Business Management Units 1 & 2

Chapter 13 — Public relations and CSR in marketing

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Theory

Public relations (PR) is the management of how information about a business spreads between the business and the various groups it deals with — its "publics" — in order to build and protect a favourable **public image**, a good **reputation** and **goodwill** towards the business. Rather than directly selling a product, PR works on how the business *as a whole* is perceived: it seeks to earn the trust and positive regard of customers, the local community, the media, investors and employees, so that people think and speak well of the business. Because a business's reputation strongly influences whether people choose to buy from it, recommend it, invest in it or work for it, deliberately managing that reputation is an ongoing and important task.

What public relations involves — common PR activities. A business shapes its image through a range of activities, most of which do **not** involve paying directly for advertising space:

- **Media releases** (press releases) — short written statements sent to journalists and news outlets announcing something newsworthy (a new product, an award, a milestone, a charitable initiative), in the hope the story will be reported. Coverage earned this way reaches the public through an apparently **independent** source rather than a paid advertisement.
- **Sponsorships** — providing money, products or support to a team, event, cause or individual in return for the business's name being **associated** with it. Sponsoring a local sports club or a community festival links the business to something the public already values.
- **Events** — organising or hosting activities such as product launches, open days, workshops or celebrations that bring people into contact with the business and generate positive attention and **word of mouth**.
- **Community engagement** — becoming genuinely involved in the local community through donations to charities, support for local causes, volunteering or partnerships with schools and community groups, which signals that the business cares about more than simply making money.

Other PR activities include newsletters, media interviews and spokespeople, and maintaining a positive presence on social media. Together they shape the **story** the public hears — and tells — about the business.

How public relations supports business objectives. Good PR supports a business's objectives mainly by building **reputation, trust and goodwill**, which then flow through to more measurable goals:

- **Building a positive reputation and goodwill.** A strong, favourable reputation is valuable in its own right — it is what makes people willing to deal with the business — and it is the foundation from which the other benefits follow.
- **Attracting and retaining customers (the customer base).** People prefer to buy from businesses they **trust and respect**. A well-regarded business attracts new customers and keeps existing ones loyal, helping it establish and expand its **customer base**.
- **Increasing sales and market share.** A larger, more loyal customer base means more purchases, so good PR helps lift **sales** and win a greater **share of the market** from competitors.
- **Making a profit.** Higher sales, combined with the fact that PR is often **low-cost** relative to paid advertising, support the objective of making a **profit**.
- **Meeting shareholder expectations and other goals.** A strong public image reassures owners and investors, can help the business meet a perceived **market or social need**, and even makes it easier to attract quality **employees** who want to work for a respected business.

The relationship is largely **indirect**: PR does not sell a product directly, but by building trust and a good reputation it makes customers more willing to buy, which in turn drives sales, market share and profit.

Public relations is not paid advertising. The two are both forms of promotion and are often used together, but they are distinct:

- **Payment and control.** With **advertising** the business **pays** for message space (online, television, print, billboards) and therefore **controls exactly what is said, where and when**. Much of PR relies on **earned**, unpaid coverage — a journalist *choosing* to run a story — which the business does not pay for and **cannot fully control**.
- **Purpose.** Advertising usually promotes a **specific product** to drive **immediate sales**. PR builds the **overall image and reputation** of the business over the **longer term**.
- **Credibility.** Because PR coverage appears to come from an **independent** third party (a journalist, a community endorsement, word of mouth), audiences often find it **more credible** than an advertisement, which everyone knows the business created and paid for in order to sell to them.

Keep these straight.

- **PR targets reputation; the activities are only the means.** The goal of PR is a favourable **image, reputation and goodwill**; media releases, sponsorships, events and community engagement are the *tools* used to build it, not the goal itself.
- **PR is not advertising.** Advertising is **paid and controlled** and promotes a **product**; PR is often **earned and less controllable** and builds the **reputation of the whole business**. A useful test: if the business paid for the exact wording and placement, it is advertising; if it earned the attention, it is PR.
- **The benefit is real but indirect.** Because good PR works *through* reputation and trust rather than by selling directly, its effect on objectives can be **harder to measure** — but a trusted reputation is what ultimately attracts and keeps the customers that generate sales and profit.
- **PR is ongoing, not occasional.** A good reputation is built steadily over time through consistent activity, not created overnight — which is why businesses manage their public image continuously.

Contemporary example — Bakers Delight, May 2025

Bakers Delight is a franchised bakery chain operating across Australia. From 1 to 21 May 2025 it ran its annual **Pink Bun** campaign with Breast Cancer Network Australia (BCNA), donating 100% of the sale price of every Pink Bun sold to the charity. The 2025 campaign marked **25 years** of the partnership; it was launched at a national media event held at a Camberwell bakery in Victoria on 1 May 2025, involved more than 500 bakeries and set a target of $2.5 million, and by that point the partnership had raised more than $27 million in total.

A campaign of this kind is **community engagement** conducted nationally and supported by a **media release** and a launch **event**. Because the campaign reached the public partly through news outlets choosing to report a charity partnership rather than through paid advertising, that coverage is **earned** and appears through an **independent** source, so audiences are likely to treat it as more **credible** than an advertisement. Associating the business with a widely valued cause is intended to build **public image, reputation and goodwill**, and goodwill of this kind is what encourages customers to visit bakeries and to spread positive **word of mouth**. The link to objectives is therefore **indirect**: reputation and trust make customers more willing to choose the business, which supports a larger and more loyal **customer base** and, through it, **sales**. That the partnership had by then run for 25 years also illustrates that PR is **ongoing, not occasional**.

Source: Breast Cancer Network Australia (via Medianet News Hub), "VOTE 1 Pink Bun! A 'Pinky Promise' to support Australians with breast cancer celebrates 25 years", 1 May 2025 — https://newshub.medianet.com.au/2025/05/vote-1-pink-bun-a-pinky-promise-to-support-australians-with-breast-cancer-celebrates-25-years/99166/. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Nimbus Cycles, an online retailer of electric bikes, refurbishes 40 traded-in bikes and donates them to a youth charity, then sends a media release inviting the local newspaper to cover the handover. Explain how this public relations activity could help Nimbus Cycles work towards its business objectives.

Working	Comment
Donating the bikes and issuing a media release are	Identify the activity as PR and state what PR targets.

Working	Comment
public relations activities (community engagement plus a media release) aimed at Nimbus's **image and reputation**, not at directly selling a product.	
The newspaper coverage reaches the public through an **independent source**, so readers see Nimbus as generous and community-minded — building **goodwill and a positive reputation**.	Explain the immediate effect: earned coverage builds reputation and goodwill.
A better reputation makes customers more likely to **trust and choose** Nimbus, helping it **attract and retain customers** and, in turn, **increase sales**.	Link reputation to a measurable objective via trust → customer base → sales.
∴ the PR activity supports Nimbus's objectives by turning goodwill into a larger, more loyal customer base and higher sales.	State the conclusion in terms of business objectives.

Example 2 — scaffolded

Distinguish between public relations and paid advertising.

Working	Comment
Public relations is the management of a business's **image and reputation**, often through **earned, unpaid** coverage (media releases, sponsorships, community engagement) that the business does not fully control.	Define the first term with its key features: reputation, earned, less control.
Paid advertising is a **paid** form of promotion in which the business **buys message space** (for example online, television or print) to promote a **specific product**, and therefore **controls exactly what is said**.	Define the second term with the contrasting features: paid, product, controlled.
They therefore differ in **payment and control** (earned and less controllable versus paid and fully controlled) and in **purpose** (building overall reputation versus promoting a product to drive sales).	A distinguish answer must state how the two differ, referring to **both** terms.

Example 3 — unscaffolded

Explain how good public relations can help a business expand its customer base.

Good public relations builds a favourable **reputation and goodwill** by managing how the business is seen — for example through community engagement, sponsorships and earned media coverage. Because this positive image often reaches people through **independent** sources rather than paid advertisements, it is seen as **credible**, and it encourages potential customers to **trust** the business. Trust matters because people prefer to buy from, and recommend, businesses they respect: a strong reputation makes new customers more willing to try the business and makes existing customers more likely to **stay loyal** and spread positive word of mouth. As trust and goodwill grow, more people choose the business over its competitors, so the number of customers it serves **increases**. ∴ good PR expands the customer base indirectly — by building the reputation and trust that attract new customers and retain existing ones.

Example 4 — unscaffolded

Analyse how public relations activities can contribute to a business achieving its objectives.

Public relations activities contribute to a business's objectives through a **chain of cause and effect** that begins with reputation. Activities such as **media releases, sponsorships, events and community engagement** are designed to shape how the public sees the business, which **builds a positive image, goodwill and trust**. Because that trust is often earned through independent coverage, it is credible, so it makes customers **more willing to buy from and recommend** the business. This growing trust **causes** the customer base to expand and existing customers to become more loyal, which in turn **causes** sales and market share to rise as the business wins custom from competitors. Higher sales, together with the relatively low cost of PR compared with advertising, then **support the objective of making a**

profit, while the strong reputation also reassures investors and helps meet shareholder expectations. Each link therefore feeds the next: PR builds reputation, reputation builds trust, trust builds the customer base, and a larger loyal customer base drives sales, market share and profit. ∴ public relations contributes to business objectives not by selling directly but by building the reputation and trust that ultimately generate the customers and sales on which those objectives depend.

Practice questions

Scaffolded

Q1. Define the term *public relations*.

Q2. List **four** public relations activities a business could use.

Q3. For each of the following, name the public relations activity being described: (a) a business sends a written statement to journalists announcing the launch of a new product; (b) a business pays to have its name displayed at a local football club in return for the association; (c) a business donates to a local charity and volunteers at community events.

Q4. Identify **two** business objectives that good public relations can help a business achieve.

Q5. A neighbourhood bakery wants to improve how it is seen in its local area. (a) Identify **one** public relations activity the bakery could use. (b) Explain how this activity could help the bakery achieve a business objective.

Q6. Explain the difference between public relations and paid advertising.

Unscaffolded

Q7. Describe public relations. *(2 marks)*

Q8. Distinguish between public relations and paid advertising. *(4 marks)*

Q9. Explain how **community engagement** as a public relations activity can build goodwill towards a business. *(3 marks)*

Q10. Explain how good public relations can help a business achieve the objective of **increasing its customer base**. *(3 marks)*

Q11. Compare public relations and paid advertising. *(4 marks)*

Q12. Discuss the use of **sponsorship** as a public relations activity. *(6 marks)*

Q13. Analyse the relationship between public relations and the achievement of a business's objectives. *(6 marks)*

Q14. Explain why public relations can be **more credible** to customers than paid advertising. *(3 marks)*

Q15. *Case study.* **Bloom & Bean** is a chain of three neighbourhood coffee houses run by owner Dilan Anand. To improve how the business is seen, Bloom & Bean began donating unsold pastries to a homeless shelter each evening, sponsored a local primary school's art prize, and sent a media release to the suburban newspaper about its switch to locally roasted beans — the paper ran a feature story. Over the following six months, customer numbers and sales rose and the business gained many loyal new regulars, even though Dilan spent very little on paid advertising. (a) Identify **one** public relations activity Bloom & Bean used. *(1 mark)* (b) Explain how **one** of Bloom & Bean's public relations activities could help it build goodwill. *(3 marks)* (c) Analyse how Bloom & Bean's public relations could help it achieve its business objectives. *(4 marks)*

Q16. Justify the use of a **media release** as a public relations activity for a business launching a new product. *(4 marks)*

Q17. Evaluate the view that investing in public relations is an effective way for a business to achieve its objectives. *(6 marks)*

Q18. Marlo Prints is a new small business selling screen-printed t-shirts that wants to build its reputation in its local area on a limited budget. Propose **one** public relations activity Marlo Prints could use, and justify your choice. *(4 marks)*

Q19. *Extended response.* “A business’s reputation is one of its most valuable assets.” Analyse how public relations activities can contribute to a business achieving its objectives, and evaluate the view that public relations is more valuable than paid advertising in establishing a customer base. *(10 marks)*

Q20. *Contemporary example.* From 1 to 21 May 2025, **Bakers Delight** ran its Pink Bun campaign with Breast Cancer Network Australia, donating 100% of the sale price of every Pink Bun sold to the charity and marking 25 years of the partnership. Analyse how a public relations activity of this kind could contribute to Bakers Delight achieving its business objectives. *(6 marks)*

Answers

Q1. The management of the spread of information between a business and its publics in order to build and protect a favourable public image, reputation and goodwill. **Q2.** Any four of: media releases; sponsorships; events (e.g. product launches, open days); community engagement (donations, volunteering); newsletters; media interviews/spokespeople; social media engagement. **Q3.** (a) media release; (b) sponsorship; (c) community engagement. **Q4.** Any two of: increasing the customer base; increasing sales; increasing market share; making a profit; meeting shareholder expectations; building reputation/goodwill. **Q5.** (a) e.g. community engagement (sponsoring or supporting a local cause), a media release, or an event. (b) It builds a positive reputation and goodwill, which attracts and retains customers and so helps increase sales. **Q6.** Public relations manages the business's overall image/reputation, often through earned, unpaid and less-controllable coverage; paid advertising is paid message space the business controls to promote a specific product to drive sales. **Q7.** Model response in solutions. **Q8.** PR = reputation-focused, earned, less controllable; advertising = product-focused, paid, controlled; differ in payment/control and purpose. See solutions. **Q9.** Community engagement shows the business cares about more than profit, earning trust and goodwill from the community/customers. See solutions. **Q10.** Good PR builds reputation and trust → customers more willing to try the business and stay loyal → customer base grows. See solutions. **Q11.** Both are forms of promotion aimed at the public; differ in payment/control, purpose and credibility. See solutions. **Q12.** Advantages (goodwill, reaches the event's audience, credible association) vs disadvantages (cost, hard to measure, reputation risk if the partner behaves badly). See solutions. **Q13.** Causal chain: PR → reputation/trust → customer base + loyalty → sales/market share → profit. See solutions. **Q14.** PR coverage appears to come from an independent source, so audiences trust it more than an obviously paid advertisement. See solutions. **Q15.** (a) e.g. donating pastries / sponsoring the art prize / the media release. (b) e.g. donating pastries shows Bloom & Bean cares about the community, earning goodwill. (c) PR builds reputation and trust → attracts and retains customers → higher sales and profit. See solutions. **Q16.** A media release earns credible, low-cost independent coverage that builds awareness and reputation for the launch. See solutions. **Q17.** Effective (low cost, credible, builds durable reputation and customer base) but indirect, slow, hard to control/measure — judgement required. See solutions. **Q18.** Propose one activity (e.g. sponsoring a local event or issuing a media release) and argue why it suits a low-budget new business building local reputation. See solutions. **Q19.** Model response in solutions. **Q20.** Community engagement plus a media release and launch event → positive image, goodwill and a credible, earned association with a valued cause → customer trust → larger, more loyal customer base → sales and market share → profit; the 25-year partnership shows PR is ongoing. See solutions.

Fully-worked solutions

Q7. Public relations (PR) is the management of the spread of information between a business and its **publics** (such as customers, the community, the media and investors) in order to build and protect a favourable **public image, reputation and goodwill**. Rather than selling a product directly, it manages how the business as a whole is perceived so that people trust and think well of it.

