

CONSUMER AWARENESS

CH

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What do other high school students know about consumer awareness?

Companies use clever marketing schemes, like funny television commercials, to entice consumers to buy their products. We asked high school students to share their favorite television commercials:

I like the Super Bowl commercials. It shows how much competition there is between companies.

Senior, Utah

"I love the glass cleaner commercial where the birds close the glass door and the man runs into it because he can't see it."

Senior, Alabama

"I like the soft drink ad where the defensive lineman scores and starts dancing."

Senior, Missouri

"My favorite is the airline commercial where the guy throws a rock at a car that's not his."

Senior, Texas

"I like the insurance commercials with the cavemen."

Junior, Missouri

LEARNING OUTCOMES

List the four major ways companies compete for your money.

Evaluate the role opportunity cost plays in purchasing decisions.

Distinguish what constitutes a significant purchase.

List the five steps to take before making a significant purchase.

KEY TERMS

Buyer's Remorse

Financing

Finite

Opportunity Cost

Significant Purchase

BEFORE YOU BEGIN

What do you know about consumer awareness?

How aware are you of the marketing that goes on all around you every day? Answer the following questions before you watch the lesson.

1. What percent of "90 days same-as-cash" purchases are not paid in 90 days and convert to payments?
 25% 50% 75% over 75%
2. The average cost of a 30-second television advertisement during the 2007 Super Bowl was:
 \$1 million \$1.5 million \$2 million over \$2 million
3. The average American was exposed to almost 560 advertisements daily in 1971. Today that number is closer to:
 1,500 2,500 3,000 more than 5,000
4. A Harvard University study found that for every hour of television you watch each week, your yearly spending increases by an average of:
 \$50 \$100 \$200 \$500
5. How much is spent on online advertising directed at kids?
 \$5 billion \$10 billion \$15 billion \$20 billion

How many of these best-known advertising slogans do you know?
Do you know the companies that coined them?

- | | | |
|------|-------------------------------|----------------|
| 1954 | "Melts in your mouth, _____" | Company: _____ |
| 1968 | "Things go better with _____" | Company: _____ |
| 1971 | "You deserve a _____" | Company: _____ |
| 1973 | "Have it your _____" | Company: _____ |
| 1985 | "Where's the _____?" | Company: _____ |

Buyer Beware

“Caveat Emptor” means _____
_____.

Companies use every angle to aggressively compete for
your _____.

Four Major Ways

1. _____ selling.

END OF VIDEO PART 1

2. _____ as a marketing tool.

- ▶ _____ of “90 days same-as-cash” contracts
convert to payments which are usually at 24%
APR with rule of 78’s prepayment penalty.

3. _____, _____, _____, and other media.

4. Product _____.

- ▶ Brand Recognition

END OF VIDEO PART 2

- ▶ Color

- ▶ Shelf Position

- ▶ Packaging

MONEY FACTS

Over **25%** of Christmas shoppers will still be paying off the bills come next Christmas! The average consumer takes at least six months to pay off holiday bills.

The Wall Street Journal

If a \$1,200 tab is charged on a card this season at 17% interest and only the minimum payments are made, it will take almost **20 years** to pay it off and will cost \$2,076 extra in interest.

The Wall Street Journal

Credit card issuers spend more than **\$150 million** on holiday advertising and promotions.

The Wall Street Journal

For every hour of television per week you watch, you spend an average of **\$200.00** extra a year.

Harvard University

Q&A

MORE INFO

Have you ever wanted to know what was really important to someone? Look at their checkbook entries. Are they spending a lot on “stuff” like entertainment, clothes, friends, etc? People spend their money on things most meaningful to their heart. “For where your treasure is”—the money you spend or save—“there your heart will be also.” (Matthew 6:21)

“What’s the biggest mistake you made when you went broke?”

DAVE’S ANSWER: The biggest mistake I made was going deeply into debt. I didn’t understand that debt is not a wealth-building tool, as some people have suggested, but instead was an anchor around my neck.

Debt steals your ability to do something more rewarding—and fun—with your money. For instance, if you borrow \$200 to buy a bike and you agree to pay 10% interest, that is \$20 in interest that you have to give to someone else. That’s \$20 you don’t have left to spend on a video game, accessories for your bike or even a movie with your friends. You can keep that money for your own use if you’re just willing to delay getting that bike long enough to save and pay with cash.

“What’s wrong with buying things on 12 months same-as-cash?”

DAVE’S ANSWER: It’s a stupid idea. First off, if I buy the item with cash, I’ll get a better deal. Plus, if you play with snakes, you’ll get bitten. If they record your payment wrong and it’s late, they’ll backcharge you through the entire term of the deal at about 24-38% interest.

You’ll spend the next year and a half cleaning up this mess. It actually happened with one of our clients here. If you can’t save up and pay for the item with cash, you can’t afford to buy it!

Significant Purchases

A “significant purchase” is normally anything over _____.

Our bodies go through physiological changes when making a _____.

We all have that spoiled, red-faced, grocery store kid living inside of us. His name is _____.

