When you have completed this chapter, you will be able to:

Section 4.1
- Determine the factors that influence buying decisions.
- Explain a research-based approach to buying goods and services.
- Identify strategies for making wise buying decisions.

Section 4.2
- Identify ways to solve consumer problems.
- Describe the legal alternatives for consumers.

Reading Strategies
To get the most out of your reading:
Predict what you will learn in this chapter.
Relate what you read to your own life.
Question what you are reading to be sure you understand.
React to what you have read.
In the **Real World** . . .

For more than a year, Carla Jackson has been saving money for a down payment to buy a car. Now that she has enough, she is not sure what to do. Used cars sold by private owners are the most affordable, but Carla would like to have a warranty. While auto dealers offer financing, they do not sell the model that she wants. Everyone seems to have a different opinion about where to buy a car, and Carla is unsure about what to believe. In addition, when she decides where to buy the car, Carla is faced with other dilemmas: How much money should she put down? If the car ends up being a “lemon,” how can she protect her investment?

*As You Read*  Consider the safest strategy for a consumer who is making a major purchase and what protection he or she can expect.

---

**ASK STANDARD & POOR’S**

**Comparison Shopping**

**Q:** I would like to purchase a new stereo. Is it really that important for me to comparison shop?

**A:** Prices and quality can be very different from one store to another. Particularly with expensive items, it is worthwhile to compare prices on similar items to see if one store has a lower price than the others. If you write down the manufacturer and style information, you can do a lot of this “legwork” by phone or by looking at store advertisements or by doing research on the Internet.

**Ask Yourself**  What is the benefit of comparison shopping?

Go to [finance07.glencoe.com](http://finance07.glencoe.com) to complete the Standard & Poor’s Financial Focus activity.
Consumer Purchasing

Factors That Influence Buying Decisions

What influences you to make a purchase?

You may enjoy shopping and do it often, or you might go to the mall only if you need to buy something. In either case, wise buying decisions will help you get the most out of the products you buy now and will enable you to meet your long-term financial goals. To get the most for your money, you need to recognize the factors that affect your buying habits. Figure 4.1 shows some of the economic, social, and personal factors that influence the purchases you make.

The following example shows several of these factors at work. Jessica is thinking about buying a new backpack. Economic factors will play an important role in her decision. She will be more likely to spend her money on a backpack that is well made but not too expensive and can be repaired easily if it rips. Social factors may also affect Jessica’s choice. She may be more likely to buy a certain brand if it is in style and if she could use it for her hobby, painting. In addition, personal factors may be at work. Jessica will have to determine how much of her income she can spend on the backpack.

Trade-Offs and Buying Decisions

To make the most of your buying power, consider trade-offs. Suppose that you buy a sound system with a credit card instead of waiting until you have saved enough money to pay cash for it. You get the pleasure of having the sound system now. However, you may pay a higher price in the long run because of fees and interest the credit card company charges for use of the card.

Perhaps you choose a jacket because it is the cheapest one available. Within a few days, you may discover that it is poorly made or difficult to repair. You may save time by ordering a sweater from a catalog or online. However, if you decide that you do not want it, you may have to pay postage to return it to the mail-order company. You might not get your money back for the initial shipping and handling charges. Keep in mind that buying decisions always involve trade-offs, so you will be prepared to make wise choices.
Researching Consumer Purchases

How do you research a product you want to buy?

By taking time to do research and evaluating products you want to buy, you can get more value for your money. By following a research-based approach to buying goods and services, you can buy a high-priced item, such as a treadmill or a gym membership, more intelligently. In addition, you will gain useful practice in making ordinary purchasing decisions about low-cost items, such as toothpaste. A research-based approach to buying has four phases:

1. Before you shop
2. Weighing alternatives
3. Making the purchase
4. After the purchase

PHASE 1: Before You Shop

Before you can begin to construct the walls of a house, you need to lay its foundation. In the same way, before you begin to shop, you need to do some background work. A good start to successful shopping involves three steps: identifying your needs, gathering information, and becoming aware of the marketplace. Completing these steps will enable you to get what you really want.

Figure 4.1 Influences on Consumer Buying Decisions

<table>
<thead>
<tr>
<th>Economic Factors</th>
<th>Social Factors</th>
<th>Personal Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Prices</td>
<td>• Lifestyle</td>
<td>• Gender</td>
</tr>
<tr>
<td>• Interest rates</td>
<td>• Interests</td>
<td>• Age</td>
</tr>
<tr>
<td>• Product quality</td>
<td>• Hobbies</td>
<td>• Occupation</td>
</tr>
<tr>
<td>• Supply and demand</td>
<td>• Friends</td>
<td>• Income</td>
</tr>
<tr>
<td>• Convenience</td>
<td>• Culture</td>
<td>• Education</td>
</tr>
<tr>
<td>• Product safety</td>
<td>• Advertisements</td>
<td>• Family size</td>
</tr>
<tr>
<td>• Brand name</td>
<td>• Media (magazines, radio,</td>
<td>• Geographic region</td>
</tr>
<tr>
<td>• Maintenance costs</td>
<td>television, newspapers)</td>
<td>• Ethnic background</td>
</tr>
<tr>
<td>• Warranty</td>
<td></td>
<td>• Religion</td>
</tr>
</tbody>
</table>

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 the family buys?
Identify Your Needs  Suppose that your VeryKool jeans are worn out, and you would like to buy a new pair. You think that your problem is a “need for a new pair of VeryKool jeans,” when the actual problem is a “need for new jeans.” Some people always buy Brand A when Brand B sells for the same price. They may not even consider Brand C, which is cheaper than either A or B, and which also serves their needs. If you define your needs clearly, you will be more likely to make the best buying decisions.

