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TEXAS A&M AGRILIFE EXTENSION

Texas 4-H

CONSUMER DECISION MAKING

Study Guide



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How to Make the BEST Consumer Decision

Making consumer decisions can be confusing. We are overwhelmed by the sheer number of consumer choices available to us in the real and the electronic marketplace. In the supermarket alone, there are thousands of goods to choose from. This guide will help you become an informed consumer and a smarter shopper. You will learn how to decide which goods and services best meet your needs. And you will learn a fail-proof process for making wise consumer decisions.

Many people don't know how important it is to be a 'smart shopper.' Good consumer skills can help you get more for your money. This is called increasing your purchasing power. You can increase your purchasing power in at least three ways when you are a smart shopper: 1) buy the same product or service for less money; 2) buy more goods and services with the same amount of money; or 3) buy a better quality product for the same amount of money. The quality of a product can be determined by the way it is put together, what materials are used, and how well it is made. In most cases, better quality goods will last longer than lower quality goods.

The rest of this guide will show you how you can become a 'smart shopper.'

Decision-Making Process

Making consumer decisions is a lot like making other decisions. Some are easy, and some are hard. It starts with a situation or need you are facing: a decision that needs to be made or a problem that needs to be solved. The situation or need may be anything from picking a college to buying a bicycle, selecting a credit card or buying a gift for someone else.

Identify your needs. It is important to get as much information as possible about the situation or problem. Smart shoppers make their best decisions when they have complete and accurate information. Ask yourself questions like: Do I need this good or service? How will I use it? How often will I use it? Where will I store it? Answers to questions like these can help you decide what you need and what features you will actually use.

List the attributes. Make a list of the specific things the product or service should have. These things are known as the product or service attributes. What things would be nice to have but are not really necessary? During this stage, it is helpful to gather information about the product or service you are studying. Specific guidelines for conducting an informative search are in this unit. As you learn more about the item you are studying, you may decide to change your attribute list.

Narrow the field. Now you are ready to find out what's really out there. Visit different stores; look at advertisements; check the Internet; and talk with friends, relatives, and salespeople to come up with alternatives. From what you have seen and heard, make a —short list of the specific items or services you will actually compare and where they are available. Consider the good and bad things about each specific product or service. How well does each alternative meet your needs? How does each compare with your list of needed and wanted attributes? Consider your available resources, especially the amount of money you have to work with. How well does the cost of each item fit within the amount of money you have to spend? What type of support does each seller offer?

Evaluate your findings, and make a decision! Once you have compared the products or services, the stores or service providers, and your resources, you are ready to make a decision! Smart shoppers take time to learn about what they are buying. They do not buy on impulse. Being a smart shopper may be time consuming, but the rewards of making your limited resources go farther are worth it!

Searching for Information

Information is important in making smart consumer decisions. Many consumers do not know where to get information. Other consumers do not use information they have. Two kinds of information are available to consumers. **Hard information** consists of ***facts***. Weight, unit price, miles per gallon, and sodium content are examples of hard information. **Soft information** is ***not fact***. Each consumer may judge soft information differently. It can include an evaluation of quality, durability, usefulness, etc.

Useful information can be found in a number of places. One of the most unbiased sources of information is a private or independent product-testing agency. Product-testing agencies compare different products according to rational criteria. Their results are published so consumers can use this information in making their own consumer decisions.

One well-known independent testing group is Consumers Union. Consumers Union publishes its reports in *Consumer Reports*. *Consumer Reports* is considered to be an unbiased source of objective product and service evaluations. It does not accept advertising and does not allow companies to advertise their Consumer Reports rankings in company advertisements. Information is also available online at www.consumerreports.org.

Underwriter's Laboratories (UL) establishes safety standards and tests products. They test appliances, equipment, and materials that could be fire, electric, or accident hazards, or used to stop the spread of fire. Products that meet the standards and pass the tests are given the UL Seal of Approval.