Q8. Public relations is the management of a business's **overall image and reputation**, largely through **earned, unpaid** coverage — media releases, sponsorships and community engagement — that the business **cannot fully control**. **Paid advertising** is a **paid** form of promotion in which the business **buys message space** and therefore **controls exactly what is said**, usually to promote a **specific product** and drive immediate sales. The two therefore differ in **payment and control** (earned and less controllable versus paid and fully controlled) and in **purpose** (building the reputation of the whole business over the long term versus promoting a product to lift sales now).

Q9. Community engagement builds goodwill because it shows the business cares about **more than just making a profit**. When a business donates to local charities, supports community causes or volunteers its time, members of the community and its customers see it as a **responsible, caring member of the community**. This earns their **respect and gratitude**, so they develop positive feelings (goodwill) towards the business and are more likely to support and recommend it. Because this involvement is genuine and visible rather than a paid advertisement, the goodwill it generates is **credible and lasting**.

Q10. Good public relations helps a business **increase its customer base** by building the **reputation and trust** that attract customers. Through activities such as favourable media coverage, sponsorships and community engagement, PR creates a **positive image** that reaches people through credible, independent sources. Because people prefer to buy from businesses they **trust and respect**, this reputation makes **potential customers more willing to try** the business and makes **existing customers more loyal** and more likely to recommend it through word of mouth. As trust and goodwill spread, the business **wins customers from competitors and retains its own**, so the number of customers it serves grows.

Q11. Public relations and paid advertising are **similar** in that **both are forms of promotion** aimed at the public, both are used to help the business achieve its objectives, and both help build awareness of the business. **However**, they **differ** in three main ways. First, in **payment and control**: advertising is **paid** message space that the business **controls exactly**, whereas PR often relies on **earned, unpaid** coverage the business **cannot fully control**. Second, in **purpose**: advertising usually promotes a **specific product** to drive **immediate sales**, whereas PR builds the **overall reputation** of the business over the **longer term**. Third, in **credibility**: because PR coverage appears to come from an **independent** source, audiences often find it **more believable** than an advertisement they know the business paid for. So while both are promotional tools, they differ in how controlled, product-focused and credible they are.

Q12. Using **sponsorship** as a public relations activity has both advantages and disadvantages. *Advantages:* sponsoring a valued team, event or cause **associates the business's name with something the public already likes**, which builds **goodwill and a positive reputation**; it puts the business in front of the **audience that attends or follows** the sponsored activity; and because the endorsement comes through a respected third party, it can be seen as **more credible** than a paid advertisement. *Disadvantages:* sponsorship **costs money** with **no guaranteed return**, and its benefit to sales is **difficult to measure**; the sponsored audience may **not match the business's target market**, wasting the spend; and the business takes on a **reputation risk** — if the team, event or individual it sponsors behaves badly or attracts bad publicity, some of that damage can rub off on the business. *Overall,* sponsorship can be an effective way to build reputation and reach a receptive audience, but its value depends on choosing a partner that fits the business's image and target market. *(Discuss requires distinct advantages and disadvantages; do not state one point and simply reverse it.)*

Q13. The relationship between public relations and a business's objectives is best understood as a **chain of cause and effect**. PR activities — media releases, sponsorships, events and community engagement — are used to **build a positive image, reputation and goodwill**. Because this image is often earned through **independent** sources, it is **credible**, so it **causes** customers to **trust** the business. That trust **causes** the customer base to grow and existing customers to become more **loyal**, as people prefer to deal with businesses they respect. A larger, more loyal customer base in turn **causes sales and market share** to rise as the business wins custom from competitors, and higher sales — combined with PR's relatively **low cost** — then **support the objective of making a profit**. The strong reputation also reassures owners and investors, helping the business meet **shareholder expectations**. Each element therefore leads to the next, so PR affects objectives not directly but by first building the reputation and trust on which sales and profit depend. *(Analyse requires showing these causal links, not listing advantages and disadvantages.)*

Q14. Public relations can be **more credible** than paid advertising because its message usually reaches the audience through an **independent source** rather than from the business itself. When a **journalist** reports a story from a media release, or a **respected community group** or **satisfied customer** speaks well of the business, the audience sees the endorsement as coming from a **neutral third party** with no obvious reason to exaggerate. By contrast, everyone knows an **advertisement** was **written and paid for by the business** specifically to sell to them, so they treat its claims with more suspicion. Because people tend to trust independent voices more than self-promotion, the positive image generated by PR is often **believed more readily** than the same claim made in an advertisement.

Q15. (a) Any one of: **donating unsold pastries** to the homeless shelter; **sponsoring** the school art prize; issuing the **media release** about locally roasted beans. (b) *(example using the donations)* Donating unsold pastries to a homeless shelter is **community engagement**, and it builds goodwill because it shows that Bloom & Bean cares about **helping the local community**, not just making a profit. Customers and community members who learn of the donations see the business as **caring and responsible**, so they develop **positive feelings and respect** towards it — goodwill that makes them more likely to support and recommend it. (c) Bloom & Bean's public relations helps it achieve its business objectives through the reputation it builds. The pastry donations, art-prize sponsorship and the newspaper feature all **build a positive image and goodwill** for the business, and because the newspaper coverage comes from an **independent source**, it is **credible** and reaches many local readers. This growing reputation makes customers **trust and choose** Bloom & Bean, which is why **customer numbers and sales rose** and the business gained **loyal new regulars**. A larger, loyal customer base lifts **sales** and therefore supports **profit —** and it does so cheaply, since Dilan spent very little on advertising. ∴ Bloom & Bean's PR achieves its objectives by converting a strong local reputation into more customers and higher sales. *(A full-mark answer must link the PR activities causally to Bloom & Bean's objectives and apply directly to the case study, not merely name the business.)*

Q16. A **media release** is a justified public relations activity for a product launch because it delivers **credible awareness at low cost**. Sending a well-written media release to journalists can earn **news coverage** of the launch that reaches a wide audience **without the business paying** for advertising space — a major benefit for the launch budget. Crucially, because the story appears through an **independent news outlet** rather than an advertisement, potential customers are more likely to **believe and trust** it, giving the new product **credibility** that a paid advertisement may lack. This earned coverage **builds awareness and interest** in the product at launch, helping attract the first customers and **support sales** — the very objectives a launch is meant to achieve. For these reasons, the benefits of reach, credibility and low cost make a media release a worthwhile choice for launching a new product. *(Justify requires arguing why the activity is beneficial, with reasons, not merely describing what a media release is.)*

Q17. Whether investing in public relations is an **effective** way to achieve business objectives has strong support but also real limits. *Supporting the view:* PR is often **low-cost** relative to paid advertising, yet it builds a **credible reputation** because its messages reach people through independent sources; this reputation and goodwill **attract and retain customers**, expanding the customer base and lifting **sales, market share and profit**, and it can also reassure investors and help attract staff. In these ways PR can be a very cost-efficient way to work towards objectives. *Against the view:* the benefits of PR are **indirect and slow** — they work through reputation rather than by selling directly — so they are **hard to measure** and hard to attribute to specific activity. Much PR coverage is **earned and cannot be fully controlled**, so a media release may be ignored, and a **single negative event** can damage a reputation built up over years. PR also rarely drives **immediate sales** the way a targeted advertisement can. **On balance**, the most defensible judgement is that PR is an **effective and cost-efficient way to build the reputation and trust that underpin a business's objectives**, but it is most effective when used **consistently over time and alongside other promotion** such as advertising, rather than relied on alone to deliver quick, measurable sales. *(Evaluate requires weighing both sides and reaching an evidence-based judgement, not simply asserting that PR is good.)*

Q18. For **Marlo Prints**, a suitable public relations activity would be to **sponsor and run a stall at a local community event** (for example a school fair or neighbourhood market), or alternatively to **issue a media release** to the suburban newspaper about the new local business. Proposing the community-event option: Marlo Prints would provide printed t-shirts or a small donation to the event in return for having its name displayed, and would engage directly with attendees. This is **justified** for a new, low-budget business because it is **inexpensive** compared with paid advertising yet puts Marlo Prints **directly in front of local people** — exactly the community whose trust it wants to win. By associating the business with a **valued local event**, it builds **goodwill and a positive local reputation**, and the face-to-face contact generates **word of mouth**. As local awareness and trust grow, more residents are likely to try Marlo Prints, helping it **build the customer base and reputation** it needs to become established — all achievable within a limited budget. *(Propose requires explaining what the activity involves; justify requires arguing why it suits Marlo Prints's situation.)*

Q19. *Model response (10 marks).* Public relations (PR) is the management of the spread of information between a business and its publics in order to build a favourable **image, reputation and goodwill**. A business builds this reputation through activities such as **media releases, sponsorships, events and community engagement**, most of which earn attention rather than paying for it.

PR activities **contribute to a business's objectives through a chain of cause and effect**. The activities first **build a positive reputation and goodwill**: a media release earns credible news coverage, a sponsorship associates the business with a valued cause, and community engagement shows the business cares about more than profit. Because this image often reaches people through **independent** sources, it is seen as **credible**, so it **causes customers to trust** the business. That trust in turn **causes the customer base to grow and existing customers to stay loyal**, since people prefer to buy from and recommend businesses they respect. A larger, more loyal customer base then **drives sales and market share** as the business wins custom from competitors, and higher sales — combined with PR's relatively low cost — **support profit**, while the strong reputation also reassures investors and helps meet shareholder expectations. In this way PR affects objectives not by selling directly but by building the reputation and trust on which sales and profit depend.

The view that PR is **more valuable than paid advertising in establishing a customer base** has merit but is too absolute. *Supporting the view:* PR builds a **credible, trusted reputation** because its messages come from independent sources, and it is usually **cheaper** than advertising — both important for winning the loyalty of a lasting customer base, since customers are more likely to commit to a business they genuinely respect. *Against the view:* paid advertising lets the business **control its message** and reach a **large, targeted audience quickly**, which can be far more effective at driving the **immediate awareness and trial** needed to attract customers in the first place; PR, by contrast, is **slow, hard to control and hard to measure**, and earned coverage is not guaranteed. **On balance**, the most defensible judgement is that PR and advertising are **complementary rather than competing**: advertising is often better at **quickly attracting** customers to try the business, while PR is better at **building the trust and reputation that turn those customers into a loyal, lasting base**. PR is therefore **especially valuable for establishing a durable customer base**, but it is most effective when used **alongside** advertising rather than instead of it, so the claim that it is simply "more valuable" overstates the case. *(Full marks require: an accurate account of PR and its activities; a genuine causal analysis linking PR to objectives through reputation, trust, the customer base, sales and profit; and a sustained, two-sided evaluation of the PR-versus-advertising claim that reaches a justified judgement.)*

Q20. The Pink Bun campaign is a **public relations** activity — **community engagement** on a national scale, supported by a **media release** and a launch **event** — and it contributes to Bakers Delight's objectives through a **chain of cause and effect** rather than by selling a product directly. Donating 100% of Pink Bun sales to Breast Cancer Network Australia **associates the business with a cause the public already values**, which **builds a positive public image, reputation and goodwill**. Because news outlets choose to report a charity partnership, much of the resulting coverage is **earned** and reaches people through an **independent** source, so it is likely to be seen as **more credible** than a paid advertisement. That credibility **causes** customers to **trust and respect** the business, and people prefer to buy from businesses they respect — so trust **causes** the **customer base** to grow and existing customers to become more **loyal**, while the campaign itself gives them a reason to visit a bakery and generates positive **word of mouth**. A larger, more loyal customer base then **causes sales** and **market share** to rise, and higher sales — combined with the relatively **low cost** of earned coverage compared with paid advertising — **support the objective of making a profit**. The fact that the partnership had reached **25 years** by May 2025 also shows that PR works **over the long term**: reputation is built by consistent, repeated activity rather than a single campaign. ∴ a campaign of this kind contributes to Bakers Delight's objectives **indirectly**, by building the reputation and trust on which its customer base and sales depend. *(Analyse requires tracing these causal links and applying them to the campaign; simply describing what Bakers Delight did, or listing benefits of PR in general, will not gain full marks.)*

Chapter 13 Public relations and CSR in marketing — 13B Public relations strategies: planned and crisis

Theory

Public relations (PR) is the way a business **manages how it is seen** by its customers and the wider public, and how it **builds and protects its relationships and reputation**. A business does not manage its image by accident — it uses deliberate **public relations strategies**. The study design identifies two broad types: **planned public relations**, used to **build** a positive image over time, and **crisis public relations**, used to **protect** that image when something goes wrong. Because a business establishing its **customer base** depends heavily on being **known, liked and trusted**, both strategies are closely tied to **maintaining a positive relationship with the customer base** — and the consequences of failing to maintain that relationship can be severe.

Planned public relations. *Planned public relations* is a **proactive** strategy: it is the set of **scheduled, ongoing activities a business organises in advance** to build and maintain a favourable image and good relationships with its customers and the public. It is done **before** any problem arises, in order to **shape** how the business is perceived. Because it is planned, the business chooses the timing, message and audience to suit its marketing objectives. Common planned PR activities include:

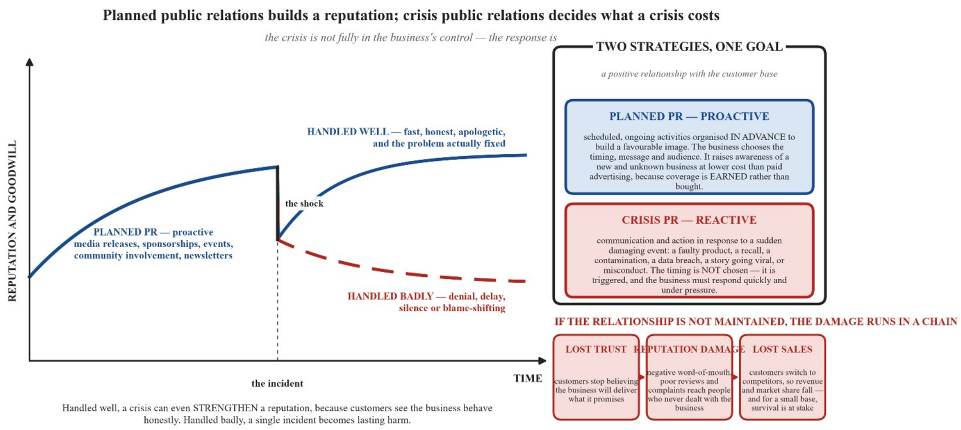
- **Media releases (press releases).** Prepared statements sent to newspapers, radio, television or online media announcing **positive news** — a new product, an award won, a milestone, an expansion or a community initiative — in the hope of gaining favourable **coverage** the business does not pay for.
- **Sponsorships.** Providing money, products or support to a **sports team, event, arts group or community cause** in return for having the business's name associated with it. Sponsorship links the brand to something the community values and keeps the name in front of potential customers.
- **Events.** Hosting or taking part in **product launches, open days, store openings, trade shows, workshops or community days** that let customers experience the business directly and build goodwill.
- **Publicity campaigns and community involvement.** Organised efforts to attract positive attention — **charity partnerships, donations, fundraising, local clean-ups or supporting a local school** — that present the business as a **responsible and engaged** member of the community.
- **Newsletters, social media and content.** Regular, planned communication — **email newsletters, blogs, and social-media posts** — that keeps customers informed, tells the business's story and nurtures an ongoing relationship.