Gather Information  For example, suppose that Sarah loses her watch on a white-water rafting trip. She might be able to borrow a watch from a friend for a day or two, but eventually she will need to buy a new watch. To begin her research, she should gather information on the different models and prices of watches.

Information for buying decisions usually falls into three categories: costs, options, and consequences. Sarah might ask questions related to cost, such as “What do watches cost at different stores?” Her options will depend on the brands that the manufacturers produce and on where those brands are available. Sarah will also have to consider consequences—how the purchase will affect her budget.

---

**Figure 4.2  Sources of Consumer Information**

1. **People** you know might be able to provide insight on a product’s performance, quality, and average price.

2. **Ads and packaging** can tell you a lot about a product, so be sure to read the labels.
Some people do not spend enough time gathering and evaluating information. Others do so much research that they become confused and frustrated. Simple, routine purchases probably do not require much more research than your own experience can provide. For more expensive items, ask people you know for recommendations.

Other resources include product advertising and labeling, media sources, consumer publications, such as Consumer Reports, government agencies, or the Internet. Figure 4.2 illustrates some of these resources. As you research and gather information, take notes on what you learn. Having a written record of the information you collect can be helpful in making comparisons later.

**Be Aware of the Marketplace** Knowledge is power. Research provides sources for the item you want to buy. In addition, you will be able to identify the brands and features from which you can choose, average prices for an item, and where you can obtain reliable information about similar products. Also, familiarize yourself with some common myths about sales, returns, and credits in Figure 4.3 on page 94.

3 **Reports** issued by the media and independent testing organizations on the quality of products and services are usually valuable, easily available, and inexpensive.

4 **Web sites** for companies, magazines, newspapers, and government agencies have product information and shopping suggestions.
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.


Fact or Fiction? There are some typical myths that consumers believe about sales, returns, and credit. How do such myths affect you as a consumer?
PHASE 2: Weighing the Alternatives

Every consumer decision may be approached in several effective ways. Instead of buying an item, for example, you might decide to rent it, borrow it, or do without it. You also have alternatives to spending cash for a product. You might take advantage of special deals that allow you to delay payment, or you might choose to pay with a credit card.

Identify What Is Important to You As you evaluate alternatives, decide which characteristics of the product—such as features, performance, or design—are important to you. As you research the available brands, you will recognize the characteristics that most closely match your needs. You can judge a potential purchase by considering the following factors:

- Your personal values
- Available time for research
- Amount of money you have to spend
- Convenience of buying the item immediately
- Pros and cons of a particular brand

For example, as Sarah considers the selection of watches in a department store, she decides that a light-up dial and an alarm are two features that she would use. In terms of performance, she prefers a model that can withstand rugged outdoor activities. She wants a watch that has big numbers and a stainless steel wristband.

Compare Prices The price of an item is an important consideration. Prices can vary for all types of products. For example, Sarah’s watch may cost as little as $15 or as much as $500. Differences in price may be related to quality, but price does not always equal quality. When the quality and quantity are basically the same for an item such as aspirin, sugar, or salt, the lowest-priced item is probably the wisest choice.

When prices and quality vary, you have two options. If you can afford all choices, you can buy the highest-quality item. If you cannot afford all choices, you should consider buying the item that gives you the best value per dollar.

Do Comparison Shopping Comparison shopping means you compare prices and features of similar items at different stores. Many people consider comparison shopping a waste of time. However, it can be very useful under certain circumstances:

- You are buying complex or expensive items, such as a computer or a mountain bike.
- You are buying items you purchase often, such as shampoo or school supplies.
- You are using the Internet, print advertisements, or mail-order catalogs.
- Different sellers are offering different prices and services.
- Product quality or price varies greatly.
PHASE 3: Making the Purchase

After you have completed the research and evaluation process, some other activities and decisions may be appropriate. These include negotiating the price (if possible), deciding whether to use credit or cash, and determining the real price of the product.

Negotiate the Price  Certain purchases, such as real estate or cars, may involve price negotiation. To negotiate, research information about the product and the buying situation. Be sure that you are dealing with the person, such as the owner or store manager, who has authority to give you a lower price or additional features.

Decide on Credit or Cash  When making a purchase, you usually have two options—pay credit or cash. You need to consider the costs and benefits of each one.

Credit is an arrangement to buy something now and pay for it later. It is a type of loan. To repay the loan, you make monthly payments that often include additional fees or interest. The advantage of paying cash is that you do not have to pay these extra fees or make continuing payments. However, because the cash is no longer in your bank account, you lose the opportunity to earn interest on it. In addition, the money is no longer available for emergencies.

Before deciding to use credit, evaluate its costs, such as interest rates and fees. These costs will differ depending on various factors:

- Source of the loan (e.g., parents, bank, or credit card company)
- Type of credit account
- Payment period
- Amount of **down payment**—a portion of the total cost of an item that must be paid at the time of purchase
**Know the Real Price**  Sometimes you may discover that what appears to be a bargain is not such a good deal after extra costs are added to the price. Stores may charge you a fee for installation or delivery. Find out exactly what the purchase price includes and get all costs and conditions in writing.

**PHASE 4: After the Purchase**

After making a purchase, you may have other costs or tasks. A car, for example, will require additional maintenance and ownership costs, such as gasoline and insurance. You may have to learn how to operate it correctly to improve its performance and to avoid major repairs. If your car requires repair service, you should follow a process similar to the one you used when you bought the car—investigate, evaluate, and negotiate a variety of servicing options.