Of all the information available to consumers, the results from independent testing agencies are generally the most objective. Independent testing agencies are neutral and not associated with manufacturers. This means that they can give impartial information without losing money if manufacturers do not agree with their results.
The Better Business Bureau (BBB) is also a source of consumer information. The BBB is a national association supported by business memberships. Most communities have a local office of the BBB nearby.

Some BBBs provide literature on what to look for when buying certain products. All BBBs keep records on businesses in the community. If a consumer is not satisfied with the products or services of a business, they can call and report this information to the BBB.

Other consumers can call the BBB to see if a particular business has a record of unhappy customers. The BBB will tell them if any consumer has filed a complaint against a particular business.

Remember that the BBB can only report complaints that they receive. If you call the BBB about a business and there is no record of any complaints, this may not mean all consumers have been satisfied. Unhappy consumers may not have filed a complaint. BBBs receive their money from businesses in the community and, therefore, have a business perspective.

Information can also be found on the products or their packaging. Manufacturers are required by law to provide certain types of information.

Clothing hang tags, labels, or product packages must contain:

- fiber content,
- care instructions,
- country where the clothing was made, and
- a registered ID number that identifies the manufacturer.

Food labels must tell you:

- the name of the product and its form (chunk light tuna in spring water);
- amount of contents (weight or fluid ounces);
- name and address of the processor, distributor, or packer; and
- list of ingredients in order of decreasing weight.

The Nutrition Facts panel on the food label must provide the following information:

- serving size;
- number of servings per container;
- calories per serving;
- protein per serving (in grams);
- carbohydrates per serving (in grams);
- fat per serving (in grams);
- fiber (in grams);
- sodium (in milligrams); and
- percent of Daily Value for fat, protein, carbohydrate, cholesterol and certain vitamins and minerals.

Product packages can provide other useful information. Instructions on how to use the product are often on the package.

The product warranty, if any, is sometimes printed on the package or provided inside. The warranty tells you what protection you have if the product is defective or does not work. Warranties are usually in effect for a specific period of time after you buy the product.

Advertising is another source of product information. Manufacturers' advertisements are considered to be less accurate and less reliable than other sources of information. It is important to remember that the main purpose of these advertisements is to persuade you to purchase one product over another.

Store advertisements can be useful in helping you know about sales. They also give you an idea of the types of products different stores sell and their prices. The main purpose of these advertisements is to persuade you to shop in one store over another.

Libraries are another important source of information. Libraries subscribe to many magazines that can be useful in learning about a particular product. If you are learning about cameras, the librarian can help you find photography magazines and books with articles about camera products. Other specialty magazines write about other types of products. Skateboards, bicycles, camping, boating, golf, and skiing are all subjects of magazines. Libraries contain many types of information that the librarian can help you locate. Many of these resources can also be accessed online.

Don‘t forget sources of information in your own home. The telephone directory can save you time. You can call stores and find out if they sell a specific make and model of a product. They can tell you the price and answer other questions you may have. This information can help you narrow down your alternatives without visiting every store. Whether you call on the phone or visit the store in person, find out if they service the products they sell and what their return policy is. Be sure to find out all of your information before you buy.

Mail-order catalogs can help you narrow your choices. Catalogs provide good descriptions of products and give you an idea of what is available and how much products cost.

Many consumers are using their computers to search for online consumer information. Check out the guidelines in the CDM Study Guide on Online Shopping.

Don‘t forget your county Extension office as a source of information. County Extension agents have access to lots of information. They can sometimes provide you with Extension publications about the product in which you are interested. They can also tell you some important things to look for when comparing items.

How Much of a Search Do You Need?

The price you pay for a product is not the only cost you have. Searching for information also has a cost. This cost includes money you use to pay for things like magazines or books you buy about products, phone calls you may make to get information, and gas to drive from store to store to comparison shop. You also spend time you could be using to do something else,perhaps studying, school work, or playing with friends.