For a business **establishing a customer base**, planned PR is valuable because it **raises awareness of a new and unknown business, builds a favourable image, and earns trust** — often at lower cost than paid advertising, because favourable media coverage and word-of-mouth are **earned** rather than bought.

Crisis public relations. *Crisis public relations* is a **reactive** strategy: it is the management of communication and action **in response to a sudden threat, negative event or damaging incident** that could harm the business's reputation. Unlike planned PR, its timing is **not chosen** by the business — it is **triggered by a crisis**, and the business must respond quickly under pressure. Events that call for crisis PR include a **faulty or dangerous product**, a **product recall**, a **contamination or safety incident**, a **data breach**, a **damaging story going viral on social media**, an **environmental accident**, or **misconduct by staff or management**. Handling a crisis **well** usually involves:

- **Responding quickly.** Acting **fast**, before rumour and speculation fill the silence — delay makes the business look as though it is hiding something.
- **Being honest and transparent.** Telling the truth about **what has happened and what is known**, rather than denying, minimising or covering up.
- **Taking responsibility and apologising. Acknowledging** the problem and offering a **genuine apology** where the business is at fault, which shows customers it takes their concerns seriously.
- **Taking corrective action. Fixing the problem —** for example recalling and replacing faulty goods, refunding or compensating affected customers, and changing procedures so it **cannot happen again**.
- **Communicating clearly with customers and the media.** Keeping customers, staff and the public **informed** through a consistent message, often from a single spokesperson, so information is accurate and calm.

The aim of crisis PR is to **limit the damage to the business's reputation, retain the trust of its customer base, and restore confidence** as quickly as possible. Handled well, a crisis can even **strengthen** a business's reputation, because customers see it behave honestly and responsibly; handled badly — through **denial, silence or blame-shifting** — a crisis can turn a single incident into lasting reputational harm.



Maintaining a positive relationship with the customer base. A business's **customer base** is the group of customers who **regularly buy from it**. Maintaining a **positive relationship** with this group — through good service, reliable products, honest communication and both planned and crisis PR — matters because a new business's survival depends on **turning first-time buyers into loyal, repeat customers**. A well-maintained relationship delivers:

- **Repeat purchases and loyalty** — loyal customers buy again and again, giving the business **stable, ongoing revenue** rather than one-off sales.
- **Positive word-of-mouth** — satisfied customers **recommend** the business to others, the cheapest and most trusted form of marketing for a new business.
- **Lower marketing costs** — it is generally **cheaper to keep an existing customer than to win a new one**, so a strong relationship improves efficiency.
- **Goodwill in hard times** — customers with a positive relationship are **more forgiving** when something goes wrong, giving the business room to fix a problem before they leave.
- **A competitive advantage and reputation** that help the business stand out and attract new customers.

Implications if the relationship is not maintained. If a business **neglects or damages** its relationship with the customer base, the consequences flow through in a **chain**:

- **Lost trust.** Customers **no longer believe** the business will treat them well or deliver what it promises. Trust is slow to build and quick to lose — and once lost, it is hard to rebuild.
- **Reputation damage.** Unhappy customers spread **negative word-of-mouth, poor reviews and complaints on social media**, which can reach far more people than the original problem and deter potential customers who have never even dealt with the business.
- **Lost sales.** Customers **stop buying and switch to competitors**, so **revenue and market share fall**. For an establishing business with a small, fragile customer base and limited finance, a loss of sales can threaten its **survival**.

Lost trust, reputation damage and lost sales are linked: damaged trust drives negative word-of-mouth, which harms reputation, which costs the business sales and makes new customers harder to win. This is why a business uses **planned PR to nurture the relationship continuously** and **crisis PR to protect it when it is threatened**.

Key ideas to keep straight.

- **Planned PR is proactive; crisis PR is reactive.** The dividing line is **timing and trigger**: planned PR is **scheduled in advance to build** image *before* any problem, whereas crisis PR is **triggered by a negative event and reacts to protect** image *after* a threat appears.

- **Both strategies serve the same goal** — a **positive relationship with the customer base and the public**. Planned PR grows that relationship; crisis PR defends it.
- **Crisis PR is judged by *how* the business responds.** A fast, honest, apologetic and corrective response can preserve or even build trust; denial, delay or silence deepens the damage. The crisis itself is not fully in the business's control, but the **response** is.
- **The customer-base relationship is an asset, not a given.** Neglecting it sets off a **chain of implications — lost trust → reputation damage → lost sales** — that is especially dangerous for a new business still establishing itself.
- **PR is not the same as advertising.** Advertising is **paid** promotion the business fully controls; PR manages **relationships and reputation**, often through **earned** coverage and word-of-mouth that the business influences but does not buy.

Contemporary example — Optus, November 2023

Optus is a telecommunications carrier that, at the time of the events below, supplied mobile and internet services to more than 10 million retail customers and around 400,000 businesses across Australia.

On **8 November 2023** an Optus network failure beginning at about 4:05 am AEDT left those customers without mobile, internet and fixed-line services for roughly half a day, with most services restored later that day. On **9 November 2023** Optus apologised publicly and offered eligible post-paid mobile and tablet customers at least 200 GB of extra data, and eligible pre-paid customers unlimited weekend data for the rest of the year. The Senate referred the outage to its Environment and Communications References Committee on **9 November 2023**, and on **17 November 2023** Optus executives appeared at a public hearing, telling the committee the business had not had a plan for an outage of that scale.

This is **crisis public relations**, not planned PR: the timing was **not chosen by the business** but **triggered by a sudden damaging event**. The response shows the elements described above — **responding quickly**, **apologising and taking responsibility**, offering compensation as **corrective action**, and **communicating** with customers, the media and a parliamentary committee. It also shows why crisis PR matters: the response is made under scrutiny and placed on the public record, so *how* the business communicates is itself judged, and a fast, honest and corrective response is what a business relies on to **limit reputation damage and retain the trust of its customer base**.

Source: Parliament of Australia, Senate Environment and Communications References Committee, "Optus Network Outage" inquiry (public hearing 17 November 2023) — https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/OptusNetworkOutage. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Lumen Candle Co. is a new, little-known business making hand-poured candles. Explain how a **planned public relations** strategy could help it build a positive relationship with its customer base.

Working	Comment
Planned public relations is a proactive strategy of scheduled activities organised in advance to build a favourable image.	Anchor the answer in what the strategy actually is.
Lumen Candle Co. could **sponsor a local community market and issue a media release** announcing that it will donate part of each sale to a neighbourhood charity.	Give a concrete, planned PR activity suited to a new business.
This associates the new brand with a **cause customers value** and, through favourable local coverage and word-of-mouth, makes the unknown business **known and liked**.	Explain the causal link from the activity to the image.
∴ planned PR helps Lumen Candle Co. **build**	State the causal conclusion — the benefit to the

Working	Comment
awareness and goodwill, turning first-time buyers into a loyal customer base as it establishes.	relationship.

Example 2 — scaffolded

Coastal Crunch is a new snack brand that has just discovered that one batch of its muesli bars was **mislabelled and does not list a nut allergen it contains**. Explain how Coastal Crunch could use **crisis public relations** to respond.

Working	Comment
Crisis PR is a reactive strategy for managing a sudden threat to the business's reputation — here, a product safety problem.	Identify the situation as a crisis and name the strategy.
Coastal Crunch should **respond quickly and honestly**, immediately issuing a **public recall notice** for the affected batch and warning customers with a nut allergy not to eat it.	Show the "fast + honest" element applied to the event.
It should **apologise, take responsibility, and offer refunds**, while correcting the labelling process so the error **cannot recur**.	Show the apology and corrective-action elements.
∴ a fast, honest and corrective crisis PR response lets Coastal Crunch **protect its customers' safety and its reputation**, retaining the trust of its customer base.	Conclude with the purpose of crisis PR.

Example 3 — unscaffolded

Distinguish between **planned** and **crisis** public relations.

Planned public relations is a **proactive** strategy: it consists of **scheduled activities a business organises in advance** — such as sponsorships, events and media releases announcing good news — to **build and maintain a favourable image** *before* any problem arises. **Crisis public relations**, by contrast, is a **reactive** strategy: it is the **management of a sudden threat or damaging event** — such as a faulty product or a data breach — through a **fast, honest and corrective response** designed to **protect and restore** the business's image *after* a threat has appeared. The key difference is in **timing and trigger**: planned PR is **chosen and scheduled by the business to build reputation**, whereas crisis PR is **forced on the business by a negative event and reacts to defend reputation**. ∴ although both manage the business's relationship with its public, one **builds** the image proactively and the other **protects** it reactively.

Example 4 — unscaffolded

A new business owner states, "Maintaining a good relationship with our customer base is a waste of money — customers will always come back for a good product." Evaluate this statement.

The statement has a **grain of truth but is largely mistaken**. It is true that a **good product** is the foundation of any customer relationship, and a business cannot keep customers with PR alone if its product is poor. **However**, the claim that maintaining the relationship is "a waste of money" ignores how a customer base actually behaves. Customers do **not** automatically return: they have **competitors to switch to**, and their loyalty depends on **trust, service and reputation** as well as the product itself. Maintaining a positive relationship — through good service and planned PR — produces **repeat purchases, loyalty and positive word-of-mouth**, which give a new business **stable revenue and cheap, trusted marketing**, and it makes customers **more forgiving when something goes wrong**. If the relationship is **not** maintained, the business risks **lost trust, reputation damage and lost sales** as customers leave and warn others — outcomes that can be fatal for an establishing business with a small customer base. Far from being a waste, the spending is usually **cheaper than constantly winning new customers to replace lost ones**. ∴ a good product is necessary but **not sufficient**; maintaining the customer relationship is a worthwhile investment, not a waste, because it protects the loyalty, reputation and repeat sales on which the business's survival depends.

Practice questions

Scaffolded

Q1. Define the term *planned public relations*.

Q2. List **four** examples of planned public relations activities.

Q3. For each of the following, name the concept described: (a) sponsoring a local netball team so the business's name is associated with the community; (b) quickly issuing an honest apology and recalling a product after a safety fault is found; (c) the loss of customers' belief that a business will deliver on its promises after it mishandles a problem.

Q4. Explain what is meant by *crisis public relations*.

Q5. Petal & Post is a new flower-subscription business trying to build a loyal customer base. (a) Identify **one** planned public relations strategy Petal & Post could use. (b) Explain how maintaining a positive relationship with its customer base could benefit the business.

Q6. Explain the difference between **planned** and **crisis** public relations.

Unscaffolded

Q7. Describe **one** planned public relations strategy a business could use to build its image. *(2 marks)*

Q8. Explain why maintaining a positive relationship with the customer base is important for a business establishing itself. *(3 marks)*

Q9. Distinguish between **planned** and **crisis** public relations. *(4 marks)*

Q10. Explain how a business could use **crisis public relations** to respond to a damaging event. *(3 marks)*

Q11. Compare **planned** and **crisis** public relations. *(4 marks)*

Q12. Analyse how **failing to maintain a positive relationship with its customer base** could affect a business's ability to achieve its objectives. *(4 marks)*

Q13. Discuss the use of **planned public relations** as a strategy for a business establishing its customer base. *(6 marks)*

Q14. Justify a business's decision to invest in **planned public relations** while establishing its customer base. *(4 marks)*

Q15. Propose and justify **one** crisis public relations action a business could take following a product safety problem. *(4 marks)*

Q16. *Case study.* **Ridgeline Cycles** is a new electric-bike retailer that has built a small but loyal customer base through friendly service and an active social-media following. One weekend, a customer's e-bike battery **overheats and starts a garage fire**, and a video of the aftermath spreads quickly online, with commenters questioning whether Ridgeline's bikes are safe. (a) Identify **one** crisis public relations action Ridgeline could take in response. *(1 mark)* (b) Explain how **planned public relations** could have helped Ridgeline build its customer base **before** the crisis. *(3 marks)* (c) Analyse how **failing to respond well** to the crisis could affect Ridgeline's relationship with its customer base and its ability to achieve its objectives. *(4 marks)*

Q17. A café chain responds to a food-poisoning scare by **quickly closing the affected store, apologising publicly, and paying for independent testing before reopening**. Evaluate the effectiveness of this crisis public relations response. *(6 marks)*

Q18. Following a data breach, a business decides to **stay silent and deny responsibility** to avoid bad publicity. Explain **one** implication of this decision for its customer base, and recommend a **better** approach. *(4 marks)*

Q19. *Extended response.* Businesses use public relations both to build their image and to protect it when things go wrong. Analyse how **planned** and **crisis** public relations strategies can help a business maintain a positive relationship with its customer base, and evaluate the view that **crisis public relations is more important than planned public relations** for a business establishing its customer base. *(10 marks)*

Q20. In November 2023, following a national network outage, Optus apologised publicly, offered affected customers extra data, and answered questions at a Senate committee public hearing. Analyse how this response illustrates **crisis public relations** and its role in maintaining a positive relationship with the customer base. *(4 marks)*

Answers

Q1. A proactive public relations strategy of scheduled activities organised in advance (e.g. sponsorships, events, media releases) to build and maintain a favourable image and good relationships with customers and the public. **Q2.** Any four: media releases (press releases); sponsorships; events (launches, open days, trade shows); publicity campaigns / community involvement / charity partnerships; newsletters, blogs or planned social-media content. **Q3.** (a) planned public relations; (b) crisis public relations; (c) lost trust (an implication of failing to maintain the customer relationship). **Q4.** A reactive strategy for managing communication and action in response to a sudden threat or damaging event, using a fast, honest, apologetic and corrective response to protect and restore the business's reputation. See solutions. **Q5.** (a) e.g. a sponsorship, a launch event, a charity partnership, a media release, or a regular customer newsletter. (b) Repeat purchases and loyalty, positive word-of-mouth, lower marketing costs and goodwill in hard times — giving the new business stable revenue and reputation. **Q6.** Planned PR is proactive and scheduled to build image before problems; crisis PR is reactive and triggered by a negative event to protect image afterwards. See solutions. **Q7.** e.g. a sponsorship of a community event, or a media release announcing good news — building a favourable image. See solutions. **Q8.** Turns first-time buyers into loyal repeat customers → stable revenue, word-of-mouth, lower costs and forgiveness in hard times, which a fragile new business needs. See solutions. **Q9.** Distinguish — planned = proactive/scheduled/builds image; crisis = reactive/triggered/protects image. Both terms addressed. See solutions. **Q10.** Respond quickly and honestly, apologise and take responsibility, take corrective action (recall / fix / compensate), and communicate clearly to limit damage. See solutions. **Q11.** Compare — similarity: both manage the business's reputation and customer relationship; difference: planned is proactive/scheduled to build, crisis is reactive/triggered to protect. See solutions. **Q12.** Causal: neglect → lost trust → negative word-of-mouth and reputation damage → lost sales and market share → objectives (profit, market share, survival) undermined. See solutions. **Q13.** Discuss — advantages (builds awareness/goodwill, low-cost earned coverage, loyalty) and disadvantages (slow, hard to measure, no guarantee of coverage, cannot fix a bad product); no judgement required; don't double-dip. See solutions. **Q14.** Justify — argue why: cheaply builds the awareness, image and trust a new, unknown business needs to convert buyers into a loyal customer base. See solutions. **Q15.** Propose one action (e.g. an immediate public recall with apology and refunds) + argue why it protects safety, trust and reputation. See solutions. **Q16.** (a) e.g. issue a fast, honest public statement / recall or inspect the affected batteries / apologise and support the customer. (b) Sponsorships, events and social-media content built awareness, goodwill and trust, creating the loyal base. (c) A poor response → lost trust → viral reputation damage → lost sales and failure to grow market share. See solutions. **Q17.** Evaluate — strengths (fast, honest, corrective, rebuilds trust) vs limits (cost, closure, damage already done) → evidence-based judgement that it is largely effective. See solutions. **Q18.** Implication: silence/denial destroys trust and worsens reputation damage when the truth emerges; better approach = fast, honest disclosure, apology and corrective action. See solutions. **Q19.** Model response in solutions. **Q20.** Reactive strategy triggered by the 8 November 2023 outage, not scheduled by the business → response elements: fast public apology, taking responsibility, corrective action (extra data offered 9 November 2023), clear communication including on the public record at the 17 November 2023 hearing → aims to limit reputation damage and retain the trust of the customer base; a poor response would instead run lost trust → reputation damage → lost sales. See solutions.

