CONSUMER DECISION MAKING

The Economic Way of Thinking
1. Resources are limited
2. People cannot have everything they want
3. People must make choices
4. Every choice involves a cost
5. People’s choices have consequences
6. People respond to incentives

OBJECTIVE:
Students will learn basic economics through choosing the least expensive of two choices in purchasing consumer goods.

Students will learn to make an informed decision based upon the evidence at hand.

Students will become familiar with the PACED decision-making method when making decisions about spending money.

Choosing the Better Incentive
1. Bookbag: $11.99 (buy one)
   #1 Coupon
   20% off
   Incentive #1 is the better deal.
   #1: 20% off = $11.99 - $2.40 = $9.59
   #2 Coupon
   Save 2.00
   #2: Save $2.00 = $11.99 - $2.00 = $9.99

In this example, get the class to think in terms of estimation.

Deal one can be estimated quickly as 10% of $12 is $1.20 so 20% off will be twice that or $2.40.

Deal two is simply $2 off.

Let the class study this on their own first for a few minutes before you show them the easy way.

Do the rest of these slides in a similar fashion.

Choosing the Better Incentive
2. Snappy-Krunch Cereal: $2.59 per box (buy three boxes)
   #1 COUPON
   Buy 2
   Get 1
   FREE!
   #2 COUPON
   Save
   $1.00
   per box

Incentive #2 is the better deal.

#1: Two boxes cost $5.18, get one free.
   3 boxes cost $5.18, or $1.73 each ($5.18/3).

#2: Save $1.00 on each box
   $2.59 - $1.00 = $1.59 each.
Choosing the better Incentive

3. **Super-Nutty Peanut Butter**: 32 oz. jar for $2.56 or 48 oz. jar for $2.99 (buy two jars, either size)

<table>
<thead>
<tr>
<th>#1 COUPON</th>
<th>#2 COUPON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy a 32 oz. jar at regular price, get another free!</td>
<td>Save $0.50 on each 48-oz. jar</td>
</tr>
</tbody>
</table>

Incentive #1 is the better deal.

#1: Two 32-oz jars cost $2.56, or $1.28 each, or $0.04 per ounce.
#2: Two 48-oz jars cost $5.98, minus $0.50 each = $4.98, divided by 96 ounces = $0.05 per ounce.

Choosing the better Incentive

4. **Soccer shoes**: $69.95 a pair (buy two pairs)

<table>
<thead>
<tr>
<th>#1</th>
<th>#2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coupon</td>
<td>COUPON</td>
</tr>
<tr>
<td>Buy one pair, get another at half price!</td>
<td>2 pairs for $100.00</td>
</tr>
</tbody>
</table>

Incentive #2 is the better deal!

#1: $69.95 = $34.98 = $104.93 for two pairs.
#2: $100 for two pairs.

Choosing the better Incentive

5. **Amusement park**: All day admission ticket, $45.00 (buy 6 tickets)

<table>
<thead>
<tr>
<th>#1 COUPON</th>
<th>#2 COUPON</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5 off each ticket when you buy a case of root beer = $7.99 a case</td>
<td>Buy 5 tickets at regular price, get the 6th one FREE</td>
</tr>
</tbody>
</table>

Incentive #2 is the better deal.

#1: $5 off = $240 (40x6 tickets) + $7.99 for root beer = $247.99
#2: $45 x 5 tickets = $225

Choosing the better Incentive

6. **Internet coffee shop**: $6.00 per hour (pay for 3 hours)

<table>
<thead>
<tr>
<th>#1 COUPON</th>
<th>#2 COUPON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Save 10% On 3 hours</td>
<td>Save $5.50 each hour up to 2 hours. Save $5.75 each hour after that</td>
</tr>
</tbody>
</table>

Incentive #1 is the better deal.

#1: 10% of 18 = $1.80 and $18.00 - $1.80 = $16.20
#2: $5.50 + $5.50 + $5.75 = $16.75
Choosing the better Incentive

7. **Scary movie festival**: $8.00 each night for 6 nights (attend all 6 nights).

   - **#1 COUPON**: 4 nights at regular price; half price the next two nights
   - **#2 COUPON**: 5 nights at regular price; 6th night FREE

Both incentives are the same.

- #1: 4 nights x $8.00 = $32.00
- 2 nights x $4.00 = $8.00
- Total = $32 = $8 = $40.00

- #2: 5 nights x $8.00 = $40.00
- 1 night free: total = $40.00

Choosing the better Incentive

8. **Pizza**: $18.99 (buy 2 pizzas)

   - **#1 COUPON**: Save $2.00 on each pizza
   - **#2 COUPON**: Today only: 2 pizzas $35.00

Incentive #1 is the better deal.

- #1: $16.99 + $16.99 = $33.98

- #2: Two pizzas for $35.00

Choosing the better Incentive

9. **Video game**: $49.99 (buy 3 games)

   - **#1 COUPON**: REBATE $14.99 each Limit 2
   - **#2 COUPON**: Save 20% NO LIMIT

Incentive #2 is the better deal

- #1: $35.99 + $35.99 + $49.99 = $121.97 for three games.

- #2: 3 games x $49.99 = $149.97 minus $29.99 (20%)
  = $119.98 for three games.

Choosing the better Incentive

10. **Candy bars**: 2 oz. for $0.89; 4 oz. for $1.69 (buy 12 oz. of candy)

   - **#1 COUPON**: Buy 2 4-oz. Bars at regular price
   - **#2 COUPON**: Save $.20

Incentive #2 is the better deal

- #1: $1.69 (4 oz. bar) + $1.69 (4 oz. bar) + free 2 oz. bar
  + $0.89 (2 oz bar) = $4.27 for 12 ounces of candy

- #2: $0.69 x 6 two oz. bars = $4.14 for 12 ounces of candy.
You can use this matrix to help the class do another PACED example. This one is set up for some type of sporting goods. You can change the scenario to anything you think the kids will get excited about.

This is an important contest, stress that these are to be prepared demonstrations where the 4-H members plan their demonstration ahead of time, brings all of the materials needed to give the demonstration to school on 4-H day, and gives the demonstration.

In the Demonstration and Presentation contest, the 7th grade members can do a project demonstration or project presentation. The last slide has two pictures of good project presentation boards. The presentation contest has a regional contest that the 7th grade members can participate in. It is a good contest so ask for help explaining it if you need it.