In some cases, you may be dissatisfied with a purchase and want to return or replace it. When that happens, you need to know how to handle your complaints effectively. The next section of this chapter explains how to resolve consumer complaints.

Remember that the purchasing process is an ongoing activity. You should rethink and reevaluate your decisions. The information that you gather before you shop, along with your previous buying experiences, will help you make decisions in the future. Also, be sure to consider changes in your needs, lifestyle, values, goals, and financial resources.

**Smart Buying Strategies**

**How can you make an informed purchase decision?**

People have a variety of buying styles. For example, Gordon looks for ways to save on the brands he buys regularly. Anita and Roger buy the lowest-priced brands or look for bargains.

▶ **SMART SHOPPING** To get the best buys, do research about products and do comparison shopping. What is comparison shopping?
Whatever your style, several strategies can help you get the most value for your dollar—timing of purchases, store selection, brand comparison, information research, price comparison, and warranty evaluation.

**Timing Purchases**

You are more likely to find a bargain at certain times of the year. Stores traditionally offer reduced prices for seasonal clothing, such as swimsuits, overcoats, and other items, about midway through a particular season. You can also find reduced prices at back-to-school sales, spring sales, and other special sales. Timing your purchases to take advantage of sales can result in big savings.

The law of supply and demand can also affect the timing of purchases. For example, if you wait a few months before buying a popular new CD or DVD, the price may be lower than it was when it first came out because the demand for the item has decreased. When businesses want to reduce the supply of a product, they have clearance sales.

### Figure 4.4 Types of Retailers

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

**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?**


Store Selection

The quality and variety of goods as well as the price at a store may influence your decision to shop there. Store selection may affect the value of the products you purchase. You may also choose a retail store because of its hours, location, reputation, policies, and services such as parking and delivery. **Figure 4.4** provides an overview of the major types of retailers—businesses that sell directly to consumers.

Over the years, several alternatives to store shopping have emerged. One alternative is the cooperative, a nonprofit organization owned and operated by its members for the purpose of saving money on the purchase of goods and services. Because a cooperative buys large amounts of goods, it can lower prices for its members. The main drawback to cooperatives is that they offer few customer services.

Another alternative to store shopping is direct selling, which includes mail order, TV home shopping, and online shopping. An advantage of these types of shopping is the convenience of not having to leave home. Online shopping sometimes offers lower prices, and you may find excellent product information on the Internet. The possible disadvantages of online direct selling are paying for shipping and handling, and difficulty in returning purchases.

Brand Comparison

Most items are sold under a number of well-known brand names that identify the products and their manufacturers. National-brand products are widely advertised and available in many stores. Although they are usually more expensive than non-brand products, national brands usually offer consistent quality or value for your money.

A store-brand, or generic, product is usually sold by one chain of stores and carries the name of that chain on its label. Examples of these products include paper, canned goods, and dairy foods. Because store-brand products are often made by the same companies that make national-brand products, their quality is good. However, because they do not carry a brand-name label, they are less expensive.

When you compare brands, remember to consider price and quality. Plan what you are going to buy before you shop and take a list of what you need. Displays may attract your attention and lead to **impulse buying**, which is purchasing items on the spur of the moment. Impulse buying may be fun, but it can cost you more. Also, you may buy products that you do not really need.

**HONEST BRANDING** Some food labels claim that the product is considered “low in fat” or “light.” Foods must meet government criteria to be labeled with such terms. Why do you think this type of regulation is necessary?
Label Information Research

Labels on product packages typically include a great deal of advertising. However, federal laws also require labels to present factual information. For example, food labels must indicate the common name of the product, the name and address of the manufacturer or distributor, the net weight of the product, and a list of the ingredients in decreasing order of weight.

In addition, labels on almost all processed foods must have nutritional information, such as the number of calories in one serving and the specific amounts of nutrients and food substances in the product. Some foods are advertised as being “low in fat” or “light,” “low in sodium,” or “high in fiber.” Foods must meet government criteria to be labeled with such terms. Manufacturers can include health claims on product packages only if they have scientific evidence to support the claims.

To help consumers determine the freshness of some foods, manufacturers print dates on the labels. Open dating is a labeling method that indicates the freshness, or shelf life, of a perishable product, such as milk or bread. Labels indicate open dating with phrases such as “Use before May 25, 2008” or “Not to be sold after October 8.”

Product labels for appliances, such as refrigerators and washing machines, include information about operating costs, which identify the most energy-efficient models.

Price Comparison

Unit pricing is the use of a standard unit of measurement to compare the prices of packages that are different sizes. For example, Claudia went to the drugstore to buy a bottle of mouthwash and noticed that her favorite brand comes in two sizes at different prices. The best way for her to determine which one is the better buy is to use unit pricing. Most grocery stores and drugstores display the unit pricing information for the products they sell. If a store does not provide this information, you can calculate the unit price by dividing the price of the item by the unit of measurement (weight, volume, or quantity). For example, an 8-ounce can of frozen orange juice that costs $1.60 has a unit price of 20 cents per ounce.

When you know how to calculate the unit price, you can compare the unit prices for various sizes, brands, and stores. Keep in mind that the package with the lowest unit price may not be the best buy for your situation. For example, a 10-pound bag of potatoes might have the lowest unit price; but if you do not eat potatoes often, they may spoil before you can use them.

