

GOALS

Identify wise buying strategies

Describe what to consider when making wise buying decisions

KEY TERMS

comparison shopping, p.124

unit price, p. 125

brand name, p. 127

impulse buying, p. 129

**JUMP START**

Brittney takes her consumer role very seriously. Comparison shopping is something she enjoys and does often. She uses her business decision-making skills in the process. When her car was no longer reliable, she shopped for a new one. She visited several dealerships that had good reputations. She checked information and prices in magazines and on the Internet. She felt comfortable making her decision. She also applies her decision-making skills to smaller purchases such as food and clothing. Her math skills and ability to compute data help her make sound decisions on which products are the best buy. What, besides price, should Brittney consider when making purchase decisions?



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Wise Buying Strategies

The business decision-making process can be applied to making wise decisions as a consumer. You begin by identifying your needs or wants. Then you learn what choices are available regarding price, quality, and variety. Following that, you determine how much you are willing to pay and the quality you desire. After you've considered the alternatives, you make your decision.

Good buying strategies involve **comparison shopping**—that is, comparing unit prices, quality, and services associated with one product with those of another. It also involves giving consideration to promotions and sales. Comparison shopping will make you a better consumer and will result in greater value for the money you spend. Except for utilities or highly specialized goods, very few products are made or sold by only one business.

Compare Unit Prices

A **unit price** is a price per unit of measure, such as price per ounce, pound, quart, or other unit of measure. To calculate a unit price, you divide the total price of the item by the number of units of measure in the item. Comparing the unit price of two items tells you which is the better buy. Some shoppers carry a pocket calculator with them to compute unit costs. Unit prices are often posted on the store shelves where the products are stocked.

Compare Quality

You want to get your money's worth when you buy something. As a wise consumer, you need to compare the quality of similar products. High-quality merchandise and services normally cost more. However, buying lower-quality items sometimes can turn out to be more expensive if the item wears out in a shorter period of time or needs more repairs and adjustments. For instance, Hiroto bought a low-quality pair of hiking boots at a cheaper price. They soon wore out, and he had to buy a second pair. A higher-quality pair of boots costing more would have lasted as long or longer than the two pairs he bought.

Compare Services

A wise buyer compares services offered by businesses. Most businesses try to give good service. However, types of services differ. Some businesses sell for cash only. Others extend credit as a service. Some businesses deliver goods for no extra charge. Others charge for delivery. Some serve customers by keeping a large stock of merchandise from which to choose. Others stock fewer items.

Service of any kind is important, but you should not pay for more service than you need. Merchants who sell on credit incur a cost in handling credit sales. If they accept credit cards, they might pay 4 percent of their credit sales to the credit company. Merchants who accept only cash may pass the savings on to their customers.



Home work 5

Business Math Connection

Calculate the unit price for a 16-ounce bag of frozen vegetables that costs \$3.36 and an 8-ounce bag that costs \$1.92. Determine the better buy.

SOLUTION

The formula for calculating unit price is

$$\begin{array}{rclcl} & \text{Total price of item} \div & \text{Number of units in item} & = & \text{Unit price} \\ 16\text{-oz. bag:} & \$3.36 & \div & 16 \text{ ounces} & = \$0.21 \\ 8\text{-oz. bag:} & \$1.92 & \div & 8 \text{ ounces} & = \$0.24 \end{array}$$

The 16-ounce bag is less expensive per ounce.

DID YOU KNOW ?

Some stores may advertise products they do not have at attractive sale prices just to get customers into their store. Once there, the stores try to sell the customers other products at higher prices. This tactic is called “bait and switch” and is illegal.

Consider Sales

Have you ever noticed that some stores have a “sale” all the time? The word “sale” is perhaps the most overused, and least trusted, term in marketing. When an item is truly on sale, it is offered at a price lower than its normal selling price. Retailers generally have three types of sales: promotional, clearance, and special-purchase sales.

A *promotional sale* often occurs when a new store is opening or when a store moves to a new location and wants to attract customers. This type of sale can also be used to build acceptance for a new product or service. Consumers often get good buys for their money at these sales.

Stores use *clearance sales* to sell merchandise they no longer wish to carry in stock. Clearance sales may occur at the end of a season or may include odd sizes or out-of-date merchandise. There are bargains to be found in clearance sales, but you must be certain you really need what is being sold.

Special-purchase sales feature goods that a retailer purchases from a manufacturer who is overstocked, goods that no longer are made, or stock from a company that is going out of business. The retailer offers this special-purchase merchandise at considerably reduced prices. Bargains are available, but as always, selections must be made carefully.

CheckPOINT

What strategies are involved in wise buying?

Wise Buying Decisions

The business environment in the U.S. economy is very competitive. Businesses will try to get a competitive edge through one means or another. For consumers, that means there will be a great variety of goods and services available. A business’s reputation, brand names, types of store, and timing are factors consumers need to consider when making a buying decision.

Business Reputation

Business owners readily acknowledge that the most valuable business asset is a good reputation. The wise business owner knows that a satisfied customer is likely to return and even recommend the business to friends. Businesses with good reputations have salespeople who know the uses and the quality of the goods they sell. They are concerned about matching the right goods with the customers’ needs. When you buy from a business with a good reputation, you can usually rely on its salespeople to help you make wise selections.