Fully-worked solutions

Q4. Crisis public relations is a **reactive** public relations strategy: it is the **management of communication and action in response to a sudden threat, negative event or damaging incident** — such as a faulty product, a recall, a data breach or a damaging story going viral — that could harm the business's reputation. Because the business does not choose the timing, it must respond **quickly**, and a good response is **honest and transparent**, **takes responsibility and apologises** where the business is at fault, and **takes corrective action** to fix the problem and prevent it recurring. Its purpose is to **limit reputation damage, retain the trust of the customer base and restore confidence** as quickly as possible.

Q6. Planned public relations is **proactive**: it consists of **activities the business schedules in advance** — sponsorships, events, community involvement and media releases announcing good news — to **build and maintain a favourable image** *before* any problem occurs. **Crisis public relations** is **reactive**: it is **triggered by a sudden negative event** and involves a **fast, honest and corrective response** to **protect and restore** the image *after* a threat appears. The difference is therefore one of **timing and purpose**: planned PR is **chosen by the business to build**

reputation over time, whereas crisis PR is **forced on the business by an incident and works to defend the reputation it already has**.

Q7. One planned public relations strategy is a **sponsorship**. The business **provides money, products or support to a community event, sports team or charity** in return for having its **name and brand associated** with that activity. For example, a new business might **sponsor a local fun run**, displaying its logo and handing out samples. This is a *planned* strategy because it is **organised in advance to build a favourable image**: it puts the brand in front of potential customers and links it to something the community values, helping an unknown business become **known and liked**.

Q8. Maintaining a positive relationship with the customer base is important for a business establishing itself because a new business must **turn first-time buyers into loyal, repeat customers** to survive. A positive relationship produces **repeat purchases and loyalty**, giving the business **stable, ongoing revenue** rather than relying on constant one-off sales, and it generates **positive word-of-mouth**, the cheapest and most trusted marketing for a business few people yet know. It is also generally **cheaper to keep an existing customer than to win a new one**, and loyal customers are **more forgiving** if something goes wrong. Because a new business has a **small, fragile customer base and limited finance**, protecting these relationships is essential to building the steady sales and reputation it needs to establish itself.

Q9. *(Distinguish — both terms must be addressed.)* **Planned public relations** is a **proactive** strategy made up of **scheduled activities organised in advance** — such as sponsorships, launch events and media releases announcing good news — used to **build and maintain a favourable image** *before* any problem arises; the business **chooses the timing and message** to suit its objectives. **Crisis public relations** is a **reactive** strategy: it is the **management of a sudden threat or damaging event** — such as a faulty product, a recall or a data breach — through a **fast, honest and corrective response** that aims to **protect and restore** the business's reputation *after* a threat appears; its **timing is forced on the business** by the event. The two therefore differ in **when and why they are used**: planned PR is **deliberately scheduled to build** the relationship with customers, whereas crisis PR is **triggered by a negative event to defend** that relationship under pressure.

Q10. A business can use **crisis public relations** to respond to a damaging event by acting **quickly and honestly** to take control of the situation before rumour spreads. It should **acknowledge the problem and apologise**, taking responsibility where it is at fault rather than denying or hiding the issue, and **take corrective action** — for example **recalling and replacing a faulty product, compensating affected customers, and changing the process** so the problem cannot happen again. Throughout, it should **communicate clearly and consistently** with customers and the media, ideally through a single spokesperson. Responding this way **limits the damage to the business's reputation and helps retain the trust of its customer base**, because customers see the business behaving responsibly.

Q11. *(Compare — a similarity and a difference are both required.)* **A similarity** is that both **planned** and **crisis** public relations are strategies a business uses to **manage its reputation and its relationship with its customer base and the public** — both are ultimately about how the business is **perceived and trusted**. **A difference** lies in **timing and purpose**: **planned PR** is **proactive**, made up of activities **scheduled in advance** (sponsorships, events, media releases) to **build** a favourable image *before* any problem, and the business controls when and how it happens; **crisis PR** is **reactive**, **triggered by a sudden negative event**, and works under pressure to **protect and restore** the image *after* a threat appears. In short, both serve the same reputation goal, but planned PR **builds** the relationship on the business's own schedule, while crisis PR **defends** it in response to an incident the business did not choose.

Q12. *(Analyse — show the causal effects, not a list of pros and cons.)* Failing to maintain a positive relationship with its customer base can undermine a business's objectives through a **chain of effects**. When the relationship is neglected — through poor service, broken promises or a mishandled problem — customers first **lose trust**, no longer believing the business will treat them well. Lost trust drives **negative word-of-mouth, poor online reviews and complaints on social media**, which **damage the business's reputation** and reach far more people than the original issue, deterring even potential customers who have never dealt with it. As trust and reputation fall, existing customers **stop buying and switch to competitors**, so **sales and market share decline**. Falling revenue directly works against objectives such as **making a profit and increasing market share**, and for a new business with a small customer base and limited finance, the loss of sales can **threaten its very survival**. ∴ neglecting the customer relationship sets off a causal chain — lost trust leads to reputation damage, which leads to lost sales — that steadily erodes the business's ability to achieve its objectives.

Q13. *(Discuss — advantages and disadvantages; no judgement required; avoid double-dipping.)* Using **planned public relations** offers a business establishing its customer base real **advantages**. It **builds awareness of a new, unknown business** and creates a **favourable image**, associating the brand with events, causes and good news that customers value, which helps **win trust and loyalty**. It can also be **relatively low-cost**, because favourable media coverage and word-of-mouth are **earned rather than paid for**, and it **nurtures the customer relationship continuously** rather than only when there is a problem. However, planned PR also has **disadvantages**. Its effects are **slow to build and hard to measure**, so it may not deliver quick sales when a new business needs cash; there is **no guarantee** that media will run a release or that an event will attract attention; it takes **time and effort** to plan and run; and it **cannot compensate for a poor product or bad service** — good PR around a bad product can even backfire. Planned PR is therefore a **valuable but gradual and uncertain** way for an establishing business to build its customer relationships, offering image and goodwill benefits at relatively low cost while demanding patience and a genuinely good underlying business.

Q14. *(Justify — argue why, with reasoning.)* Investing in **planned public relations** while establishing a customer base can be justified because a new business's greatest problem is that it is **unknown and untrusted**, and planned PR directly addresses this. First, activities such as **sponsorships, launch events and media releases build awareness**, putting the new brand in front of potential customers who would otherwise never hear of it. Second, by linking the business to **causes, events and good news the community values**, planned PR builds a **favourable image and trust**, which is what persuades cautious first-time buyers to try a new business and return. Third, because much of the resulting coverage and word-of-mouth is **earned rather than paid for**, planned PR can build reputation **relatively cheaply** — important when a new business has limited finance. By steadily converting one-off buyers into a **loyal customer base**, planned PR supports the stable sales the business needs to survive. ∴ investing in planned PR is justified because it cheaply builds the **awareness, image and trust** that a new business must have to establish a lasting customer base, making it an investment in future sales rather than a discretionary expense.

Q15. *(Propose and justify — do more than name the action; argue why it suits the situation.)* One crisis PR action a business could take following a product safety problem is to **immediately issue a public recall of the affected product, accompanied by an honest apology and an offer of refunds or free replacements**. This means **publicly announcing** which product is affected and why, **warning customers not to use it**, taking clear **responsibility** for the fault, and **fixing the process** so it cannot recur. This action is **well-suited** to a safety crisis because it **puts customers' safety first**, which is exactly what the public expects; acting **quickly and honestly** stops rumour and speculation from making the story worse; and **apologising and compensating** shows the business is **responsible and trustworthy**, helping to **retain the trust of its customer base** even after a serious problem. ∴ an immediate, honest recall with apology and refunds is an appropriate crisis PR action because it protects customers, limits reputation damage, and preserves the trust on which the business's future sales depend.

Q16. (a) Any **one** of: **issue a fast, honest public statement** about the fire; **recall or inspect the affected batteries**; **apologise and publicly support the affected customer**; or **arrange independent safety testing** of its bikes. (b) **Planned public relations** could have helped Ridgeline build its customer base before the crisis by **proactively creating awareness, goodwill and trust** while the business was establishing itself. For example, Ridgeline's **active social-media content, community events or sponsorship of a local cycling group** would have put the new brand in front of potential customers and associated it with a healthy, community-minded image. Over time this **earned coverage and word-of-mouth** would have **converted first-time buyers into the small, loyal customer base** the case describes. This planned relationship is also valuable *going into* a crisis, because customers who already **trust and like** Ridgeline are **more forgiving** if it responds well. (c) *(Analyse — the causal effect on the relationship and objectives.)* If Ridgeline **fails to respond well** — for example by staying silent or denying the battery is at fault — the consequences would flow through a **chain**. First, its customers would **lose trust**, fearing the bikes are unsafe and that Ridgeline will not protect them. With a **video already spreading online**, that lost trust would fuel **viral negative word-of-mouth and reviews**, causing serious **reputation damage** that reaches far beyond the single incident and frightens off potential buyers. As trust and reputation collapse, Ridgeline's **small, loyal customer base would stop buying and switch to competitors**, so **sales and market share would fall**. Because Ridgeline is a **new business still establishing itself**, this loss of sales would directly undermine its objectives of **building market share, making a profit and surviving**. ∴ a poor crisis response would turn one accident into **lost trust, lasting reputation damage and falling sales**, striking at the customer relationship on which the new business's objectives depend.

Q17. *(Evaluate — strengths and weaknesses plus an evidence-based judgement.)* The café chain's response is a **strong example of crisis public relations**, and on balance it is **largely effective**. Its **strengths** are clear: by **quickly**

closing the affected store, it puts **customer safety first** and stops further harm; by **apologising publicly**, it takes **responsibility** rather than denying or hiding the problem; and by **paying for independent testing before reopening**, it takes genuine **corrective action** and provides **credible evidence** that the café is safe, which helps **rebuild trust**. Together these actions are **fast, honest and corrective** — exactly what good crisis PR requires — so they should **limit reputation damage and retain much of the customer base's trust**. There are, however, **limits**. The response carries **real costs** — lost trading while the store is closed and the expense of testing — and even a well-handled scare **does some lasting damage**, as some customers may still stay away; the response also cannot undo the **harm already suffered** by those who became ill. Weighing these, the strengths clearly outweigh the weaknesses: the chain has done the **right things in the right order**, and the cost of closure and testing is **small compared with the reputation it protects**. ∴ the response is an **effective** crisis PR strategy — its speed, honesty and corrective action are likely to preserve customer trust and reputation — provided the chain also **communicates clearly** what it has done, since even a strong response only works if customers hear about it.

Q18. *(Explain an implication, then recommend a better approach.)* One **implication** of choosing to **stay silent and deny responsibility** after a data breach is that it will **destroy the trust of the customer base and deepen the reputation damage**. Customers whose personal information has been exposed expect to be **told honestly and protected**; silence and denial make the business look as though it is **hiding the truth or does not care**, and when the breach inevitably becomes public — as such stories do — the **cover-up itself becomes a second scandal**, driving **negative word-of-mouth, lost customers and possibly regulatory penalties**. A **better approach** is to use **honest crisis PR**: **disclose the breach quickly**, **apologise and take responsibility**, **explain what information was affected and what customers should do**, and **take corrective action** by improving security so it cannot recur. This **fast, transparent** response is far more likely to **retain trust and limit reputation damage**, because customers are usually more forgiving of a problem that is **owned and fixed** than of one that is **hidden and denied**.

Q19. *Model response (10 marks).* Public relations gives a business two complementary tools for managing its relationship with its **customer base**: **planned** public relations to **build** that relationship, and **crisis** public relations to **protect** it when a threat appears. Both are especially important for a business **establishing a customer base**, because a new business must become **known, liked and trusted** before customers will buy from it repeatedly.

Planned public relations helps *maintain* a positive relationship by **continuously nurturing it**. Through **scheduled activities** — sponsorships, launch events, community involvement, and media releases announcing good news — a business **builds awareness and a favourable image** and links its brand to things customers value. For an establishing business this **earns coverage and word-of-mouth relatively cheaply**, steadily converting **first-time buyers into loyal, repeat customers** who provide stable revenue and recommend the business to others. In this way planned PR grows the **trust and goodwill** that are the foundation of a lasting customer relationship. **Crisis public relations** helps *maintain* the relationship in the opposite situation — when a **sudden negative event** threatens it. Faced with a faulty product, a data breach or a damaging viral story, a business that responds **quickly, honestly, apologetically and with corrective action** can **limit reputation damage and retain the trust of its customer base**, and may even **strengthen** its reputation by being seen to behave responsibly. Handled badly, through denial or silence, the same event causes **lost trust, reputation damage and lost sales** — so crisis PR protects the relationship that planned PR has built.