Two common ways to save money are to take advantage of discount coupons and manufacturers’ rebates. By using discount coupons, you save money on products at the time you purchase them. A rebate is a partial refund of the price of a product. To obtain a rebate, you usually have to submit a form, the original receipt, and the package’s UPC symbol, or bar code.
When comparing prices, the following guidelines can be very helpful:

- More convenience (location, hours, sales staff) usually means higher prices.
- Ready-to-use products (frozen prepared dinners, preassembled toys) usually have higher prices.
- Large packages are usually the best buy; use unit pricing to compare brands, sizes, and stores.
- Buying items “on sale” may not always mean that you save money; the sale price at one store may be higher than the regular price at another store.

**Warranty Evaluation**

Many products come with a guarantee of quality called a warranty. A **warranty** is a written guarantee from the manufacturer or distributor that states the conditions under which the product can be returned, replaced, or repaired. Federal law requires sellers of products that cost more than $15 (and that have a warranty) to make the warranty available to customers before purchase. The warranty is often printed directly on the package.

**Types of Warranties**

Warranties are divided into two basic types: implied and express. **Implied warranties** are unwritten guarantees that cover certain aspects of a product or its use. An implied warranty of merchantability guarantees that a product is fit for its intended use. For example, a toaster will toast bread, or a CD player will play CDs.
Investigate: A Warranty
A warranty for a product contains the following information:
- Name of the seller or manufacturer
- Name of product
- Terms of the warranty
- Instructions for how to get service

Your Motive: Before making a purchase, you should read the product’s warranty to understand exactly what protections the manufacturer offers you. A warranty is an assurance from the seller to the buyer that a product will perform as promised, or it will be replaced or repaired.

Free Flow® One-Year Limited Warranty
FREE FLOW® plumbing fixture, faucets, and fittings are warranted to be free of defects in material and workmanship for one year from date of installation.
Free Flow will, at its election, repair, replace, or make appropriate adjustments where Free Flow inspection discloses any such defects occurring in normal usage within one year after installation. Free Flow is not responsible for removal or installation costs.
To obtain warranty service, contact Free Flow either through your dealer, plumbing contractor, home center or e-tailer, or by writing to Free Flow, Attn: Customer Service Department, 2525 Highland Drive, Glenview, WI 53044, USA.
IMPLIED WARRANTIES INCLUDING THAT OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE EXPRESSLY LIMITED IN DURATION TO THE DURATION OF THIS WARRANTY. FREE FLOW DISCLAIMS ANY LIABILITY FOR SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES. Some states/provinces do not allow limitations on how long an implied warranty lasts, or the exclusion or limitation of special, incidental, or consequential damages so these limitations and exclusions may not apply to you. This warranty gives you specific legal rights. You may also have other rights, which vary from state/province to state/province.
This is our exclusive written warranty.
Notes:
1. There may be variation in color fidelity between catalog images and actual plumbing fixtures.
2. Free Flow reserves the right to make changes in product characteristics, packaging, or availability at any time without notice.
Copyright © 2006.

Key Points: A warranty usually covers defects in materials and workmanship, and promises that the product will work properly under normal circumstances. It does not usually cover defects that occur due to the user’s carelessness or inappropriate use of the product. It also explains how a buyer can resolve any problems.

Find the Solutions
1. For how many years are Free Flow fixtures covered by this warranty?
2. If you purchased a Free Flow faucet in November of 2006 and installed it in August of 2007, when would the warranty expire?
3. What will Free Flow do if a product is defective?
4. Who is responsible for the cost of removing a defective faucet and replacing it?
5. If a faucet is replaced under this warranty, will it be the same model faucet?
Express warranties, which are usually written, come in two forms. A full warranty states that a defective product will be fixed or replaced at no charge during a reasonable amount of time. A limited warranty covers only certain aspects of the product, such as parts. This type may also require the buyer to pay a portion of the shipping or repair charges.

When you buy a product, you may be offered a service contract, which is a separately purchased agreement by the manufacturer or distributor to cover the costs of repairing the item. Service contracts are sometimes called extended warranties, but they are not really warranties. You have to pay extra to obtain a service contract. Such contracts are generally offered on large, expensive items, such as cars and home appliances. Sometimes service contracts are not worth the cost.

Smart shoppers know when to buy, where to buy, what to buy, how much to pay, and how to make sure that the products they buy will perform as advertised. In the next section, you will learn some additional rules for smart shoppers: how to resolve consumer complaints and how to use the law to ensure that your rights as a consumer are protected.

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**Section 4.1 Assessment**

**QUICK CHECK**
1. What are three economic factors that influence what people buy?
2. Suppose that you are considering buying a pair of in-line skates. What steps might you take before you shop and as you weigh your alternatives?
3. What are at least five strategies followed by smart shoppers.

**THINK CRITICALLY**
4. Create a scenario in which someone is considering a purchase. Discuss the economic, social, and personal factors that will affect this buying decision.

**USE MATH SKILLS**
5. **Cat Food Costs** Gilda would do anything for Luna, her 11-year-old cat. Until recently, she had been paying an animal hospital $22.50 every two weeks for a 10-pound bag of vitamin-enriched organic cat food designed for older cats. On Wednesday, Gilda called a local pet store.

   The store stocks food similar to the one she buys at the animal hospital, but it is not organic. The store sells 25-pound bags for $59.55 and 50-pound bags for $99.50.

   **Calculate** Using the formula for unit pricing, calculate the best buy among the three different-sized bags of cat food. Would the lowest-priced cat food be the best choice? Why or why not?

