polite and thanking customers (even if they don't buy anything), and turning around reluctant buyers with questions (for example, 'What's your favourite cookie?' and 'Can I get you to buy just one box?'). The Girl Scouts also emphasise the importance that girls personally do the selling, while parents must accompany Scouts during sales initiatives and can assist in other ways, the Scout must close the sale herself. The program encourages Girl Scouts to get creative in their sales tactics, like two Florida eighth graders who converted their mother's SUV into a mobile sales booth with signs and decorations and dressed up in Thin Mint and Samoa costumes while selling in front of local supermarkets. The top seller in the Metro Atlanta region does demographic research to identify the residential areas most likely to have discretionary income for cookies.

The Girl Scout cookie program underscores many of the different aspects of marketing and the value of gaining experience in marketing activities. Barbara Krumsiek, chair and CEO of the investment organisation Calvert Group, puts it best though, crediting her Girl Scout experience as a major contributor to her success. Says Krumsiek, '[Girl Scouts] was a huge part of my life growing up in Queens. It was an opportunity to learn selling through Girl Scout cookies. I always vied for the top selling awards'. So whether you're selling cookies or managing US\$14 billion in financial assets, studying marketing offers obvious benefits; and chances are that the lessons learned will last a lot longer than that box of Thin Mints.

**Sources:** Christina Tsuei, 'Would You Buy Cookies from This Girl Scout?' *Wall Street Journal*, 26 January, 2011, <http://online.wsj.com/video/would-you-buy-cookies-from-this-girl-scout/D0F651C7-542B-4AD5-B4F0-5D96C6415160.html>; Aaron Rutkoff, 'Long Island Girl Scouts Learn the Hard Sell', *Wall Street Journal*, 27 January, 2011, <http://blogs.wsj.com/metropolis/2011/01/27/long-island-girl-scouts-learn-the-hard-sell>; Shelly Banjo, 'Cookie Cutters: Girl Scouts Trim Their Lineup for Lean Times', *Wall Street Journal*, 27 January, 2011, <http://online.wsj.com/article/SB10001424052748704881304576093691253234896.html>; Sarah Crump, 'Some Girl Scout Cookies change their names, but the flavor's the same', *Cleveland Plain Dealer*, 3 January, 2008, [http://blog.cleveland.com/lifestyles/2008/01/some\\_girl\\_scout\\_cookies\\_change.html](http://blog.cleveland.com/lifestyles/2008/01/some_girl_scout_cookies_change.html); Sue Shellenbarger, 'The latest career training tools: Thin Mints, Samoas, Tagalongs', *Wall Street Journal*, 1 June, 2010, <http://blogs.wsj.com/juggle/2010/06/01/the-latest-career-training-tools-thin-mints-samoas-tagalongs/>; Girls Scouts of the United States of America website, 'Girl Scouts Cookie program', [http://www.girlscouts.org/program/gs\\_cookies](http://www.girlscouts.org/program/gs_cookies) (Accessed 1 February, 2011); Helena Oliviero, 'Peachtree City Girl Scout a top cookie seller', *Atlanta Journal Constitution*, January 17,

## Open-ended questions

- 1 In this chapter, we were introduced to the marketing mix and the four Ps – product, place, promotion and pricing. Can you identify examples of decisions about each part of the mix that are being made in the cookie program?

