

CHAPTER 4

Figure 4.1

Influences on Consumer Buying Decisions

Economic Factors	Social Factors	Personal Factors
<ul style="list-style-type: none"> Prices Interest rates Product quality Supply and demand Convenience Product safety Brand name Maintenance costs Warranty 	<ul style="list-style-type: none"> Lifestyle Interests Hobbies Friends Culture Advertisements Media (magazines, radio, television, newspapers) 	<ul style="list-style-type: none"> Gender Age Occupation Income Education Family size Geographic region Ethnic background Religion

MAKING A DIFFERENCE

Economic, social, and personal factors influence consumer buying decisions. *How might a family's size and income affect the type of house that they buy?*

Figure 4.3

Common Consumer Myths

The National Association of Consumer Agency Administrators recently identified a list of common consumer myths. These include:

"I can return my car within three days of purchase." While many people would say that this statement is true, there is no such time period.

"It says right here that I've won; it must be true." Fake prize notifications continue to become more convincing. Some consumers actually go to company offices to try to pick up their prizes.

"If I lose my credit cards, I'm liable for purchases." Federal laws limit charges on lost or stolen cards to \$50. Most major credit card companies will not even charge you the \$50 if you make a reasonable effort to notify the company quickly of lost or stolen cards.

"An auto lease is just like a rental; if I have problems with the car or problems paying, I can just bring it back." Most leases require payments for the duration of the contract. Early termination of the contract can often result in various additional charges.

"You can't repossess my car; it's on private property." While state laws vary, the general rule is that repossession cannot occur if it involves force or entry into a dwelling. However, vehicles in driveways and unlocked garages are usually fair game.

Source: "Ten Top Consumer Law 'Urban Myths,'" National Association of Consumer Agency Administrators, 1010 Vermont Avenue NW, #514, Washington DC 20005; (202) 347-7395; Web site: www.nacaanet.org.

FACT OR FICTION?

These are some typical myths that consumers believe about sales, returns, and credit. *How can such myths affect you as a consumer?*

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Figure 4.4

Types of Retailers

	Benefits	Limitations
Traditional Stores		
Department stores	Wide variety of products grouped by department	Possible inexperience or limited knowledge of sales staff
Specialty stores	Wide selection of a specific product line; knowledgeable sales staff	Prices generally higher; location and shopping hours may not be convenient
Discount stores	Convenient parking; low prices	Self-service format; minimal assistance from sales staff
Contemporary Retailers		
Convenience stores	Convenient location; long hours; fast service	Prices generally higher than those of other types
Factory outlet	Brand-name items; low prices	May offer only "seconds" or "irregulars"; few services; returns may not be allowed
Hypermarket	Full supermarket combined with general merchandise discount store	Clerks not likely to offer specialized service or product information
Warehouse, Superstore	Large quantities of items at discount prices	May require membership fee; limited services; inventory items may vary

SHOP AROUND

Consumers have a choice of many different types of stores, each of which has pros and cons. *How can competition among stores benefit consumers?*

Go Figure...

UNIT PRICING

Example: The brand of mouthwash that Claudia likes is offered in two sizes, 12 ounces for \$2.89 and 16 ounces for \$3.39. Which is the better buy?

Formula:
$$\frac{\text{Total Price}}{\text{Unit of Measurement}} = \text{Unit Price}$$

Solution:
$$\frac{\$2.89}{12 \text{ oz.}} = \$0.24/\text{oz.} \quad \frac{\$3.39}{16 \text{ oz.}} = \$0.21/\text{oz.}$$

The 16-ounce size is the better buy at 21 cents per ounce.

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Figure 4.5

Sample Complaint Letter

Your Name
Your Address
Your City, State, Zip Code

Note: Keep copies of your letter and all related documents and information. **Source:** *Consumer's Resource Handbook*, reprinted by permission of Diana Publishing Co., Collingdale, PA.

Date

Appropriate Person
Company Name
Street Address
City, State, Zip Code

Describe your purchase

Dear _____ (Appropriate Name) _____ :

State problem

● Last week I purchased (or had repaired) a (name of product with model number or service performed). I made this purchase at (location and other important details of the transaction).

Give history of problem

● Unfortunately, your product (or service) has not performed satisfactorily (or the service was inadequate) because _____. Therefore, to solve the problem I would appreciate your (here state the specific action you want). Enclosed are copies (copies—NOT originals) of my records (receipts, guarantees, warranties, cancelled checks, contracts, model and serial numbers, and any other documents).

State reasonable time for action

● I am looking forward to your reply and resolution of my problem, and will wait three weeks before seeking third-party assistance. Contact me at the above address or by phone at (home and office numbers here).

Sincerely yours,

Your Name

Enclosure

IN WRITING

Sending a letter to a company's headquarters can often bring results when you want to resolve a consumer complaint. ***When should you take this step to resolve a problem?***

Your Financial Portfolio

Your Budget

David wants a \$2,500 laptop computer. At his part-time job at Computer Warehouse, he earns \$7 an hour and works an average of 16 hours a week. For 10 weeks in the summer he works 40 hours a week. He also makes money on the side by setting up and troubleshooting computers. By keeping track of his expenses he has figured his monthly budget.

Budgeting for Spending Bucks

Income:		Average Monthly Income
	Monthly take-home pay from Computer Warehouse	\$502.50
	Income from setting up and troubleshooting computers	50.00
	Other income	<u>20.00</u>
	Total Income	\$572.50
Expenses:		Average Monthly Expenses
	Fixed Expenses	
	Online services	\$ 20.00
	Car loan and insurance	135.00
	Variable Expenses	
	Entertainment and personal	90.00
	Gifts and contributions	<u>25.00</u>
	Total Expenses	\$270.00
	(Total Income – Total Expenses = Savings)	
	(\$572.50 – 270.00 = \$302.50)	
	David can save \$302.50 a month.	

If David sticks to his budget, in a year's time he can save \$3,630. ($\$302.50 \times 12 = \$3,630.00$) That would be more than enough to buy the computer he wants.

Calculate What is your budget? A budget can help you see where you are spending your money and assist you in determining how long it will take to save for a special purchase.

In your workbook or on a separate sheet of paper, calculate your income and expenses for one month. How much can you save in one month? What is the cost of your desired purchase? How long will it take you to save for what you want?