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Chapter 4

Marketing and Selling the Product

Chapter Goals

This chapter has two major goals. The first goal deals with marketing the product. The second and closely related goal concerns the actual selling of the product. Both of these goals are an important part of any classroom business project.

Marketing involves all of the activities, including advertising, which help get the product to the consumers. In a classroom business, marketing activities often begin during production. By doing so, students can begin selling their finished products immediately. Also, if there are not enough production jobs for all students, the marketing activities will keep many students busy.

Selling the product and receiving the fruits of one's labors is one of the most enjoyable aspects of a classroom business. While this seems a rather straightforward part of the business, this section will help you avoid some pitfalls which can put a damper on your business project.



Explanation of the Economic and Business Concepts Taught in Chapter 4

Marketing is an indispensable aspect of any business. **Marketing** involves all of the activities needed to get the product to the consumer. These activities include advertising, promotion, pricing strategies, store atmosphere and location, and packaging. Marketing is important to a business because no matter how good a product is, if consumers do not know about it, or if it is unavailable to consumers, then the business will suffer. Marketing is also important for consumers. Without effective marketing, consumers would have less information about products and would therefore have reduced access to them.

The purpose of **advertising** is to provide information about products to consumers in an effort to increase **demand**. The most fundamental reason that advertising exists is because information, like goods, services, and productive resources, is **scarce**. That is, it is not *freely* available at a zero price. Consumers need and want information about products so that they can make wiser and less costly purchasing decisions. When this information is provided honestly through advertising, businesses and consumers both benefit.

Unfortunately, some advertisements are not completely truthful. To protect consumers, the government has established regulations which prohibit deceptive advertising practices. Business groups and professional organizations also have self-imposed advertising standards. It is not unusual for competing firms to take legal action against one another if they think a competitor's advertisement is false or misleading.

Businesses use various advertising techniques. The simplest advertisements provide basic, factual information about products and prices. More persuasive advertising techniques include testimonials by experts, association with celebrities and attractive people, conformity ("join the crowd") appeals, intellectual appeals using facts and figures, and suggestions that using a product will bring certain desirable results.



Businesses almost always face **competition**, and therefore must be careful to sell at competitive prices. The price that "clears the market," i.e., that matches what businesses want to sell and what consumers want to buy, is the **market price**. If the price a business sets for a product is above a competitive market price, then there will be a **surplus** of that product. In order to sell all of the products, the business must lower the price. If the initial price a business charges is below the competitive market price, then there will be a **shortage**. In this situation, a business could raise the price and still sell all of the products, resulting in more revenues and usually more profits.



The actual selling of a product by salespeople requires special skills. **Salespeople** are on the "front lines" of a business. They must know the product's characteristics – both its strengths and weaknesses, and must learn how to make a sales presentation that introduces their product to consumers in a truthful, yet positive and persuasive, manner. It is important to remember that when people **exchange (trade)** goods and services, both parties expect to benefit. There is no "winner" or "loser." This is also why it is common for *both* the buyer and the seller to say, "Thank you," after a sale is made!

GOAL 1: Marketing the Product

While there are various aspects to marketing, your classroom business will probably focus on advertising. Students have so much familiarity with this topic that they will respond eagerly to the challenge of getting information about their product to potential customers.

Students also should realize that they can increase sales by presenting their product in an appealing manner. Students should give their store an appealing "atmosphere," and also should package their product in a visually pleasing manner.



Teaching Objectives for Goal 1: Marketing the Product

OBJECTIVE 1: Advertise Your Product

Important Concepts

Advertising – providing information to consumers in an effort to increase demand for a product

Demand – the number of products consumers are willing and able to buy at different prices

Specialization – all the activities needed to get a product to consumers



Specific Teaching Activities

1. Designate a marketing committee (chaired by the marketing manager) to decide what kinds of advertising are needed. Possibilities include posters and signs, flyers, announcements over the intercom, local newspapers, television, and radio. The committee can present advertising proposals to the board of directors, especially proposals involving considerable expense.
2. Assign different advertising tasks and responsibilities to committee members or other student workers.



Questions To Ask Your Students

- What is marketing? *(All activities that businesses do to get their product to the consumer)* What are types of marketing activities? *(advertising, packaging, promotion, etc.)*
- Why do businesses advertise? *(to provide information to consumers to encourage them to buy products)*
- How does advertising help producers and consumers? *(It helps producers by increasing the demand for their products. It helps consumers by giving them more information about products.)*

- What are some advertising techniques that businesses use to persuade customers to buy their products? (*testimonials, association with celebrities and physically attractive people, “join the crowd” techniques, appeals to intellectual “facts and figures,” and suggestions that using a product will bring about certain desirable results*)



Teaching Tips

- The whole class could study advertising. Identify ads from magazines or newspapers that illustrate various persuasive techniques. Also, identify less persuasive ads that provide only basic product or pricing information.