END OF VIDEO PART 3

What to Do

You can always spend more than you _____. You must develop _____ over _____ by following these steps:

1. Wait _____ before making a purchase.
2. Consider your buying _____.
No amount of stuff equals _____
or fulfillment. **END OF VIDEO PART 4**
3. Never buy anything you do not _____.
4. Consider the “_____”
of your money.
5. Seek wise _____. **END OF VIDEO PART 5**

Recap and Review

Be aware—companies aggressively market to you and they are experts at getting your money.

Consider your buying motives. No amount of stuff will equal contentment.

Learn the five steps to developing power over purchase.

Always remember, if you can't pay cash, you can't afford it!

REAL LIFE

Television ads are thought to be the most effective medium for mass market advertising. According to Wikipedia, the first television advertisement in America was broadcast in New York City on July 1, 1941. The Bulova Watch Company paid \$9 for a 20-second spot that aired on NBC before a Brooklyn Dodgers and Philadelphia Phillies baseball game.

Fast forward to 2007, where the average half-hour of television contains 22 minutes of programming and eight minutes of commercials. These ads are either national or local, with national being the most expensive spots.

The Super Bowl is known almost more for its commercials than for the football game. The average cost of a 30-second television spot during the 2007 Super Bowl was \$2.6 million. The ads reached an estimated 90 million viewers—quite a market and obviously worth the advertising dollars.

Name _____

Date _____

COMMERCIAL VIEWER

Homework Assignment—Watch at least 30 minutes of television, paying close attention to the commercials. Use the information below to help you analyze the advertisements. Record your findings on the commercial viewer form.

Popular techniques used in ads:

- › **Bandwagon:** Persuading people to do something by telling them that others are doing it, too. “Don’t be left out.”
- › **Testimonial:** Famous people say they use a product or persuade you to use a product.
- › **Transfer/Fantasy:** By using the names or pictures of famous people, but not their direct quotations, the ad is trying to convey that the product will help the consumer imitate the famous person in the ad.
- › **Repetition:** The product name is repeated at least four times.
- › **Emotion:** Words are used in the ad to evoke strong feelings about someone or something.
- › **Nostalgia:** Creates a sentimental tone while pointing back to “the good old days.”
- › **Statistics:** Facts and statistics are shown.
- › **Humor:** Makes people laugh so they have a positive association with the product.
- › **Sense Appeal:** Sounds or pictures that are pleasing to the eye.

Commercial Viewer Form

Name of program: _____ Time: _____

Number of commercials during the program: _____

Examples of products and companies advertised: _____

Describe two of the commercials in greater detail.

Commercial #1

1. Product/company advertised:
2. Brief summary of commercial:
3. How are the people portrayed?
4. What is the advertisement selling?
5. What are some of the techniques used to get your attention?
6. What interests you most about the advertisement?

Commercial #2

1. Product/company advertised:
2. Brief summary of commercial:
3. How are the people portrayed?
4. What is the advertisement selling?
5. What are some of the techniques used to get your attention?
6. What interests you most about the advertisement?

Name _____

Date _____

0% FOR 24 MONTHS, NOTHING DOWN **LEARN TO READ THE FINE PRINT**

On approved XYZ credit card purchases –based on your creditworthiness, other terms may apply. \$2,399 minimum purchase required for this offer. Other finance offers available with lower minimum payment requirements. The purchase amount is divided into equal monthly payments for the promotional period. An additional \$37.50 will be added to the following month's payment even when payment is received after the due date. No finance charges for 24 months. 23.9% standard rate, APR. The promotion is cancelled for accounts not current, and the default rate of 25.9% and regular minimum monthly payments apply. Minimum finance charge \$2. Certain rules apply to the allocation of payments and finance charges on your promotional purchase if you make more than one purchase on your XYZ credit card. Call 1-555-123-4567 or review your cardholder agreement for information. Sale items and clearance items excluded. Offer does not apply to previous purchases and cannot be combined with other discounts.

1. Kelsey and Cody want new living room furniture. They see a flyer in Sunday's newspaper for XYZ, offering free money for 24 months (or so they think). At the store, they pick out a leather sofa and two ottomans. The sofa is \$1,499 and each ottoman is \$299. Are they eligible for the promotion? Why or why not?
2. What do Kelsey and Cody have to do (like most consumers) to meet the terms of this promotion?
3. In addition to the three-piece sofa set above, Kelsey and Cody also purchase a \$249 coffee table and \$199 end table. What is the total amount financed, including \$153 for tax and \$75 for delivery?
4. According to the conditions above, what should their monthly payment be? If Kelsey and Cody do not send their payment in on time, what will the following month's payment be?
5. Kelsey and Cody have been making payments on this furniture for 18 months, but Cody gets laid off from his job and their income drops substantially. They are unable to stay current on their account, even though they have paid \$2,070 of the bill. According to the above terms, what happens to their bill?
6. Which finance charge will apply to them?
7. Assume they are back-charged that rate from the beginning of the promotional period, how much will they owe in finance charges for the first year?
8. What is the minimum amount they would have saved if they paid cash? (Hint, think about their original intended purchase.)