**SOLVE MONEY PROBLEMS**
6. **Getting the Best Buy** Marta loves shopping for holiday gifts for her friends and family. This year she started looking for gifts early, in June. She hopes that the extra time will allow her to find the perfect gift for everyone on her shopping list. By shopping early, she might get some good buys.

   **Write About It** Using the information in the section on smart buying strategies, explain how Marta can shop wisely to make the best choices for gifts and get good bargains.
Sources of Consumer Complaints

**What are some examples of consumer complaints?**

When you purchase a product, you do not expect to have any problems with it, especially if you have done research and considered the alternatives. Unfortunately, every purchase involves some degree of risk.

Most customer dissatisfaction results from products that are defective or of poor quality. Consumers also complain about unexpected costs, deceptive pricing, and unsatisfactory repair service. Another source of consumer complaints is **fraud**—dishonest business practices that are meant to deceive, trick, or gain an unfair advantage.

**Main Idea**

Various methods can solve consumer problems. Legal alternatives are available to consumers.

**Key Terms**

- fraud
- mediation
- arbitration
- small claims court
- class-action suit
- legal aid society

**BUYER BEWARE** Many advertisements appeal to the emotions of consumers. How might this ad influence someone to buy the product?
Common Types of Fraud

Every year millions of consumers become victims of unethical people who use dishonest business practices to trick or cheat buyers. Experts estimate that fraud costs consumers tens of billions of dollars annually.

As a consumer, you must be aware of various types of fraud. Telephone and mail scams may offer you phony free prizes, travel packages, work-at-home schemes, and investment opportunities. Fraudulent diet products and other remedies attract consumers with phrases such as “scientific breakthrough” or “miraculous cure.” The best way to protect yourself from consumer fraud is to recognize it before you become a victim—and to report it if you see it happening.

Resolving Differences Between Buyers and Sellers

What is the best way to resolve a dispute over goods or services?

If you are dissatisfied with a product or service and decide to make a complaint, remember to document the process. Keep a file of receipts, names of people you talk to, dates of attempted repairs, copies of letters you write, and any fees that you have had to pay. Resolving complaints with a business can be handled in five different ways.
Return to the Place of Purchase

Most consumers can resolve their complaints at the original place of purchase. Most businesses care about having a reputation for honesty and fairness and will usually do what is necessary to settle reasonable complaints. Remember to bring sales receipts and other relevant information. Also, keep calm and avoid yelling or threatening the salespeople or managers. Explain the problem as clearly as possible, and ask them to help you resolve it.

Global Financial Landscape

Standard and Poor’s publishes the globally recognized S&P 500® financial index. It also gathers financial statistics, information, and news, and analyzes this data for international businesses, governments, and individuals to help them guide their financial decisions.

ECUADOR

In 2000, Ecuador became the first country in Latin America to adopt U.S. currency and discontinue using its own—a practice called dollarization. Although most nations have their own money, dollarization in Ecuador’s case was a last-ditch effort to save the country’s collapsing economy. It was hoped that trading Ecuadorian money for the American dollar would improve the country’s financial situation. It has—but to greater and lesser degrees. For example, the exchange has lowered inflation but has spurred wage increases only slightly. (Ecuador’s minimum wage has grown from $50 to $120 a month.) For now dollarization has set up a stable economic foundation for growth. It was “a life raft,” sums up one Ecuadorian economist. “We didn’t have many options.”

DATABYTES

<table>
<thead>
<tr>
<th>Capital</th>
<th>Quito</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>12,558,000</td>
</tr>
<tr>
<td>Languages</td>
<td>Spanish and Quechua</td>
</tr>
<tr>
<td>Currency</td>
<td>U.S. dollar</td>
</tr>
<tr>
<td>Gross Domestic Product (GDP)</td>
<td>$45.4 billion (2003 est.)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>$3,200</td>
</tr>
<tr>
<td>Industry:</td>
<td>petroleum, food processing, textiles, and metal work</td>
</tr>
<tr>
<td>Agriculture:</td>
<td>bananas, coffee, cacao, rice; cattle; balsa wood; and fish</td>
</tr>
<tr>
<td>Exports:</td>
<td>petroleum, bananas, shrimp, coffee, and cacao</td>
</tr>
<tr>
<td>Natural Resources: petroleum, fish, and timber</td>
<td></td>
</tr>
</tbody>
</table>

Think Globally

Do you think consumers in Ecuador can resolve purchase complaints as suggested in this chapter? Why or why not?
Contact Company Headquarters

If you cannot resolve your problem at the local store or business, contact the company’s headquarters. Sending a complaint letter such as the one shown in Figure 4.5 can be effective. To find a company’s address, check the Consumer’s Resource Handbook. Your library may have other useful references as well. Company Web sites are also good sources. If you would rather talk to someone in the company’s customer service department but do not know the telephone number, call 1-800-555-1212, the information number. Your library may also carry a directory of toll-free numbers. Some companies print their toll-free customer-service numbers on their packages.

![Figure 4.5 Sample Complaint Letter]

**In Writing**

Sending a letter to a company’s headquarters can produce results when you want to resolve a consumer complaint.

**When should you take this step to resolve a problem?**


**Consumer Agency Assistance**

If the company is not providing the answers you seek, get help from various consumer, business, and government organizations. These groups include national organizations that deal with issues such as nutrition and automobile safety. Local organizations also handle complaints, do surveys, and provide legal assistance.

Among the best-known consumer agencies is the Better Business Bureau, a network of offices around the country sponsored by local business organizations. These bureaus deal with complaints against local merchants. However, the merchants are under no obligation to respond to those complaints. Therefore, the bureaus are most useful before you buy a product. They can tell you about the experiences other consumers have had with a certain store or company.