OBJECTIVE 2: Determine How to Present Your Product to Customers

Important Concepts

Packaging – how a product is wrapped or presented for selling

Promotions – activities designed to increase customer interest in the product



Specific Teaching Activities

1. Identify ways to package your product to make it more appealing to customers. Assign students from production or marketing to package your products.
2. Identify ways to make your sales tables or “store” more attractive to customers. This could involve creating decorations, displays, colorful signs, etc.
3. Identify other promotional activities which could increase sales. For example, some classes set up gift-wrapping services at their store. Others have costumed mascots which carry signs advertising the products. Some businesses offer discounts for early orders. There are many creative possibilities for your business.



Questions To Ask Your Students

- Why do businesses create attractive **packaging** for their products? (*to make their products more appealing to consumers*)
- Why do businesses have special **promotions** for their products? (*to increase consumer awareness of their products*)



Teaching Tips

- Be sure to encourage student creativity in all these activities. Students with artistic ability will excel in many of them.



GOAL 2: SELLING YOUR PRODUCT

The actual selling of your product is usually the highlight of your classroom business. Students finally will see the fruits of their labors as satisfied customers buy their products. However, there are some important things to remember to make your “Sale Day” run smoothly.



Teaching Objectives for Goal 2: Selling Your Product

OBJECTIVE 1: Determine the Product Price

Important Concepts

Market Price – the price that clears the market for goods or services; the price that matches what sellers want to sell and buyers want to buy

Sale – reducing the price of a product to increase sales

Shortage – the lack of products available to some buyers because the price is set below the true market price

Surplus – the products that are not sold because the price is set above the true market price



Specific Teaching Activities

1. Using your **market survey** and your cost computations as a guide, determine a final price for your products. Typically, a business chooses a price that will yield the most profit.
2. Determine a pricing strategy to use during the selling period. You must be prepared to lower your price if there appears to be a **surplus**. You may wish to raise prices if the demand is more than you expected; however, if your prices were advertised beforehand, this would not be feasible.



Questions To Ask Students

- What is the result if the price we set for our product is above a true market price? (*We have a surplus.*) How do we eliminate the surplus? (*Have a sale and lower the price.*)
- What is the result if the price we set is actually below the true market price? (*We have a shortage.*) How do we eliminate the shortage? (*Possibly raise our prices.*)



Teaching Tips

- It is not difficult to lower the price during a selling period. However, customers are likely to get upset if you raise prices during the selling period. Also, previously advertised prices cannot be raised. Since there is usually a significant demand for products in most student businesses, it is probably best to err on the high side, and then cut prices if customers are not buying enough.

OBJECTIVE 2: Sell the Products

Important Concepts

Salesperson – a person responsible for selling products to consumers

Benefits of Exchange/Trade – Exchange benefits *both* parties, not just the buyer or the seller.



Specific Teaching Activities

1. Decide exactly when your products will be sold. If you have several selling periods, be sure to hold enough products off the market so that later customers will have something to buy. This is especially crucial if the different selling periods take place during the same day.
2. Choose the salespeople. In a bazaar situation, where the students can shop at other booths, have different shifts for salespersons so everyone gets a chance to shop.
3. Teach selling skills. (See Questions to Ask Students below.)

4. Develop a **sales plan**. Salespeople should practice specific techniques before they sell the product. Use the Sales Planning Sheet (Form 4-1) to help.
5. To help with later profit calculations, keep a record of the type and number of products sold. Use the Sales Revenues Worksheet (Form 5-1) to help you.



Questions To Ask Students

- What are some of the selling skills salespeople should have? *(To be effective, salespeople should know their product well. They should also know how to attract the customer's attention, make a truthful yet persuasive sales presentation, and ask for a customer's decision. Salespeople should always be polite with customers.)*
- Why is it important to learn selling skills? *(In a competitive market, businesses must make customers aware of their product and convince them to buy it. Otherwise, customers may buy products from other businesses.)*
- Why is it common for the buyer and the seller to *both* say, "Thank you," after a sale is made? *(This is because both buyer and seller benefit from the exchange.)*



Teaching Tips

- Invite a professional salesperson to explain sales to the class. Have the salesperson demonstrate an effective sales presentation.



Sales Planning Sheet



Use this form to prepare for selling your product.

1. What are some strengths and weaknesses of our product?

Strengths

Weaknesses

2. What can we do or say to get the customer's attention?

3. What useful information about our product can we share with customers?

4. What will we say to customers to get them to buy our product i.e. to "close" our sale?



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