The view that **crisis PR is more important than planned PR** for an establishing business is **only partly true**. There is a case for it: a new business has a **small, fragile customer base**, and a single mishandled crisis — a fire, a contamination, a breach — can **destroy trust and sales overnight and end the business**, so the ability to respond well to a threat is genuinely vital. **However**, this overstates the point. Crisis PR is **reactive and occasional** — it only matters *when something goes wrong* — whereas planned PR is what **creates the customer base in the first place** and builds the **reservoir of trust and goodwill** that makes customers **forgiving** when a crisis does strike. A business with **no planned PR** would have **few loyal customers to lose** and **little goodwill to draw on** in a crisis, so the two are not really rivals: planned PR builds the relationship and crisis PR defends it, and an establishing business needs **both**. On balance, crisis PR is **not more important** than planned PR; rather, **planned PR is the foundation and crisis PR the safeguard**, and their importance depends on the situation the business faces. ∴ planned and crisis public relations work together to maintain a positive customer relationship — one building trust proactively and the other protecting it reactively — and a business establishing its customer base is best served by **investing in planned PR while being prepared for crisis PR**, rather than treating either as more important than the other. *(Full marks require: accurate explanation of both planned and crisis PR; analysis of how each maintains the customer-base relationship, including the lost-trust/reputation/sales implications; and a sustained, two-sided evaluation of the "crisis over planned" view reaching a justified judgement.)*

Q20. *(Analyse — show the causal effects of the response, not a list of the actions.)* The Optus response is **crisis public relations** because its timing was **not chosen by the business**: it was **triggered by a sudden damaging event**, the network outage of **8 November 2023**, which cut off services for millions of customers and hundreds of thousands of businesses. Each part of the response works on the **relationship with the customer base**. Apologising publicly the following day **acknowledges the problem and takes responsibility**, which signals to customers that the business takes their loss seriously rather than denying or minimising it. Offering affected customers **extra data** is **corrective action** — compensating those who suffered the disruption — so customers have a reason to stay rather than switch to a competitor. Fronting a **Senate committee public hearing on 17 November 2023** is **clear communication** under the hardest possible conditions: the account is given openly and placed on the public record, which is harder to dismiss as a cover-up than silence would be. Together these steps work to **limit reputation damage and retain trust**, because a crisis is judged on the **response** as much as on the incident. ∴ the response illustrates crisis PR defending a customer relationship under pressure — had the business instead stayed silent or shifted blame, the chain of **lost trust → reputation damage → lost sales** would have been far more likely to run.

Chapter 13 Public relations and CSR in marketing — 13C Corporate social responsibility considerations and the customer base

Theory

Corporate social responsibility (CSR) is the extent to which a business takes responsibility for the **social, ethical and environmental consequences** of its activities, **beyond its legal obligations and beyond the pursuit of profit**. A business acts with CSR when it **voluntarily chooses to do more** than the law requires because it accepts that its decisions affect its customers, the community and the environment. This subtopic looks at CSR in a specific setting: the decisions a business makes as it **markets itself and builds a customer base**. A **customer base** is the group of customers who regularly buy from a business, and every business must **win and keep** one to survive. The way a business markets to build that base — how it advertises its products, and how it treats the customers it attracts — carries real ethical consequences, so acting responsibly here is a CSR consideration. The study design highlights **two**: **green marketing** and the **protection of customer privacy**.

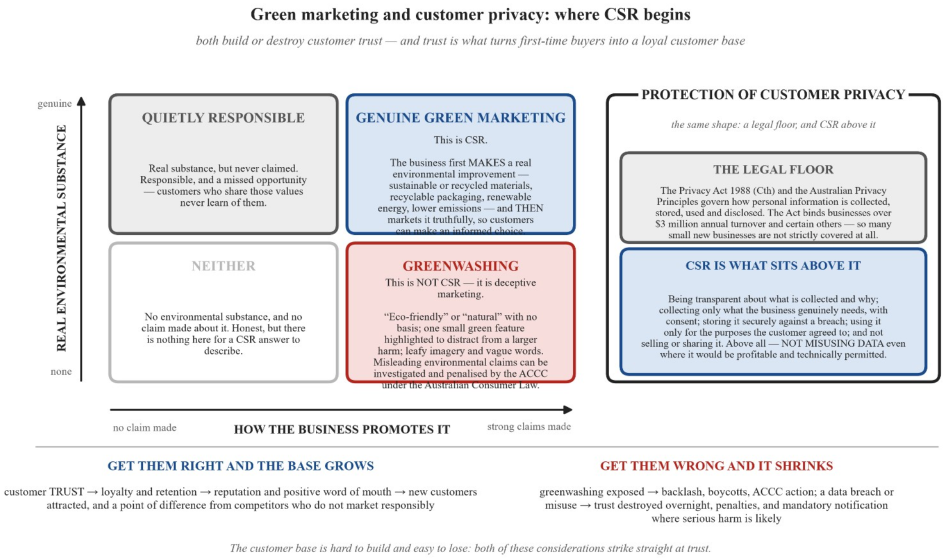
Green marketing. Green marketing means **genuinely promoting products and business practices as environmentally responsible** — for example, advertising that a product is made from **sustainable or recycled materials**, uses **recyclable or plastic-free packaging**, is produced with **renewable energy or lower emissions**, or that the business supports environmental causes — and communicating those benefits **truthfully** to customers. A growing number of consumers prefer to buy from businesses whose environmental values they share, so green marketing lets a business **attract and keep environmentally conscious customers** and build a customer base around a trusted, responsible brand.

- **What makes green marketing genuine CSR.** Green marketing is only responsible when there is real **substance behind the claim** — the product or practice really is more environmentally responsible — **and** the promotion is **honest, specific and not exaggerated**. A business acts with CSR when it first *makes* a genuine environmental improvement (sustainable inputs, less waste, cleaner processes) and then *markets it truthfully*, so that customers can make an informed choice.
- **The risk of greenwashing. Greenwashing** is the opposite: making **false, exaggerated, vague or misleading environmental claims** to appear "greener" than the business really is, in order to win customers **without** doing the substance. Examples include labelling a product "eco-friendly" or "natural" with no real basis, highlighting one small green feature to distract from a much larger environmental harm, or using leafy imagery and vague words ("clean", "pure") that mean nothing. Greenwashing is **not CSR** — it is deceptive marketing. It can also **breach the law**: under the **Australian Consumer Law**, misleading or deceptive conduct — including false environmental claims — is prohibited and can be investigated and penalised by the **Australian Competition and Consumer Commission (ACCC)**. So the line is clear: **genuine green marketing** (real *and* honest) builds a loyal customer base, while **greenwashing** (hollow *and* misleading) risks destroying it.

Protection of customer privacy. As a business markets itself and builds a customer base, it collects large amounts of **personal information** about its customers — names, contact details, addresses, **purchase histories, preferences, payment details** and **online behaviour** — through **loyalty programs, online sign-ups, app accounts, competitions, social media and data analytics**. This data is extremely valuable for marketing, because it lets the business target offers, personalise promotions and build relationships. **Protecting customer privacy** means **responsibly collecting, storing and using that customer data, and not misusing it.**

- **The legal baseline — the Privacy Act.** In Australia, the **Privacy Act 1988 (Cth)** and the **Australian Privacy Principles (APPs)** govern how businesses **collect, store, use and disclose** personal information. The Act binds businesses over an annual turnover of **$3 million** and certain others; many small new businesses are not strictly covered, but **complying with the Act is the *legal* floor** for those that are.
- **The CSR consideration — going beyond the floor, and never misusing data.** Acting with CSR means protecting customer privacy **responsibly and respectfully even beyond the legal minimum**, and — most importantly — **not misusing data even where it might be profitable or technically permitted**. In practice this means being **transparent** (a clear, plain-English privacy policy explaining what is collected and why), **collecting only the data the business genuinely needs** and with the customer's **consent**, **storing it securely** (cyber-security, encryption, restricted access) to guard against a **data breach**, **using it only for the purposes**

the customer agreed to, and **not selling or sharing it** with third parties without permission. A responsible business protects its customers' privacy because it respects them — not merely because the law compels it.



Benefits of these CSR considerations for the customer base. Handling green marketing and customer privacy responsibly directly strengthens the customer base a business is trying to build.

- **Customer trust.** Both considerations build **trust** — customers believe the business's claims and believe their data is safe. Trust is the foundation on which a customer base is built, especially for a newer or lesser-known brand.
- **Customer loyalty and retention.** Customers who trust a business and share its values are more likely to **return and buy again**, giving the business a **loyal, stable customer base** and valuable repeat sales rather than one-off purchases.
- **Reputation and brand image.** Genuinely responsible marketing builds a **reputation** as an ethical, trustworthy brand, generating **positive word of mouth** and helping the business become known for the right reasons.
- **Attracting new customers and differentiation.** Genuine green credentials and respect for privacy **attract the growing segment of ethically and environmentally conscious consumers** and can **differentiate** the business from competitors who do not market responsibly — widening the customer base.

Risks of getting them wrong. The customer base is hard to build and **easy to lose**, and failures in these two areas strike at customer trust directly.

- **Greenwashing exposed.** If customers, the media, a competitor or the ACCC reveal that a business's environmental claims are false, the business suffers **loss of trust, reputational damage, customer backlash and boycotts**, and may face **ACCC investigation, fines and forced corrections** under the Australian Consumer Law — often doing far more harm than never having made the claim at all.
- **Privacy breach or data misuse.** A **data breach** (customer information hacked, leaked or lost) or **misuse of data** (selling it, or using it in ways the customer never agreed to) can **destroy customer trust overnight**, drive customers away, expose the business to **legal penalties** under the Privacy Act, and — where the breach is **likely to result in serious harm** to the customers affected — trigger mandatory **notifiable data breach** reporting to those customers and the regulator, and lasting reputational damage.

Key ideas to keep straight.

- **These are CSR considerations about the *customer base* / marketing** — how the business promotes to and treats its customers — not CSR in *planning* a business or in *operations*. Keep the answer focused on marketing and the customer base.
- **Green marketing is CSR *only when the claims are genuine*.** Real environmental substance + truthful promotion = CSR; exaggerated or false claims = **greenwashing**, which is deceptive and can breach the Australian Consumer Law.

- **Privacy protection has a legal floor but a CSR ceiling.** Complying with the **Privacy Act** is a **legal obligation**; acting with CSR means protecting privacy **responsibly beyond the minimum** and **never misusing customer data**, even when a business could get away with it.
- **Trust is the currency.** Both considerations either **build or destroy customer trust**, and trust is what turns first-time buyers into a **loyal customer base**. Getting them right grows the base; getting them wrong shrinks it.

Contemporary example — Zambrero, September 2024

Zambrero is a quick-service Mexican food franchise founded in Canberra in 2005, which by September 2024 had reached 300 restaurants across Australia, New Zealand, the United Kingdom, Ireland and the United States.

On 25 September 2024 the business marked that milestone — its 300th restaurant had opened a week earlier on Glenferrie Road, Hawthorn — by giving away 300 burritos at each of its 300 restaurants, and reported that its **Plate 4 Plate** program, under which a meal is donated to a person in need for every regular burrito or bowl purchased, had passed **80 million meals donated** since it began.

Plate 4 Plate is a **social** commitment rather than an environmental one, so it is not green marketing; but it illustrates the same logic this subtopic teaches. The donation is **voluntary** — no law requires it — and it goes beyond the pursuit of profit, so it is **corporate social responsibility**; and because it is attached to the purchase and promoted to customers, it forms part of how the business builds a **customer base**. It gives values-driven consumers a reason to choose this brand over a rival selling a similar product, which **differentiates** the business and encourages **repeat purchases and loyalty**. Note too that the claim carries **substance**: a specific, dated and publicly reported meal count is the kind of claim customers can check, and that is precisely what separates responsible marketing from a vague or unsubstantiated claim that would put **customer trust** at risk once scrutinised.

Source: Medianet News Hub, "Zambrero celebrates 300 restaurant milestone with 90,000 burrito giveaway and sets sights beyond 500", 25 September 2024 — https://newshub.medianet.com.au/2024/09/zambrero-celebrates-300-restaurant-milestone-with-90000-burrito-giveaway-and-sets-sights-beyond-500/68712/. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Coralline Swim is a new swimwear label that makes its swimsuits from **recycled ocean plastic**. Explain how **green marketing** could help Coralline Swim build a customer base.

Working	Comment
Green marketing means genuinely promoting a product's real environmental benefits truthfully to customers.	Anchor the answer in what the CSR consideration actually is.
Coralline Swim's swimsuits *are* made from recycled ocean plastic, so it has a genuine environmental benefit it can honestly advertise.	Establish that there is real substance behind the claim (genuine, not greenwashing).
By truthfully marketing this benefit, Coralline Swim can **attract the growing group of environmentally conscious customers** who prefer to buy sustainable products, and earn their **trust and loyalty**.	Link the honest claim to attracting and retaining customers.
∴ genuine green marketing helps Coralline Swim **build a loyal customer base** around a trusted, distinctive eco-brand, which is vital for a new label trying to become known.	State the causal conclusion — the effect on the customer base.

Example 2 — scaffolded

Petal & Post is an online florist that collects customers' names, delivery addresses, special occasions and purchase histories so it can send reminders and offers. Explain why **protecting customer privacy** is a corporate social responsibility consideration for the business as it builds its customer base.

Working	Comment
As it markets to build a customer base, Petal & Post collects a lot of **personal information** about its customers.	Identify the marketing activity that creates the privacy issue.
Holding this data brings a **legal duty** (the Privacy Act) but also an **ethical responsibility** to keep it safe and use it only as customers expect — going beyond mere compliance is the CSR part.	Distinguish the legal floor from the voluntary CSR consideration.
Acting responsibly means **storing the data securely, being transparent about its use, gaining consent and not selling it** — protecting privacy because the business respects its customers.	Show what protecting privacy responsibly involves.
∴ protecting customer privacy is a CSR consideration because it takes voluntary responsibility for the customer data marketing generates, safeguarding the **trust** on which the customer base depends.	Conclude by linking privacy protection to trust and the customer base.

Example 3 — unscaffolded

Distinguish between **genuine green marketing** and **greenwashing**.

Genuine green marketing is the **truthful promotion of products or practices that really are environmentally responsible** — for example, honestly advertising that a product is made from recycled materials or uses renewable energy, where those claims are **accurate and substantiated**. It is an act of **corporate social responsibility** because the business has made a real environmental improvement and communicates it fairly, allowing customers to make an informed choice. **Greenwashing**, by contrast, is making **false, exaggerated, vague or misleading environmental claims** to *appear* greener than the business really is, **without** the underlying substance — for example, labelling a product "eco-friendly" with no basis, or highlighting one tiny green feature to hide a larger harm. It is **deceptive marketing**, not CSR, and can breach the **Australian Consumer Law**. The key difference is one of **truth and substance**: genuine green marketing rests on real environmental benefits honestly communicated, whereas greenwashing is an empty or misleading claim designed to win customers without earning them. ∴ the two differ in whether the environmental claim is **true and backed by real practice** (green marketing) or **false and misleading** (greenwashing).

Example 4 — unscaffolded

A business owner states, "The fastest way to grow a customer base is to advertise our products as eco-friendly, whether or not it is completely true." Evaluate this statement.

The statement has a grain of truth but is **fundamentally flawed** and risky. It is true that environmental claims can **attract customers quickly**, because a large and growing segment of consumers prefers to buy from environmentally responsible businesses, so eco-branding can widen a customer base fast. **However**, advertising products as eco-friendly "whether or not it is completely true" is **greenwashing** — deceptive marketing that is **not corporate social responsibility** and that carries serious dangers. If the false claims are exposed by customers, the media, a competitor or the **ACCC**, the business faces **loss of trust, reputational damage, customer backlash and boycotts**, and can be **investigated and penalised** for misleading conduct under the **Australian Consumer Law** — destroying the very customer base the owner set out to build, often permanently. Genuine green marketing, resting on **real environmental substance honestly promoted**, grows a **loyal and lasting** customer base precisely because it can withstand scrutiny; greenwashing may grow the base quickly but leaves it fragile and exposed. ∴ the statement should be **rejected**: while eco-branding is a powerful way to attract customers, doing it dishonestly is greenwashing that risks legal and reputational ruin, so the owner should build the customer base on **genuine, truthful** environmental claims rather than empty ones.