**Government Agencies** A large network of local, state, and federal government agencies is also available. These agencies handle all types of problems, from false advertising to illegal business activities. One federal agency is the Food and Drug Administration, which sets safety standards for food, drugs, chemicals, cosmetics, and household and medical devices. The Consumer Product Safety Commission, another federal agency, helps protect consumers against unsafe products. If you do not know which consumer protection agency to choose, contact your U.S. representative locally or in Washington, D.C.

**Dispute Resolution**

Dispute resolution programs offer other ways to settle disagreements about a product. Working out a complaint may involve mediation—the attempt by a neutral third party to resolve a conflict between a customer and a business through discussion and negotiation. However, a decision made in mediation is not legally binding. Sometimes manufacturers and industry organizations use the arbitration process to resolve consumer complaints. Arbitration is a process whereby a conflict between a customer and a business is resolved by an impartial third party whose decision is legally binding.

Settling a dispute through one of these methods can be quicker, less expensive, and less stressful than going to court. Sources for dispute resolution programs in your area include:

- Local or state consumer protection agencies
- State attorney general’s office
- Small claims courts
- Better Business Bureau
- trade associations
- local bar associations.

If these dispute resolution methods do not produce the results you want, you may choose to take legal action.

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**LANGUAGE ARTS**

In 2003, the U.S. Better Business Bureau system handled over 773,000 written consumer complaints. Some of the products and businesses that had the highest number of complaints against them included automobile dealers and cellular phone dealers. If you have a complaint, you should always approach the company first. With a partner, prepare a script you could use when approaching a company with a complaint. Rehearse your script together and then present it to the class.

**Unit 1** Planning Personal Finances
Legal Options for Consumers
What are your legal rights?

First, try to settle your dispute by going to the place of business, contacting the company’s headquarters, or getting help from a consumer agency. However, if you are still unhappy with the outcome, your final alternative is the legal system.

Small Claims Court

Every state has a court system to settle minor disagreements. A small claims court is a court that deals with legal disputes that involve amounts below a certain limit. The amount varies from state to state, ranging from about $500 to $10,000. Cases usually do not involve juries or lawyers, so the cost of this type of legal action is relatively low. The decision of the judge is final.

When you present your case, you should be calm and polite and stick to the point. Submit your own evidence, such as receipts, contracts, and photographs. You may use witnesses who can testify on your behalf and support your claim. The process takes a few weeks.

Careers in Finance

RETAIL SALES ASSOCIATE

Jamie Jefferson
Patagonia

Before Jamie worked at Patagonia, she was a frequent customer. As a participant of outdoor sports, Jamie was happy to land a sales associate position at a Patagonia store, a company that specializes in outdoor gear. She appreciates being surrounded by merchandise that she actually uses. She enjoys working with others and tending to customers who share similar interests. Jamie also finds value in working with a company that shares her enthusiasm for the environment. Patagonia employees are expected to educate themselves about environmental campaigns, and the workplace recycles all paper, glass, and plastic items. Retail sales associates often work for stores that reflect their interests.

SKILLS: Sales, communication, cooperation

PERSONAL TRAITS: Positive, neat, detail-oriented, shares company’s vision for outdoor activities and responsibilities, able to lift heavy objects and stand for long periods of time

EDUCATION: High school diploma or equivalent, sales experience

ANALYZE How do you think a company such as Patagonia trains employees to respond to customer complaints?

To learn more about career paths for retail sales associates, visit finance07.glencoe.com.
Class-Action Suits

Sometimes many people have the same complaint. For example, several people may have been injured by a defective product or overcharged by a utility company. Such a group may qualify for a class-action suit. A **class-action suit** is a legal action on behalf of all the people who have suffered the same injustice. These people are called a “class” and are represented by one lawyer or a group of lawyers working together.

If a situation qualifies for a class-action suit, all parties must be notified of the suit. An individual may decide to file a separate lawsuit instead. If the court rules in favor of the class action, the money awarded is divided among the claimants or put into public funds.

Other Legal Alternatives

If you do not want to go to small claims court or join in a class-action suit, you may seek the services of a lawyer. Get a referral for a lawyer from someone you know. You can also find the names of lawyers in newspapers, in the yellow pages of the phone book, or by calling a local branch of the American Bar Association (ABA), a professional organization of lawyers. It is important to make sure that the lawyer you choose has experience in handling your type of case. You should also ask about fees and payment policies. Lawyers can be expensive. You may decide that your problem is not worth the time and expense.
If the cost of lawyers and other legal services is too high for you, you may seek help from a legal aid society, a network of community law offices that provide free or low-cost legal assistance. Supported by public funds, these offices provide a variety of legal services. Not everyone is eligible for help from a legal aid society. Your income must fall below a certain amount to qualify, which varies from state to state.

If you do not qualify to use the legal aid society, and hiring a private attorney is out of your budget, you might visit a legal clinic. In many cases, such businesses can offer basic assistance with advice and filing paperwork. In addition, some private attorneys offer their services at reduced rates and work part time in legal clinics.

Many tools are available to protect your rights. However, they will not be valuable, unless you use them. You will have fewer consumer problems if you do business only with companies that have good reputations. You should avoid signing contracts and other documents you do not understand, and watch out for offers that seem too good to be true.

Section 4.2 Assessment

QUICK CHECK
1. What are some typical consumer complaints?
2. What are five methods of resolving consumer complaints?
3. What are some of the advantages and disadvantages of taking a consumer dispute to small claims court?