Brand Names

A **brand name** is given to a product or service to distinguish it from other similar products or services. Brand names are created by the business that manufactures and sells the good or service. They are often used in national advertising campaigns. Clothing, shoes, tools, and cosmetics are among the goods sold largely based on brand names.

Recognizing brand names can help you as a consumer. You can usually expect uniform quality regardless of which store sells the item. Some well-known brands include Nike, Dell, The Gap, and L'Oreal.

Some stores have their own brand names, called *store brands* or *private brands*. For example, Craftsman has long been one of the brand names on tools sold by Sears. Store brands are usually sold at a lower price than national brands. Buying store brands may save you money while offering good quality.

Some stores offer generic products. A generic product is less expensive because it does not require advertising and may not be in a fancy package. Labels on generic products identify the contents so that comparisons can be made with the brand-name products. The minor differences in quality and uniformity between generic and brand-name products sometimes make these items a good value.

Types of Stores

When deciding where to buy, consumers have a wide variety of choices. To buy general merchandise, you can shop at department stores, discount stores, and specialty stores. In addition, specialty superstores, warehouse clubs, and factory outlets are available to consumers in many cities. In food retailing, there are supermarkets and convenience stores. Another alternative for shoppers is non-store shopping.

Department stores offer an extensive variety of goods and emphasize customer service. They are likely to offer personal shoppers, delivery, and wrapping of gifts.



Why are there so many different types of stores?

TEAMWORK

Work in teams to compile a list of popular brand names that are often used as the basis for buying decisions. Then discuss the questions below.

- Why does a particular brand appeal to you?
- Why are some brands more expensive than others?
- Are brands worth the additional price you must pay?
- What are some common purchases made based on brand names?

Summarize the team's discussion and share it with the class.

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Discount stores emphasize low prices, but most base their success on a high volume of sales rather than service. When service is not important, discount stores can be a good place to shop.

Specialty stores have a special, narrower line of products for sale, such as sporting goods, jewelry, or women's shoes. Consumers are attracted by the wide variety of selection within the product line. *Specialty superstores* offer low prices and a wide variety of a limited product line. These include retailers such as OfficeMax, Home Depot, and Best Buy.

Factory-outlet stores get products direct from the factory and sell them at lower prices. Their merchandise may be high quality, or it may have minor flaws, so careful inspection of products is important.

A *warehouse club* is a no-frills outlet that emphasizes the sale of large quantities of items at somewhat lower prices. Products are displayed in simple settings resembling a warehouse. Costco and Sam's Club are examples of this kind of store.

In food retailing, there are two types of stores. *Supermarkets* are large, full-service stores that carry a wide variety of national, store, and generic brands at moderate prices. In addition, many of these stores offer services such as banking and pharmaceuticals. *Convenience stores* are small stores that are open long hours and emphasize the sale of popular food items in an easily accessible location. Consumers usually pay higher prices for the convenience of getting in and out quickly.

A final option for consumers is non-store shopping, including mail order, vending machines, the Internet, and television shopping. Mail-order catalogs have been popular for many decades and continue to be popular today. Vending machines offer ease and convenience in purchasing small items. The Internet and television both offer endless opportunities to purchase goods and services from merchants and individual entrepreneurs.

Timing

Timing is one key to making wise purchases. Wise consumers take time to plan purchases and buy at the right time. They avoid buying on impulse and are efficient, saving time, energy, and money by planning. This often means slowing down, visiting more stores, and looking for the best values. You should avoid being hurried into buying anything. Buy what you need and want at the price you think is best.

When you make your purchase also can be important. Wise consumers know the right time to make their purchases to get the best prices. Some goods and services are sold at reduced prices during certain seasons or under certain conditions. Here are a few examples.

- Fresh fruits and vegetables at their peak growing seasons are usually sold at lower prices.
- Automobiles usually are cheaper at the end of the model year, generally in September before new models come out.
- Winter clothing is often on sale in January.



How can you avoid impulse buying?

Consumer magazines, newspaper articles, radio and television programs, the Internet, and other resources for consumers help identify times of the year when prices for products are reduced.

Wise consumers avoid **impulse buying**, which is buying without giving much thought to the purchase. Checkout lanes in supermarkets have impulse items attractively displayed within easy reach of customers waiting in line. Impulse buying can be harmful. Buying expensive items on impulse can be costly, resulting in consumers acquiring things they really do not want or need and having less to spend on what they do need.

The best values are gained by collecting information about an item and then carefully shopping for it. If you want to be an efficient shopper who gets the best value for your money, keep these three steps in mind.

1. Plan your purchases carefully. A consumer with a list makes better decisions when shopping and is less likely to buy on impulse. Shoppers can save money with a list whether it is for groceries, hardware, or clothing.
2. Use the available resources in planning your shopping. Conduct research to get the information you need, check out available services, and find out if what you want is available. The Internet now makes it easy to do comparison shopping in the convenience of your home.
3. Plan the route of your shopping trip to save time and fuel or bus fees. Unnecessary travel adds to the cost of your purchases.

CheckPOINT

Why might you choose a brand-name product over a generic product?