Practice questions

Scaffolded

Q1. Define the term *corporate social responsibility*.

Q2. List the **two** corporate social responsibility considerations regarding the establishment of a customer base identified in the study design.

Q3. For each of the following, name the CSR consideration (or practice) being described: (a) truthfully promoting a product's genuine environmental benefits; (b) storing customer data securely and using it only with the customer's consent; (c) exaggerating a product's environmental credentials to appear greener than it really is.

Q4. Explain what is meant by *greenwashing*.

Q5. A business runs a loyalty program that collects customers' contact details and purchase history. (a) Identify **one** way the business could protect its customers' privacy. (b) Explain how protecting customer privacy could benefit the business.

Q6. Explain the difference between a business **complying with the Privacy Act** and a business **acting with corporate social responsibility** in the way it protects customer privacy.

Unscaffolded

Q7. Describe **green marketing**. *(2 marks)*

Q8. Explain why protecting customer privacy is a **corporate social responsibility** consideration when a business is building its customer base. *(3 marks)*

Q9. Distinguish between **green marketing** and **greenwashing**. *(4 marks)*

Q10. Explain **one** benefit to a business of using genuine green marketing to build its customer base. *(3 marks)*

Q11. Compare **green marketing** and the **protection of customer privacy** as corporate social responsibility considerations regarding the customer base. *(4 marks)*

Q12. Analyse how **greenwashing** could affect a business's customer base. *(6 marks)*

Q13. Discuss the use of **green marketing** as a way to build a customer base. *(6 marks)*

Q14. Justify the decision by a business to protect customer privacy **beyond its minimum legal obligations**. *(4 marks)*

Q15. Propose and justify **one** way a business could act with corporate social responsibility when **collecting and using customer data**. *(4 marks)*

Q16. *Case study.* **Bloom Botanicals** is a new natural skincare business run by Isla. It markets its range as **"made with 100% natural ingredients and plastic-free packaging"** and runs a mobile app through which customers create accounts, earn loyalty points and record their skin concerns and purchase history. Isla wants to grow a loyal customer base, but she has been offered payment by a **data broker** to hand over her customer list, and a beauty blogger has publicly questioned whether the packaging is **really** plastic-free. (a) Identify **one** corporate social responsibility consideration regarding the customer base that Bloom Botanicals must manage. *(1 mark)* (b) Explain how **genuine green marketing** could help Bloom Botanicals build its customer base. *(3 marks)* (c) Analyse how **selling the customer list to the data broker** could affect Bloom Botanicals' customer base. *(4 marks)*

Q17. Evaluate the view that, for a business building a customer base, the **protection of customer privacy** is a more important corporate social responsibility consideration than **green marketing**. *(6 marks)*

Q18. A business suffers a **data breach** that exposes its customers' personal information. Explain **one** effect this could have on the business's customer base, and recommend **one** way the business could reduce the risk of a data breach. *(4 marks)*

Q19. *Extended response.* Businesses increasingly try to build a customer base by marketing responsibly. Analyse how **green marketing** and the **protection of customer privacy** can help a business establish a customer base, and evaluate the view that the benefits of these corporate social responsibility considerations **outweigh the risks of getting them wrong**. *(10 marks)*

Q20. In September 2024, **Zambrero** — a quick-service Mexican food franchise founded in Canberra — marked the opening of its 300th restaurant and reported that its **Plate 4 Plate** program, under which a meal is donated to a person in need for every regular burrito or bowl purchased, had passed **80 million meals donated**. Analyse how a **voluntary social commitment of this kind** could affect a business's customer base. *(4 marks)*

Answers

Q1. The extent to which a business takes responsibility for the social, ethical and environmental consequences of its activities, beyond its legal obligations and the pursuit of profit. **Q2.** Green marketing; and the protection of customer privacy. **Q3.** (a) green marketing; (b) protection of customer privacy; (c) greenwashing. **Q4.** Making false, exaggerated, vague or misleading environmental claims so a business appears greener than it really is, without the underlying environmental substance. See solutions. **Q5.** (a) e.g. store data securely / gain consent / a clear privacy policy / collect only what is needed / not sell the data. (b) Builds customer trust and protects reputation, strengthening loyalty and the customer base. See solutions. **Q6.** Complying with the Privacy Act is a compulsory legal minimum; acting with CSR means protecting privacy responsibly beyond that minimum and never misusing customer data. See solutions. **Q7.** Genuinely promoting environmentally responsible products/practices, advertised truthfully. See solutions. **Q8.** Marketing collects personal data; taking voluntary responsibility to protect it (beyond legal compliance) safeguards customer trust — the basis of the customer base. See solutions. **Q9.** Green marketing = truthful promotion of real environmental benefits (CSR); greenwashing = false/ misleading environmental claims (deceptive, can breach the Australian Consumer Law). Both terms required. See solutions. **Q10.** e.g. attracts environmentally conscious customers → trust/loyalty → stronger customer base; or reputation/differentiation. See solutions. **Q11.** Similarity: both are voluntary CSR considerations in marketing that build customer trust and loyalty. Difference: green marketing concerns *honest environmental promotion of the product*, privacy protection concerns *responsible handling of customer data*. See solutions. **Q12.** Causal chain: greenwashing exposed → loss of trust → reputational damage, backlash/boycott, ACCC action → shrinking customer base. See solutions. **Q13.** Discuss — advantages (attracts eco-conscious customers, loyalty, reputation, differentiation) and disadvantages (cost/effort of genuine substance, scrutiny, greenwashing risk); no judgement required; don't double-dip. See solutions. **Q14.** Justify — argue why: trust, loyalty, reputation, differentiation and avoiding breach damage outweigh the extra effort/cost, even where the law does not compel it. See solutions. **Q15.** Propose one measure (e.g. plain-English privacy policy + consent + secure storage + no on-selling) + argue why it suits the business. See solutions. **Q16.** (a) e.g. green marketing (the eco-claims) or protection of customer privacy (the app data). (b) Honest promotion of genuine natural/plastic-free credentials attracts and retains eco-conscious customers → loyal base. (c) Selling data misuses customer information, breaks trust, damages reputation and risks legal penalties → customers leave, base shrinks. See solutions. **Q17.** Evaluate — in favour (every business collects customer data, and misuse/breach destroys trust directly) vs against/limits (green marketing wins and differentiates the base, and its relevance depends on the product and market); reach a justified judgement. See solutions. **Q18.** Effect: e.g. loss of trust → customers leave, reputational damage. Recommend an affordable security measure (encryption, strong passwords, backups, staff training, collect less data). See solutions. **Q19.** Model response in solutions. **Q20.** Causal chain: voluntary commitment beyond legal obligation and profit → attracts values-driven customers and differentiates the brand → substantiated claim builds trust → repeat purchases and loyalty → larger, more stable customer base; the substance behind the claim is what sustains it. See solutions.

Fully-worked solutions

Q4. Greenwashing is making **false, exaggerated, vague or misleading claims about a business's environmental credentials** so that it *appears* more environmentally responsible than it really is, **without** having made the environmental improvement those claims imply. It can take the form of an "eco-friendly" or "natural" label with no real basis, of promoting one small green feature loudly to draw attention away from a much larger environmental harm, or of leafy imagery and vague words such as "clean" and "pure" that mean nothing measurable. Greenwashing is **not** corporate social responsibility: the business spends its effort on the *marketing* rather than on the *substance*, winning environmentally conscious customers it has not earned. Because misleading or deceptive conduct is prohibited by the **Australian Consumer Law**, greenwashing can also expose the business to investigation and penalty by the **ACCC**.

Q5. (a) Any **one** of: **storing the data securely** (encryption, restricted staff access, backups); **obtaining the customer's consent** when they join the program; publishing a **clear, plain-English privacy policy**; **collecting only the information the program genuinely needs**; or **not selling or sharing the data** with third parties. (b) Protecting customer privacy benefits the business because customers will hand over contact details and allow their purchases to be tracked only if they **trust the business with that information**. A loyalty program that is transparent about what it collects and keeps that data safe therefore wins **more sign-ups**, giving the business better information for its marketing; and the trust it earns makes customers **more willing to return and buy again**, strengthening loyalty and the customer base. Protecting privacy also protects the business's **reputation**, because a breach or a misuse of loyalty-program data would drive existing customers away and deter new ones from joining.

Q6. Complying with the Privacy Act means a business does what the **law requires** of it when handling personal information — following the Australian Privacy Principles on how data is collected, stored, used and disclosed. This is the **compulsory legal minimum** for the businesses the Act covers, and failing to meet it is unlawful. **Acting with corporate social responsibility** in protecting customer privacy means going **beyond** that minimum **voluntarily**: being genuinely transparent with customers, collecting only the data the business really needs, storing it more securely than the law strictly demands, and — above all — **never misusing customer data** (such as selling it) even where the business could get away with it. The difference is one of **standard and motivation**: legal compliance is an enforced floor, whereas CSR is the responsibility a business chooses to take on above that floor because it respects its customers. ∴ a business can meet every requirement of the Privacy Act and still fall short of CSR if it treats customer data as something merely to be *legally processed* rather than genuinely *protected*.

Q7. Green marketing is the **truthful promotion of products or business practices that are genuinely environmentally responsible** — such as advertising sustainable materials, recyclable packaging or lower emissions — to customers who value sustainability. It counts as corporate social responsibility only when the environmental claim is **real and honestly communicated**, not exaggerated.

Q8. Protecting customer privacy is a **corporate social responsibility** consideration because, as a business markets itself and builds a customer base, it **collects a great deal of personal information** about its customers (contact details, purchase history, preferences and payment data), and it takes on a **voluntary responsibility to protect that information beyond what the law strictly requires**. Handling the data responsibly — storing it securely, being transparent, gaining consent and not misusing it — goes beyond mere legal compliance and shows the business is acting ethically towards the people it serves. This matters because a customer base is built on **trust**: customers will share their information and keep buying only if they believe it will be kept safe and used properly. By choosing to protect privacy responsibly, the business safeguards that trust and therefore the customer base itself, which is why it is a genuine CSR consideration and not just a technical or legal task.

Q9. *(Distinguish — both terms must be addressed.)* **Green marketing** promotes products or business practices that **really are more environmentally responsible**, in claims that are **accurate, specific and able to be substantiated** — advertising, for instance, that packaging is genuinely plastic-free or that production runs on renewable energy. The business has made the environmental improvement first and reports it afterwards, so customers can make an **informed choice**; this is why green marketing counts as **corporate social responsibility**. **Greenwashing** reverses that order. Here the impression of environmental responsibility is created **by the marketing alone**, through claims that are **false, exaggerated, vague or selectively presented** — an unsupported "eco-friendly" label, or one minor green feature advertised loudly while a much larger harm goes unmentioned. Nothing about the business has actually changed, so greenwashing is **deceptive marketing** rather than CSR, and it exposes the business to enforcement under the **Australian Consumer Law**. ∴ the two are separated by **whether the environmental improvement exists before the advertising does**: green marketing reports a change the business has genuinely made, while greenwashing manufactures the appearance of one.

Q10. One benefit of genuine green marketing is that it helps the business **attract and retain environmentally conscious customers**. Because a **growing segment of consumers prefers to buy from environmentally responsible businesses**, honestly promoting a product's real green credentials draws these customers to the brand and, because the claims are genuine, earns their **trust**. Customers who trust a business and share its environmental values are more likely to **buy again and stay loyal**, giving the business a **stable, loyal customer base** and valuable repeat sales rather than one-off purchases. For a business trying to establish or grow its customer base, this ability to win and keep values-driven customers is a significant and cost-effective advantage.

Q11. *(Compare — both a similarity and a difference are required.)* **A similarity** is that green marketing and the protection of customer privacy are **both voluntary corporate social responsibility considerations that a business applies in its marketing**, and both work by **building the customer trust and loyalty** on which a customer base depends — and both, if handled badly, can **destroy** that trust. **A difference** lies in **what each is about**: **green marketing** concerns the **honesty and environmental substance of what the business promotes** — genuinely responsible products advertised truthfully — so it governs the **message** the business sends to customers; whereas the **protection of customer privacy** concerns the **responsible handling of the personal data** the business collects from customers — storing it securely, gaining consent and not misusing it — so it governs **how the business treats the**

customers it attracts. In short, both build trust responsibly, but green marketing is about **telling the truth about the product**, while privacy protection is about **safeguarding the customer's information**.

Q12. *(Analyse — show the causal chain, not a list of pros and cons.)* Greenwashing can damage a business's customer base through a **chain of effects**. A business greenwashes to attract customers with **false or exaggerated environmental claims**, so any customer base it builds this way rests on a claim that **cannot withstand scrutiny**. When the deception is **exposed** — by customers, the media, a competitor or the **ACCC** — customers feel **misled and betrayed**, and because a customer base is built on **trust**, that trust collapses. The loss of trust then triggers **reputational damage and negative word of mouth** (amplified rapidly on social media), so existing customers **stop buying and switch to rivals**, while prospective customers are **deterred from ever joining**. On top of this, the business may face **ACCC investigation, fines and forced public corrections** under the Australian Consumer Law, which generate further damaging publicity. Each effect compounds the next, so a business that greenwashes tends to end up with a **smaller and more distrustful customer base** than if it had never made the claim. ∴ greenwashing does not merely fail to help — by destroying trust and reputation once exposed, it actively **shrinks the very customer base it was meant to grow**.

Q13. *(Discuss — advantages and disadvantages; no judgement required; avoid double-dipping.)* Using green marketing to build a customer base has real **advantages**. Because a **growing number of consumers prefer environmentally responsible businesses**, honestly promoting genuine green credentials **attracts these customers**, earns their **trust and loyalty**, and can **differentiate** the business from rivals, building a strong reputation and a loyal customer base. However, there are also **disadvantages**. To market genuinely, the business must first **make real environmental improvements** — sustainable inputs, recyclable packaging, cleaner processes — which usually **cost more and take effort**, raising prices or reducing margins. Green claims also invite **close scrutiny** from customers, competitors and the ACCC, so the business must be able to **substantiate everything it says**. And there is the ever-present risk of **greenwashing**: if claims are exaggerated or false, the strategy backfires, destroying trust and exposing the business to legal penalties. Green marketing therefore offers a business a powerful way to attract and retain values-driven customers, but only if it is **backed by genuine substance and honest, verifiable claims** — otherwise its costs and risks can outweigh its appeal.