THINK CRITICALLY
4. Write a brief paragraph describing a product or service with which you were dissatisfied, and explain what the problem was. Did you complain? If so, what specific steps did you take, and what was the outcome?

USE COMMUNICATION SKILLS
5. Too Good to Be True? You recently received a letter offering a four-day vacation trip to Hawaii for only $350. The price includes transportation, a hotel room, and meals. To reserve a space, you must send $175. The offer sounds too good to be true, and you suspect that it is fraudulent.

After You Read

REACT

What legal remedies are available for settling consumer disputes?

QUICK CHECK
1. What are some typical consumer complaints?
2. What are five methods of resolving consumer complaints?
3. What are some of the advantages and disadvantages of taking a consumer dispute to small claims court?

THINK CRITICALLY
4. Write a brief paragraph describing a product or service with which you were dissatisfied, and explain what the problem was. Did you complain? If so, what specific steps did you take, and what was the outcome?

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Discuss With your classmates, brainstorm various types of fraud. Discuss ways to avoid becoming a victim of fraud.

SOLVE MONEY PROBLEMS
6. Resolving Consumer Complaints
Eduardo and Ana recently bought a new dining room table that they saw advertised on a furniture manufacturer’s Web site. When the table arrived and they opened the box, they discovered long, deep scratches on the top of the table. The manufacturer is located thousands of miles from where they live. The box had no directions about how they could return the product.

Write About It Describe the steps Eduardo and Ana should take to resolve their situation and get either a refund or a new table.
CHAPTER SUMMARY

- Buying decisions are influenced by several factors: economic factors, such as prices, brand names, quality, and maintenance costs; social factors, such as lifestyle and culture; and personal factors, such as age, occupation, and family size.
- A research-based approach to buying involves identifying needs, gathering information, becoming aware of the marketplace, weighing alternatives, and making the purchase. The purchase may involve negotiation, plus you will need to determine whether to pay cash or use credit.
- Make buying decisions by using the following strategies: time your purchases, select stores, compare brands, check labels, compare prices, and evaluate warranties.
- To solve consumer problems, return to the place of purchase, contact the company that manufactured the disputed product, obtain help from a consumer agency or dispute resolution program, or initiate legal action.
- Legal alternatives available to consumers include lawsuits in small claims court, joining in a class-action suit, hiring a lawyer, and obtaining assistance from a legal aid society.

Communicating Key Terms

A neighbor who has just moved to the United States is buying several large appliances. He is having some difficulty understanding some of the advertising information on the products. Write simple explanations of eight of the terms below that you think he may be having trouble understanding.

- down payment
- cooperative
- impulse buying
- open dating
- unit pricing
- rebate
- warranty
- service contract
- fraud
- mediation
- arbitration
- small claims court
- class-action suit
- legal aid society

Reviewing Key Concepts

1. List the economic, social, and personal factors that influence a decision to buy an article of clothing.
2. Describe the research-based steps for buying a personal computer.
3. Explain why some of the strategies for making wise purchases may be more important than others, depending on the item being purchased.
4. Identify methods to resolve consumer complaints.
5. Describe the advantages and disadvantages of small claims court and joining a class-action suit.
**Back to School** You have $130 to spend at August “back-to-school” sales. The tennis shoes you really want cost $105 plus 7 percent sales tax. Online, the shoes cost $95.99, with 11 percent shipping charges but no sales tax. Based on experience, you think the shoes’ price will be one-third less by mid-October.

1. **Calculate** (a) How much will the shoes cost in October? Compare that total price to the current store and online prices. (b) What trade-offs do you incur by waiting to buy the shoes? (c) How do those trade-offs compare to having more money now for other purchases?

2. **Compute** by using spreadsheet software the total costs of the shoes in stores now, online now, and in stores in October.

**Connect with Social Studies** In late 2004, a pain medication called Vioxx was removed voluntarily from the market by its manufacturer, Merck, Inc., due to a risk of heart-related problems. Merck lost a great deal of income and its stock price went down significantly.

**Research** Use library and Internet sources to find out about Merck’s voluntary removal of Vioxx and the potential for class-action lawsuits against the company. Investigate the Federal Food and Drug Act and other laws aimed at protecting citizens and summarize your findings.

**Language Arts** Many consumers are attracted to name brands because they are recognized through advertising. However, generic or store brands have become popular alternatives.

**Write About It** Write a paragraph explaining three reasons for buying a brand-name product and three reasons for buying a store brand instead.

**Shopping Online** Many people limit their online purchases to books, CDs, and airplane tickets. Based on this chapter, explain why you would or would not buy the following items online:

**Log On** Use an Internet search engine to find Web sites selling the items listed:

1. Expensive tennis shoes
2. An iPod
3. A dress or suit for the prom
4. Flowers for your mother
5. The latest CD from your favorite band
6. Four CDs from your favorite bands

**Newsclip: Continuous Shopping** Consumer spending has been on the rise since 2001. Despite unemployment rates, higher oil prices, and terrorist threats, Americans continue to shop.

**Log On** Go to finance07.glencoe.com and open Chapter 4. List reasons consumers continue to spend. Ask your teenage friends what they buy and want. Make a list.
ARE YOU A SMART SHOPPER?

With so many places to shop and a wide variety of products to buy, it takes skill and practice to get the most from your money. On a separate sheet of paper, test your shopping know-how.

