

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

“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!

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)

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.

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 not 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?