Q14. *(Justify — argue why, with reasoning.)* Protecting customer privacy **beyond the minimum legal requirements** can be justified because customer data is central to modern marketing and the **trust** attached to it is central to the customer base. First, going beyond compliance — being genuinely transparent, seeking real consent, securing data well and refusing to on-sell it — **builds and protects customer trust**, and customers will share information and keep buying only from a business they trust, so this **directly supports loyalty and the customer base**. Second, it protects the business's **reputation**: a business known for respecting privacy stands out favourably, whereas one that does only the bare minimum is one breach or scandal away from serious damage. Third, strong voluntary protection **reduces the risk and cost of a data breach or misuse**, which for any business can be reputationally devastating and legally costly. Fourth, it **differentiates** the business as ethical at a time when customers are increasingly wary of how their data is used. While going beyond the law takes some extra effort and cost, the trust, loyalty, reputation and risk-reduction it buys are worth far more than the outlay. ∴ protecting customer privacy beyond the legal minimum is justified because it is an **investment in the customer trust and reputation the business depends on**, not an avoidable expense.

Q15. *(Propose and justify — do more than name the measure; argue why it suits the business.)* One way a business could act with corporate social responsibility when collecting and using customer data is to adopt a **clear, plain-English privacy policy combined with genuine consent, secure storage and a firm commitment not to sell or share the data** — telling customers exactly **what information is collected, why, and how it will be used**, asking them to **opt in**, storing the data securely, and using it **only for the purposes they agreed to**. This measure is **well-suited to a business building a customer base** because it directly addresses customers' biggest concern about sharing data — that it will be misused — and so **reassures them and earns their trust**, making them more willing to sign up to loyalty programs and buy again. It also goes **beyond mere legal compliance** by treating customers' data with genuine respect, which **differentiates the business** as ethical and protects it from the reputational damage of a misuse scandal. ∴ a transparent, consent-based, secure and no-on-selling approach to customer data is an appropriate CSR measure because it builds the trust a loyal customer base depends on while protecting the business's reputation.

Q16. (a) Any **one** of: **green marketing** (the "100% natural / plastic-free" environmental claims) or the **protection of customer privacy** (the personal data collected through the app). (b) *(Explain — causal, linked to the case study.)*

Genuine green marketing could help Bloom Botanicals build its customer base if its “natural ingredients and plastic-free packaging” claims are **true and can be substantiated**. Natural skincare buyers are strongly drawn to **environmentally responsible products**, so honestly promoting these real credentials would **attract eco-conscious customers** to the brand and, because the claims are genuine, **earn their trust**. Customers who trust Bloom Botanicals and share its values are likely to **return, use the loyalty app and recommend it to others**, giving Isla the **loyal customer base** she wants — provided the blogger’s doubts are answered by the packaging genuinely being plastic-free. (c) *(Analyse — the causal effect on the customer base.)* Selling the customer list to the **data broker** would be a **misuse of customers’ personal information**, because customers gave Bloom Botanicals their data — skin concerns, contact details and purchase history — to earn loyalty points and receive service, **not** to be sold to a third party. If customers discovered their data had been sold, they would feel **their trust had been betrayed**, and since a customer base rests on trust, that trust would **collapse**: many would **delete the app, stop buying and warn others**, and the resulting **negative word of mouth** would deter new customers from joining. Bloom Botanicals could also breach **privacy law**, adding legal penalties and further damaging publicity. The short-term payment from the broker would therefore be bought at the cost of the **loyal customer base Isla is trying to build**, which would **shrink** as customers leave. ∴ selling the customer list would trade a one-off gain for a lasting loss of trust and customers, directly undermining the customer base — so acting with CSR by refusing is what protects it.

Q17. *(Evaluate — weigh both sides and reach an evidence-based judgement.)* The view that **protecting customer privacy** matters more than **green marketing** when a business builds a customer base is **defensible but too absolute**. *In favour:* privacy protection applies to **every** business that markets itself, because building a customer base **necessarily** generates personal data — contact details, purchase histories, app accounts and loyalty records — whereas a business can build a base perfectly well without making an environmental claim at all. The consequences are also **asymmetric**: a data breach or the sale of a customer list is a **direct betrayal of the individual customer**, whose own information has been exposed, and it destroys trust **immediately and across the whole base**, not merely in one product claim. Privacy failures additionally carry a **standing legal exposure** under the **Privacy Act 1988 (Cth)**, including notifiable data breach reporting where serious harm is likely. *Against / limits:* the view understates what green marketing does. Privacy protection is largely a **defensive** consideration — done well, customers barely notice it; done badly, they leave — so it **protects** a customer base but rarely **wins** one. Green marketing, by contrast, is **base-building**: it actively **attracts** the growing segment of environmentally conscious consumers and **differentiates** the business from competitors, which is precisely what a new business without a reputation needs. Which matters more is therefore **contextual**: for a data-heavy business such as an online retailer running a loyalty app, privacy dominates; for a business whose product’s appeal rests on sustainability, credible green marketing is what draws customers in the first place. *Judgement:* the two are better understood as doing **different jobs** than as ranking against each other, and neither substitutes for the other — both ultimately succeed or fail through the same mechanism, **customer trust**. ∴ the view should be **only partly accepted**: privacy protection is the more **universal and less avoidable** consideration, and getting it wrong does the faster damage, but green marketing is the one that actively **grows** the base — so a business should treat privacy as a non-negotiable foundation and genuine green marketing as the means of building on it.

Q18. *(Explain an effect on the customer base, then recommend a way to reduce the risk.)* One **effect** of a data breach that exposes customers’ personal information is a **serious loss of customer trust, leading customers to leave**. Customers who shared their details expecting them to be kept safe feel **let down and exposed** when they are leaked, so many will **stop buying, close their accounts and warn others**, and the resulting **reputational damage** deters new customers — directly **shrinking the customer base**. To **reduce the risk** of a data breach, the business could **invest in basic but effective cyber-security** — such as **encrypting stored data, using strong and unique passwords, restricting who can access customer information, backing up data and training staff to spot scams** — and **collect only the data it genuinely needs**. These affordable measures make a breach far less likely and show customers their information is being protected, helping the business **preserve the trust its customer base depends on**.

Q19. *Model response (10 marks).* **Corporate social responsibility (CSR)** is the extent to which a business takes responsibility for the **social, ethical and environmental consequences** of its activities, **beyond its legal obligations and the pursuit of profit**. When a business markets itself to build a **customer base**, two CSR considerations are especially important: **green marketing** and the **protection of customer privacy**, and each can help the business establish that base.

Green marketing means **genuinely promoting environmentally responsible products and practices and communicating them truthfully**. Because a growing segment of consumers prefers to buy from environmentally responsible businesses, honestly advertising real green credentials — sustainable materials, recyclable packaging, lower emissions — **attracts these customers**, earns their **trust**, and, since values-driven customers tend to be loyal, helps the business build a **loyal customer base** and stand out from competitors. The **protection of customer privacy** matters because marketing collects large amounts of **personal data** — contact details, purchase history, preferences — through loyalty programs, apps and online sign-ups. Complying with the **Privacy Act** is the legal floor; acting with CSR means going **beyond** it — being transparent, gaining consent, storing data securely and **never misusing it**. Doing so reassures customers that their information is safe, so they are willing to share it and keep buying, **building the trust on which the customer base rests**. Both considerations therefore work through the same mechanism: they **build customer trust**, and trust turns first-time buyers into a loyal base.

The view that the **benefits of these CSR considerations outweigh the risks of getting them wrong** is **strongly but conditionally supported**. On one hand, the **benefits are real and central** to a customer base — trust, loyalty, reputation and differentiation — and they are difficult to obtain any other way; a base built on genuine responsibility is **durable** because it can withstand scrutiny. On the other hand, the **risks of getting them wrong are severe**. **Greenwashing** — false or exaggerated environmental claims — and a **privacy breach or misuse of data** both **destroy customer trust once exposed**, causing reputational damage, customer backlash and boycotts, and can breach the law (the **Australian Consumer Law** for false green claims, the **Privacy Act** for data), attracting penalties and further damaging publicity. Crucially, though, these risks arise **not from acting responsibly but from acting irresponsibly** — from *pretending* to be green or from *mishandling* data. A business that markets its genuine credentials honestly and protects privacy properly captures the benefits while **avoiding** the risks; the danger comes from the temptation to fake the substance. ∴ the evidence supports a **qualified** conclusion: for a business that acts **genuinely** — real environmental substance honestly promoted, and customer data responsibly protected — the benefits to the customer base clearly **outweigh** the risks, because those risks are largely self-inflicted and avoidable; the benefits are only outweighed by the risks when a business tries to fake green marketing or misuse data, which is precisely what acting with CSR means *not* doing. *(Full marks require: an accurate definition of CSR; analysis of how green marketing and privacy protection build a customer base through trust; and a sustained, two-sided evaluation of the benefits-versus-risks view reaching a justified judgement.)*

Q20. *(Analyse — trace the causal chain through to the customer base.)* A commitment such as Zambrero's **Plate 4 Plate** is **corporate social responsibility** because it is **voluntary** — no law requires a restaurant to donate a meal for the food it sells — and it goes **beyond the pursuit of profit**. Because the commitment is attached to **the purchase** and communicated to customers, it becomes part of how the business **builds its customer base**, and it works through a chain of effects. First, it gives values-driven consumers a **reason to choose this business over a rival selling a similar product**, so it **attracts customers and differentiates** the brand in a crowded market. Second, customers who buy partly in order to trigger the donation are buying the **values as well as the meal**, so they are more likely to **return and buy again** rather than shop on price alone, converting one-off purchases into **loyalty and repeat sales**. Third, publicly reporting a **specific, checkable figure** — more than 80 million meals as at September 2024 — gives the claim **substance**, so it can withstand scrutiny and **builds trust**; a vague or unsubstantiated claim would instead risk being exposed as hollow, collapsing trust in the same way greenwashing does. ∴ a genuine, substantiated social commitment **grows** the customer base by attracting values-driven customers and converting them into loyal ones — but only for as long as the **substance behind the claim** holds.

Topic 5 Test A — Section A: short-answer and extended-answer questions

Reading time: 5 minutes. Writing time: 55 minutes. Total 40 marks. No calculator. Answer all questions in the spaces provided. Cumulative over Chapters 11–13.

Question 1 (8 marks)

Marnwood Bakehouse is a new business preparing to open a bakery in a regional Victorian town. Before deciding what to sell, what to charge and where to locate, its owners want evidence about the local market rather than guesswork.

a. Define the term *market research*. 2 marks

b. Distinguish between primary data and secondary data. 3 marks

c. Explain how Marnwood Bakehouse could use observation as a data collection technique before it opens. 3 marks

Question 2 (8 marks)

Stonecrop Ceramics is a newly established business making handmade tableware in a small Victorian workshop. Its owners want the business to be perceived as a premium, locally made brand. Three larger competitors already sell similar imported tableware at much lower prices.

a. Identify two internal factors that could affect Stonecrop Ceramics' creation of a brand identity. 2 marks

b. Describe how the operating environment factor of competitors could affect Stonecrop Ceramics' establishment of a customer base. 2 marks

c. Explain how one macro environment factor could affect Stonecrop Ceramics' creation of a brand identity. 4 marks

Question 3 (6 marks)

Alba Athletic is a new online activewear business. Its owners have divided the total activewear market into smaller groups of customers and selected one of those groups to aim their marketing at.

a. Define the term *market segment*. 2 marks

b. Explain how an understanding of consumer trends could help Alba Athletic establish a customer base. 4 marks

Question 4 (8 marks)

Harlow Lane Café has been open for six months. Its coffee is well regarded, but the fit-out is unfinished, orders are frequently mixed up at the counter, and few customers return more than once. The owner is considering introducing a rewards card.

a. Outline one difference between the marketing mix elements of *physical evidence* and *process*. 2 marks

b. Discuss the establishment of a customer loyalty program by Harlow Lane Café. 6 marks

Question 5 (10 marks)

"The stage a product has reached should decide its marketing strategy, not the other way around."

Analyse the relationship between the stages of the product life cycle and a business's choice of marketing strategy. In your response, refer to:

- the introduction, growth, maturity and decline stages, and the marketing strategy suited to each;
- the role of extension strategies;
- at least one contemporary business case study (a business studied within the last four years).

End of Topic 5 Test A

Topic 5 Test A — Solutions

Question 1.

a. *(Define, 2 marks.)* Market research is the **systematic process of collecting, analysing and interpreting information about a market** — its customers, competitors and conditions — **so that marketing decisions are based on fact rather than assumption**. *(Two elements required: the gathering/analysing of market information, and its purpose of informing marketing decisions. "Asking customers what they want" alone is insufficient.)*

b. *(Distinguish, 3 marks.)* **Primary data** is original, first-hand information the business **collects itself, for its own specific marketing purpose**, directly from the source — for example through surveys, interviews, focus groups, observation or trials. **Secondary data** is information that **already exists**, having been collected earlier **by someone else for a different purpose**, which the business locates and uses — for example Australian Bureau of Statistics or census data, industry reports or competitors' advertising. The distinction is one of **origin and purpose**: primary data is gathered by the business to answer the exact question it faces, so it is current, relevant and exclusive but costly and slow; secondary data is quick, cheap and broad but may be out of date, too general and equally available to competitors. *(Both terms must be defined and the basis of the difference stated. A one-sided answer, or one that treats the difference as "better versus worse" rather than who collected it and why, caps at 1–2.)*

c. *(Explain, 3 marks.)* Marnwood Bakehouse could use **observation — watching and recording how customers actually behave in a real setting** — by, for example, standing at each proposed shopfront and **counting the foot traffic** passing at different times of day, and watching where people already queue for food nearby. This gives the owners **evidence of genuine behaviour** rather than what people *say* they would do, so they can choose a site with enough passing custom and set opening hours around when potential customers are actually there. *(Full marks require the technique defined, applied to Marnwood, and the causal "so what" for the marketing decision. Note observation shows* what* people do, not *why*.)*

Question 2.

a. *(Identify, 2 marks.)* Any two of: products; pricing; staff; resources; objectives. *(1 mark each; naming only is sufficient. Naming an external factor — the economy, societal attitudes, technology, customers or competitors — earns nothing.)*

b. *(Describe, 2 marks.)* Stonecrop's three larger competitors **already hold the customers** in the tableware market and sell at **much lower prices**, so potential buyers have an existing, cheaper option and no automatic reason to switch. This makes attracting first-time buyers harder and slower, and forces Stonecrop to **differentiate** itself — on handmade quality and local production — before a base of regular customers will form. *(2 marks for a clear account of how a named operating-environment factor makes winning regular customers harder or easier.)*

c. *(Explain, 4 marks.)* One macro factor is **societal attitudes and trends**. Australian consumers have shown a growing preference for **sustainably made and locally produced goods** rather than mass-produced imports. Because a brand identity works only if it **resonates with what customers value**, this attitude allows Stonecrop to build its identity deliberately around **local, handmade craftsmanship and low-waste production**, expressed through its name, packaging, tone and premium price. That identity gives the business a **clear point of difference from its cheaper imported rivals** — customers who share those values are drawn to the story rather than the price — so the very trend Stonecrop cannot control shapes the image it chooses to project. *(Full marks require a correctly classified macro factor — economy, societal attitudes or technology — plus the causal chain to the identity the business projects. An operating factor, or a factor named without a mechanism, caps the mark.)*

Question 3.

a. *(Define, 2 marks.)* A market segment is a **smaller group of customers within a total market who share similar characteristics or needs** — produced by dividing the market on a base such as demographic, geographic, psychographic or behavioural characteristics. *(Two elements: a subdivision of the total market, grouped by shared characteristics/needs. Note a segment is* one of the groups available*; the target market is the segment the business actually chooses.)*

b. *(Explain, 4 marks.)* **Consumer trends** are **general shifts in what customers prefer and how they buy that develop over time**, such as the movement towards health and wellness, sustainable materials and buying online. If

Alba Athletic tracks these shifts, it can **align its product range and message with what its chosen segment now wants** — for example offering activewear made from recycled fabrics and sold through its own online store. Doing so gives potential customers a reason to try the brand and to **keep choosing it as their preferences move**, converting first-time buyers into the repeat buyers who make up a customer base. Reading a trend **early** also lets Alba adapt **ahead of competitors**, which matters for a new business with no reputation; ignoring trends would leave it selling something customers have moved on from. *(Full marks require the term defined, applied to Alba, and the causal link trend → relevant offer → repeat customers → customer base. A list of trends without the mechanism caps at 2.)*

Question 4.

a. *(Outline, 2 marks.)* **Physical evidence** is the **tangible cues surrounding the service** that shape a customer's impression of it — at Harlow Lane, the fit-out, furniture, signage, cups and cleanliness. **Process** is the **system and steps by which the product is delivered** — how an order is taken at the counter, prepared and handed over. The difference is that physical evidence is what the customer **sees and judges the café by**, whereas process is **how the café actually gets the coffee to them**. *(Both elements must be referenced and the difference made explicit; defining only one caps at 1 mark.)*

b. *(Discuss, 6 marks.)* A **customer loyalty program** is a **structured scheme that rewards customers for repeat purchases** — for Harlow Lane, a rewards card giving a free coffee after a set number of purchases.