1. When I want something, I
   a. go to the nearest store that has it and buy it.  (1 point)
   b. locate where I can buy it at the lowest cost today and buy it.  (2 points)
   c. wait for the item to go on sale.  (3 points)

2. I like to
   a. buy what looks good to me at the time.  (1 point)
   b. look at consumer guides to help me choose the best buy.  (2 points)
   c. compare all the brands and decide which offers the most value.  (3 points)

3. When buying an item in the drugstore, I
   a. always buy name brands.  (1 point)
   b. always buy generic brands.  (2 points)
   c. calculate the best price per weight or unit and buy accordingly.  (3 points)

4. When shopping for clothes, I
   a. buy what strikes my fancy.  (1 point)
   b. only buy what’s on sale.  (2 points)
   c. only buy what I know I will wear.  (3 points)

5. I use coupons whenever I can.
   a. Never  (1 point)
   b. Sometimes  (2 points)
   c. Always  (3 points)

6. When eating out, I
   a. order what I want, regardless of cost.  (1 point)
   b. sometimes am more concerned about cost but sometimes order expensive dishes.  (2 points)
   c. always look at prices and order accordingly.  (3 points)

7. Whenever I can, I borrow books and DVDs from the library.
   a. Never  (1 point)
   b. Sometimes  (2 points)
   c. Always  (3 points)

8. When buying CDs or DVDs, I
   a. get what I want as soon as it comes out.  (1 point)
   b. try to wait for a sale but get what I want if I really want it.  (2 points)
   c. wait for a sale.  (3 points)

If you scored:

21–24: You are a smart shopper. However, be sure you treat yourself occasionally.
16–20: You sometimes make choices that cost more, but you are usually aware of them.
Less than 16: Try to practice a few more smart shopping skills and see how much you save.
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 ten 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.

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

Average Monthly Income

Income:
- Monthly take-home pay from Computer Warehouse: $502.50
- Income from setting up and troubleshooting computers: 50.00
- Other income: 20.00

Total Income: $572.50

Average Monthly Expenses

Expenses:
- Fixed Expenses
  - Online services: $20.00
  - Car loan and insurance: 135.00
- Variable Expenses
  - Entertainment and personal: 90.00
  - Gifts and contributions: 25.00

Total Expenses: $270.00

(Total Income – Total Expenses = Savings)
($572.50 – 270.00 = $302.50)
David can save $302.50 a month.

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?
Setting Up a Career Plan

Overview

Carrie Houston will be graduating from high school this year. She is facing many important decisions—from developing her personal financial goals to planning her career strategy. She is interested in fashion design and computer graphics and has been taking related classes.

When you make decisions, you are taking control of your life. You can shape your future in ways that are important to you. To make sound decisions, you should identify your goals and understand the ways in which your personal values and life situations will influence your choices. If you are prepared to make decisions—rather than leave your future to chance or allow others to tell you what to do—you will be able to achieve personal satisfaction and financial security.

Develop a process to help plan your own career; then share it with Carrie so that she can plan her future career.

Procedures

The Process

In order to develop a career plan, you must set goals, understand your abilities and interests, and conduct research. By following this process, you will have a head start into your future. In addition, you will be able to share what you have learned with Carrie or your friends.

1. Develop five to seven financial goals. You should have at least one short-term goal, one intermediate goal, and one long-term goal. Your selected career will help you meet your goals.
2. Take an aptitude test and/or interest inventory. You can find these in your school’s guidance office or career center, or on the Internet.
3. Research a career that interests you. Make sure that you find out about the educational requirements, skills needed, pay range, duties and responsibilities, opportunities for advancement, and future trends in the field.
4. Conduct an informational interview with someone who is working in your area of interest to gather practical information, or arrange to “job shadow” someone in your selected field. (To job shadow means to follow a person on the job for a day to learn about a particular career.)
5. Obtain catalogs from colleges or other post-secondary institutions where training is offered in the field you are researching. Try to locate at least one institution in your community, one in your state, and one out of state.
6. Using a word-processing program, create templates for a résumé and cover letter.

Resources & Tools

• Career center/guidance office at school
• Career-development book
• Crayons, markers, colored pencils
• Internet
• Portfolio (ring binder or file folder)
• Poster board
• Presentation software (optional)
• Public or school library
• Word-processing software
Create Your Portfolio
As you work through the process, save the results so that you can refer, review, and refine. Divide your portfolio into six sections. Label the sections: (1) Goals, (2) Tests, (3) Career Research, (4) Live Work, (5) Education, and (6) Résumé.

1. Using a word-processing program, type your goals in a large font (16–18 point). These will be your guiding principles. Place them in Section 1.
2. Place the results of your aptitude test or interest inventory in Section 2.
3. Type a two- or three-page (double-spaced) career report based on your research, and place it in Section 3.
4. Write about your informational interview or job shadowing experience. Include pictures, brochures, or other materials that you might have received. Place these items in Section 4.
5. Place the catalogs that you collect in Section 5.
6. Place the templates that you create in Section 6.

Presentation
One of the most important skills that employers look for in a good employee is the ability to communicate. This is a skill that you can develop in class through oral presentations.

1. Read a book on career development. Examples include:
   - *Who Moved My Cheese?* by Spencer Johnson
   - *Job Interviews for Dummies* by Joyce Lain Kennedy
   - *Cool Careers for Dummies* by Marty Nemko, Paul Edwards, and Sarah Edwards
   - *I Could Do Anything If I Only Knew What It Was* by Barbara Sher with Barbara Smith
2. Using either presentation software or poster board with markers, crayons, or colored pencils, create a five-minute presentation that summarizes the book.
3. Include your opinion of the book, stating whether you would recommend it to Carrie.