- *Product: number of varieties offered, portion size per package, packaging material etc.*
  - *Place: sales locations might include door-to-door, tables outside supermarkets and, in the case of the Florida eighth graders, the back of an SUV. The Atlanta-area demographic research also contributed to determining sales locations.*
  - *Promotion: personal selling would be the primary method. Whether going door-to-door or sitting at a booth, most sales would be closed directly.*
  - *Price: the switch from allowing councils to set their own prices per box to having a uniform price per box throughout the organisation, raising the price from \$3.50 to \$4.00 etc.*
- 2 How well do you think the Girl Scouts succeed in relationship marketing? Examine the different factors up on which relationship marketing depends.
- Answers and examples may vary. The Girl Scouts emphasise the importance of self-presentation during sales – smiling, being polite and thanking customers – which contribute to a customer-oriented perspective. Many councils are also implementing training programs and seminars to better equip scouts for selling. Teamwork is also stressed, as selling initiatives are often linked to common goals, such as troop-wide camping trips or other activities; also, as in cases like that of the Florida eighth graders, scouts experience the benefits of working together on particular sales activities.*
- 3 Although some people, such as Ms Krumsiek, are able to take away clear benefits from their experiences selling Girl Scout cookies, obviously not every Girl Scout is going to go into a marketing career, and many might find the job of selling biscuits particularly difficult. Do you think the experience of selling biscuits – and more generally the lessons you might learn from this course about marketing and sales – can still be beneficial, especially to someone who might find the activity hard?

*Answers will vary.*

## Close-ended questions

- 1 True or false? Girl Scout cookies are sold to benefit a not-for-profit organisation. So, no marketing is really involved.

*ANS: False*

*The desired outcome of marketing is an exchange. The biscuits are sold for money that results in a profit, not a donation.*

- 2 True or false? By creating biscuits geared towards specific markets, such as Dulce de Leche, the Girl Scouts tried to provide a good that people did not want.

ANS: False

*The Girl Scouts were actually trying to achieve one of the five conditions for marketing to take place, creating 'something that might be of value to the other party'.*

- 3 True or false? Girl Scouts in Atlanta used demographics to identify residential areas with discretionary income to spend. This is an example of a sales-market orientation.

ANS: True

- 4 True or false? Selling Girl Scouts cookies don't teach real marketing because they are not something people really need.

ANS: False

*Cookie sales have a broader purpose in teaching girls valuable lessons in marketing and career training. That said, between one-fourth and one-third of the entire civilian workforce in the USA performs marketing activities.*

- 5 The Girl Scouts have been selling biscuits for a century and have a 'long-term, mutually rewarding relationship' with the American sweet tooth. So why have their sales been lagging in the last decade?

- a Girl Scout cookies are too expensive.
- b The global financial crisis is entirely to blame.
- c People don't like the new flavours.
- d Not enough Girl Scouts equals not enough 'sales representatives'.
- e None of the above

ANS: E

*The economic downturn is not the primary cause. Indeed, the case does not provide any details.*

- 6 Girl Scout councils shifted their focus onto better business approaches and skill development in selling biscuits, even enlisting consultants and hosting sales training seminars. Which market orientation would you say this represents first?

- a Production orientation
- b Sales orientation
- c Market orientation

- d Social marketing orientation
- e Product–sales orientation

ANS: B

*A sales orientation is based on the ideas that people will buy more goods and services if aggressive sales techniques are used and that high sales result in high profits.*

- 7 Which of the following is not one of the essential skills that the Girl Scout cookie program seeks to develop in scouts?
- a Decision making
  - b Business ethics
  - c Goal setting
  - d People skills
  - e None of the above

ANS: E

*The Girl Scouts specify five essential life skills that the cookie program focuses on developing – goal setting, decision making, money management, people skills and business ethics.*

- 8 A marketing consultant hired by the Girl Scouts suggests they justify the smaller boxes as ‘portion control’ packaging to combat obesity. Would this be in keeping with the Girl Scouts strategies of selling more cookies and its broader purpose of teaching scouts?
- a Yes, it is a perfect example of the merit of a societal marketing orientation.
  - b No, this would not be good business ethics.
  - c Yes, there is both a social and an economic justification that benefits the customer and the seller alike.
  - d Yes, this is a good way of delivering what people don’t know they want.
  - e No, the smaller packages only have the purpose of saving on cutting production costs.

ANS: B

*The Girl Scouts have a broader purpose of teaching business ethics and to justify a cost-cutting practice like this would be unethical.*