In favour: the reward gives customers a **tangible reason to return** rather than visit a rival café, lifting **repeat business** and **retention** from a base that currently returns only once. Because rewards accumulate, they create a **switching cost** that makes customers "stickier", and satisfied members generate **positive word-of-mouth** — free, credible promotion valuable to a six-month-old business. The card also lets the café **collect data** on who buys what and how often, informing better offers.

Against: the rewards have a **direct financial cost** the café must absorb from thin margins, and a program is **easily copied** by competing cafés, so it may not create lasting advantage. Most importantly, a loyalty program **does not fix the underlying problem**: customers are not returning because the fit-out is unfinished (physical evidence) and orders are mixed up (process). Rewarding customers who then receive a poor experience will not keep them, and collecting member data creates a privacy responsibility the café must meet.

(Discuss requires strengths AND weaknesses, applied to Harlow Lane; an overall judgement is not required but adds value. Do not double-dip by using one point as both a benefit and its own drawback. 6 marks: several developed points on each side, linked to the case.)

Question 5. *(Analyse, 10 marks — model response.)*

The **product life cycle** describes the stages a product passes through, measured in **sales over time**, from launch to withdrawal: **introduction, growth, maturity** and **decline**, with **extension** strategies used to prolong the curve. Its value to a marketer is causal: because customer awareness, sales volume, profit and the level of competition are **different at every stage**, the marketing strategy that works at one stage will fail at another. The stage a product has reached therefore **dictates how the business should set its marketing mix**.

At **introduction**, sales are low and grow slowly because few customers know the product exists, and profit is usually negative as launch and development costs are carried on small volumes. The stage therefore demands a strategy built on **awareness and trial**: heavy, **informative** promotion explaining what the product does; a single basic version of the product; **selective distribution** while demand is unproven; and a price set either low (**penetration**, to win customers quickly) or high (**skimming**, to recover development costs from early adopters).

At **growth**, sales rise rapidly and profit climbs to its peak, but success attracts **competitors**. Because the marketing problem has changed from "nobody knows us" to "why choose us", promotion shifts from informative to **persuasive**, the product is improved or expanded with new features and variants to stay ahead of rivals, distribution is **widened** so rising demand can be met, and price is held or trimmed slightly as competition appears.

At **maturity** sales plateau at their highest level as the market **saturates**, and profit begins to fall even while sales are high, because prices are cut and marketing spending rises to defend share. The strategy therefore turns **defensive**: **competitive pricing** and discounts, **reminder** advertising to keep the brand front-of-mind, wide distribution, and clear differentiation from rivals. At **decline**, falling sales make further investment hard to justify, so the business either harvests the product — cutting promotion, narrowing distribution to profitable outlets and discounting to clear stock — or withdraws it.

Extension strategies are the exception that proves the relationship. An extension strategy — adding features, finding new markets or new uses, repackaging or rebranding, or launching a fresh campaign — is a marketing action deliberately taken to **prolong maturity or revive a product in decline**, and on the curve it appears as the dashed line holding sales up. It does **not** return the product to introduction; it stretches the existing curve. So strategy is not merely dictated *by* the stage — a well-chosen strategy can **change how long a stage lasts** — but the choice of which extension to use is still governed by where the product sits.

∴ the relationship is **two-way but stage-led**: the life-cycle stage determines the marketing problem the business faces, and therefore the mix that will solve it, while extension strategies let the business influence the shape of the curve in return. The practical consequence is that **misreading the stage produces the wrong strategy** — treating a mature product as though it were growing wastes money chasing new customers who already own it, while treating a levelling-off as decline abandons a product that is still highly profitable.

(Contemporary case study: a full-mark response applies the relationship to at least one business studied within the last four years — for example a business that extended a mature product with a new variant or a new export market, or one that withdrew a product in decline. Any appropriate, correctly-applied contemporary business earns the application marks.)

(Mark guidance: full marks require all four stages accurately described in terms of sales, profit and competition; the marketing strategy causally matched to each; extension treated as prolonging rather than restarting the cycle; sustained links to a contemporary business; and a clear concluding statement. Analyse = show relationships and causal effects; a stage-by-stage description with no link to strategy caps the response.)

Topic 5 Test B — Case study

Reading time: 5 minutes. Writing time: 40 minutes. Total 30 marks. Answers must apply to the case study.

Case study

Rillstone Botanics is a private limited company that makes plant-based skincare and household cleaning products in Geelong, Victoria. Founded three years ago, it sells through one shopfront and its own website, and has set objectives of increasing sales and increasing its share of the natural-skincare market. Its marketing is almost entirely digital: daily posts and paid advertisements on social media, a weekly email newsletter to 22,000 subscribers, and the “Rillstone Circle” points program, which gives members a $10 credit for every $100 spent. Data analytics on website visits and Circle purchases tells the business which products each customer views and buys, and it uses this to personalise its email offers.

Each year Rillstone sponsors a coastal clean-up day and issues media releases whenever it launches a product line. Its packaging carries the words “planet-friendly” and “pure”, and its advertising describes the business as “kind to the earth”. Two of its twelve products are made from certified recycled materials and sold as refill pouches; the other ten are packaged in new plastic. A consumer group has publicly asked Rillstone to explain what “planet-friendly” means.

Six weeks ago a security fault exposed the names, email addresses and purchase histories of 14,000 Circle members. Rillstone learnt of the breach on a Tuesday but said nothing publicly until a member posted about it eleven days later. It then released a short statement calling the matter “an isolated issue with an external provider”, did not apologise, and did not contact affected members directly. Weekly online sales have since fallen by 23 per cent and the business’s average review score has dropped from 4.6 to 3.1.

Question 1 (4 marks)

Describe the relationship between Rillstone Botanics’ marketing, its customer base and its objective of increasing sales.

Question 2 (4 marks)

Distinguish between planned public relations and crisis public relations, using evidence from the case study.

Question 3 (4 marks)

Explain one implication for Rillstone Botanics of failing to maintain a positive relationship with its customer base.

Question 4 (6 marks)

Evaluate Rillstone Botanics’ handling of the data breach as an example of crisis public relations.

Question 5 (6 marks)

Analyse how Rillstone Botanics’ use of data analytics and email marketing could affect the establishment of its customer base.

Question 6 (6 marks)

Discuss whether Rillstone Botanics’ environmental marketing is a genuine corporate social responsibility consideration.

End of Topic 5 Test B

Topic 5 Test B — Solutions

Question 1. *(Describe, 4 marks.)* The three are linked in a **causal chain**, with the customer base as the bridge. **Marketing** — the process of identifying, anticipating and satisfying customer needs profitably — is what Rillstone does through its daily social-media posts, paid advertisements, weekly newsletter and personalised offers; this **makes potential customers aware** of a small Geelong business they would otherwise never find and persuades them to make a first purchase. Satisfied first-time buyers, rewarded by the Rillstone Circle credit, **return and buy again**, and that body of repeat buyers — the 22,000 subscribers and Circle members — **is** the **customer base**. The customer base in turn drives the **objective of increasing sales**, because each regular member generates repeated purchases rather than a single one, and satisfied members recommend the business to others. *(4 marks: all three elements defined or identified, in the correct causal order, with case evidence. An answer that links marketing directly to sales without the customer base as the intermediate step caps the mark.)*

Question 2. *(Distinguish, 4 marks.)* **Planned public relations** is **proactive**: scheduled, ongoing activities the business organises **in advance** to build a favourable image, with the business choosing the timing, message and audience. At Rillstone this is its **annual sponsorship of the coastal clean-up day** and the **media releases** it issues whenever it launches a product line. **Crisis public relations** is **reactive**: communication and action **in response to a sudden damaging event** that threatens the business's reputation, where the timing is **not chosen** by the business. At Rillstone this is its response to the **data breach** exposing 14,000 members' details — the eleven-day silence and the short public statement. The distinction lies in **timing and trigger, and in purpose**: planned PR is scheduled beforehand to **build** reputation, whereas crisis PR is triggered by a negative event and reacts to **protect** it. *(Both types defined, each supported with distinct case evidence, and the basis of the difference stated. Evidence used for only one type, or no stated basis of difference, caps the mark.)*

Question 3. *(Explain, 4 marks.)* One implication is **lost sales and market share**. Rillstone's mishandling of the breach — staying silent for eleven days, refusing to apologise and never contacting the members whose data was exposed — has cost it the **trust** of the customers who had handed over their personal information. Customers who no longer believe the business will deal with them honestly **stop buying and switch to competitors**, and they broadcast that judgement publicly, as the fall in the average review score from **4.6 to 3.1** shows; poor reviews then deter potential customers who never dealt with Rillstone at all. The result is visible in **weekly online sales falling by 23 per cent**, which for a three-year-old business with a small, fragile customer base and limited finance directly undermines its objectives of increasing sales and market share. *(Full marks require one implication named — lost trust, reputation damage or lost sales — and the causal chain traced with case evidence, not merely asserted. Listing all three implications without developing one caps at 2.)*

Question 4. *(Evaluate, 6 marks.)* Good crisis PR requires a **fast, honest, apologetic and corrective** response that limits reputational damage and retains the trust of the customer base.

In its favour: Rillstone did eventually make a **public statement** rather than remaining silent indefinitely, and it **identified a cause** — a fault at an external provider — which gives customers some information about what happened.

Against: almost every principle of crisis PR was breached. The response was **not fast**: the business knew on the Tuesday but said nothing for **eleven days**, and then only after a member forced the issue, which makes it appear to have been hiding the problem. It was **not transparent or accountable**: calling a breach of 14,000 members' records "an isolated issue with an external provider" **minimises** the harm and **shifts blame**, and there was **no apology**. It **failed to communicate with those affected**, since the members whose names, emails and purchase histories were exposed were never contacted directly, and **no corrective action** was announced to reassure customers it cannot happen again.

Judgement: the handling was **poor and has deepened rather than limited the damage**. The evidence is direct — weekly online sales down **23 per cent** and the review score down from **4.6 to 3.1** in six weeks. A prompt, honest apology with direct notification and a stated fix could have preserved much of that trust, because a well-handled crisis can even strengthen a reputation; Rillstone's delay, denial and blame-shifting turned a single technical fault into lasting reputational harm. *(Evaluate = strengths AND weaknesses AND an evidence-based judgement applied to Rillstone. A judgement without evidence, or a list of what the business did wrong with no verdict, caps the mark.)*

Question 5. *(Analyse, 6 marks.)* **Data analytics** — examining data on website visits and Circle purchases to find patterns — and **email marketing** — sending messages directly to the 22,000 subscribers — work together on the customer base, and the causal chain runs in both directions. Analytics tells Rillstone **which products each customer views and buys**, allowing it to **segment its list and personalise** each newsletter; a customer who receives an offer matching what they actually buy is more likely to purchase again, so **repeat purchases rise** and one-off buyers are converted into the regular customers who constitute the base. Because Rillstone **owns the email channel**, this happens cheaply, is not throttled by a social-media algorithm, and can be **measured** through open and click rates, so spending can be shifted to what works — a decisive advantage for a small business building a base with limited finance. The same mechanism can also **shrink** the base: personalisation depends entirely on customers being willing to hand over their data, and the breach has damaged exactly that willingness, so members may unsubscribe or withhold information; poor-quality data produces irrelevant offers, and emailing too often drives customers to unsubscribe or mark the messages as spam, severing the channel altogether. ∴ analytics and email marketing are powerful base-building tools for Rillstone precisely because they run on customer data — which makes protecting that data the condition on which their value depends. *(Analyse = trace the causal effects on the customer base, in both directions, applied to Rillstone — not a list of advantages and disadvantages of each technology.)*

Question 6. *(Discuss, 6 marks.)* Green marketing is a genuine **CSR** consideration only when there is **real environmental substance behind the claim** *and* the promotion is **honest, specific and not exaggerated**.

Partly genuine: Rillstone has made **real changes** in part of its range — **two of its twelve products** use **certified recycled materials** and are sold as **refill pouches**, which is a genuine reduction in packaging waste, not merely a claim. Its **annual sponsorship of a coastal clean-up** is real environmental action beyond what the law requires, and its plant-based formulations respond honestly to customers who value sustainability.

Largely greenwashing: the marketing claims are **vague and unsubstantiated** — “planet-friendly”, “pure” and “kind to the earth” are exactly the imprecise terms that mean nothing verifiable, which is why a consumer group has had to **ask what “planet-friendly” means**. More seriously, the claims are applied to the **whole business** while **ten of the twelve products remain in new plastic**: highlighting one small green feature to distract from a much larger environmental harm is the textbook definition of **greenwashing**. Under the **Australian Consumer Law**, misleading or deceptive conduct — including false or exaggerated environmental claims — is prohibited and can be investigated and penalised by the **ACCC**.

On balance: Rillstone’s environmental marketing is **only partly genuine CSR**. The substance exists in a small corner of the range, but the promotion overstates it across the whole business, so the claims are **not honest in proportion to the action**. To make it genuine CSR, Rillstone would need either to extend recycled or refillable packaging across the range or to **narrow its claims to the two products they truthfully describe** — otherwise it risks the customer backlash and regulatory action that destroy the very trust its customer base is built on. *(Discuss = a genuine two-sided treatment, applied to Rillstone, with both criteria for genuine green marketing — real substance and honest promotion — used as the test; an overall judgement adds value. Do not double-dip.)*