Include hidden costs when comparing products. Hidden costs include things that will cost more once you own the product. For example, clothing that needs to be dry cleaned will cost more over its lifetime than clothing that can be washed. Or an appliance that uses six large batteries will cost more over its lifetime than one that uses only two small batteries.

Another cost is called ‘opportunity cost.’ An opportunity cost is something you give up doing when you decide to do something else.

For example, if you decide to go to the football game Friday night, you give up the chance to go to the movies. Not being able to go to the movies is the opportunity cost. When you decide to use your allowance to buy candy and comic books, you give up the chance to use the money for that new music CD. This is also an opportunity cost.

Another consideration in determining how long to continue your search is how many changes are occurring while you search. If changes in price or features of a product are changing rapidly, information you gather will be out of date quickly. If you take too long to make a decision, you will need to re-check all your information to include the changed information.

How much of an information search you conduct will depend on the total cost of the search compared to the benefits you will receive. A smart consumer knows when to stop gathering information and make a decision.

A smart consumer decision is one where you purchase a product for less money – you save money – or you purchase a higher quality product for the same amount of money – you get more for your money. It is to your advantage to conduct a bigger search when:

- what you are buying costs a lot of money,
- you don‘t have much money to spend,
- it won‘t cost much – in time or money – to conduct the search, or
- you think the difference between prices and quality of items is large.

If a product costs only a few dollars, you probably won‘t spend much time searching for information before you make a decision.

But if an item costs a lot of money (say more than $50), you will want to spend more time learning about the product before you buy.

Where to Buy

There are many different places to shop. Department stores, mall shops, specialty stores, mail-order catalogs, discount stores, factory outlets, and the Internet (for direct purchasing and auctions) are the most common. Other places that people sometimes forget are second-hand shops, flea markets, garage sales, and farmer‘s markets. Many items are also sold through the classified section of the newspaper. People sell things by leaving notes on church or grocery store bulletin boards. Don‘t forget these places. You can sometimes get a real bargain!

People choose to shop where they do for different reasons. Bargain hunters shop where they can get low prices. Some people shop where they can negotiate or bargain with the seller. Some people choose a store because it is conveniently located or it offers fast service. Other people shop where a salesperson will help them. Still others shop at a store where they know the owner or someone who works there.

Think about the reasons you shop where you do. If you only shop in one or two stores, you may be giving up the opportunity to save money. When comparison shopping, look at several different types of stores or sellers. Most people suggest checking with at least three different sellers when you are spending more than $50 or $100.

Rules for Smart Shoppers

- Learn as much as you can about what you want before you buy.
- Shop around. Prices vary from store to store.
- Watch for sales. If you don‘t need something immediately, wait for it to go on sale before buying. This helps you get more for your money.
- Watch for differences in quality.
- Consider how you will use the item. Don‘t spend a lot of money for something you won‘t use much. And don‘t buy an item with more features than you will use.
- Include —hidden costs when making your decision.
- Read the label!
- Consider the maintenance required. A low maintenance item may be worth a slightly higher price than one with high maintenance costs.
- Deal only with sellers and manufacturers who will stand behind what they sell. This is particularly important with high-cost
- items.
- Think before you buy. Once you have decided on what to buy, sleep on it. This gives you a chance to make sure you have considered all important points. It also helps curb impulse buying.

Remember, smart shoppers know:

- what products, brands, and sellers there are and where they are located;
- what characteristics of a product are important;
- whether or not particular products possess important characteristics; and
- money prices and other terms – such as free delivery, return policies, and service availability.

References:

Maynes, E. Scott. Decision Making for Consumers: An Introduction to Consumer Economics. New York: MacMillan Publishing Co. Inc., 1976.

Super Consumer Teaching Packet, Texas AgriLife Extension Service.

For more information about Consumer Decisions, ask your 4-H leader to present —Consumer Wise the second Youth Activity Guide from the Consumer Savvy series, National 4-H Cooperative Curriculum System, Inc. 4HCCS BU-18031. For more information, consult Texas 4-H Cover publication. See also: www.n4hccs.org for curriculum information.

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