Name _____

Date _____

ADVERTISING AWARENESS

Open a website and look at the advertisements. Some ads are for products, others for services. Anything trying to get you to buy something or use a product or service is an advertisement. Fill out this form as you search the ads.

Name of website: _____

List the advertisements that are the most obvious. Describe the product and features that got your attention.

List the ads that were harder to see.

What was different between the ads?

Total advertisements on homepage: _____

Now, click on a link listed on the homepage and repeat your search for advertisements on one of the site's secondary pages. Record your results on the following page.

Name of website: _____

List the advertisements that are the most obvious. Describe the product and features that got your attention.

List the ads that were harder to see.

What was different between the ads?

Total advertisements on secondary page: _____



Name _____

Date _____

OPPORTUNITY COST

When we make decisions, there are many things we give up. Our second choice, or what we didn't get because of our decision, is called opportunity cost. Opportunity cost can be different for everyone. For example, what do you give up every day in order to go to work or school? It could be sleeping in, surfing at the beach, or taking the dog to the park. Remember, opportunity cost is not always assessed in monetary terms, but rather in a way that is valuable to the person or persons involved.

Look at the examples below and determine the opportunity cost of each choice for you. Then, fold the paper to hide your answers and switch with a classmate to find out how similar or different opportunity cost can be for each of us.

EXAMPLE	OPPORTUNITY COST (Student 1)	OPPORTUNITY COST (Student 2)
Keeping money in a dresser drawer	<u>Loss of interest at a bank</u>	<u>No cash available to buy stuff</u>
Making the basketball team	_____	_____
Going to college	_____	_____
Working two jobs	_____	_____
Watching television after school	_____	_____
Leasing a new car	_____	_____
Selling a family heirloom	_____	_____
Credit card debt	_____	_____
Spending \$250 on a game system	_____	_____
Buying a \$5,000 used car	_____	_____

Come up with three examples of your own. Then switch with two classmates.

1. _____
2. _____
3. _____

Name _____

Date _____

MARKETING MADNESS

Group members:

Product description:

Price:

Slogan:

Explain which advertising techniques you used:

Explain how you used product positioning in your advertisement:

CHAPTER 5: MONEY IN REVIEW

Vocabulary

APR
Buyer's Remorse
Brand Recognition
Caveat Emptor
Financing
Finite
Impulse Purchase
Opportunity Cost
Rule of 78
Significant Purchase

Matching

- a. buyer beware
- b. financing
- c. counsel
- d. branding
- e. overnight
- f. opportunity cost
- g. 3,000
- h. significant purchase

- ___ 1. Seek wise _____
- ___ 2. Wait _____ before making a major purchase
- ___ 3. Borrowing money and paying over time
- ___ 4. Number of advertisements a person views daily
- ___ 5. Spend \$60 on the latest video game, or give \$60 to charity
- ___ 6. Caveat Emptor
- ___ 7. An amount of money spent that causes some pain
- ___ 8. Creates consumer awareness for a trademark or product

True or False

- _____ 9. Color is a product positioning technique used to get the buyer's attention.
- _____ 10. Advertising slogans that have been around for a long time no longer work.

- _____ 11. Answering a question with a question is the sign of a well-trained salesperson.
- _____ 12. Typically, “90 days same-as-cash” contracts convert to payments with interest up to 24% APR.
- _____ 13. The opportunity cost of purchasing a new cell phone could be the purchase of a new prom dress.

Want or Need

Using the Four Walls as a guide, indicate which is a want and which is a need.

- _____ 14. Cable television
- _____ 15. Utilities
- _____ 16. New cell phone
- _____ 17. Groceries
- _____ 18. Housing
- _____ 19. The latest in fashion
- _____ 20. Transportation

Short Answer

21. Have you ever purchased something and then felt guilty afterward? Explain.
22. How does advertising affect your buying decisions?
23. Describe the five steps to follow before making a significant purchase.
24. Differentiate between a want and a need.
25. Why do so many people fall for financing as a marketing tool? Describe a financing offer that you have recently seen or heard about.

Case Studies

26. Brett and Emily want to buy a new couch and have found the one they want for \$999. They only have \$200 saved, but they can take advantage of a six month same-as-cash deal. Over the next six months, they could save up the extra \$799, pay it off early, and save on the interest. Is this a good idea? What advice would you give them?
27. Dan is at Excellent Electronics looking at plasma televisions when he is approached by a salesperson. After hearing about the current store offer of no interest for one year, Dan decides that he should purchase the television and take advantage of this free money while it is available. He charges the entire purchase, which totals \$1,164.94 (including tax). What should Dan’s monthly payments be if he intends to pay off the television in full before the year is up? Dan misses the last payment by two days and now has to pay the interest charges for the entire year. If the APR is 22.9%, how much does he owe for the accrued interest? What does Dan learn about using other people’s money?
28. Sherry wants to buy a car but only has an extra \$275 per month in her budget. She has found a dealer that will lease her a nice car for \$225 per month over four years. She is excited because she is getting a nice car, but she is also saving \$50 per month in payments. What would Dave say to Sherry?