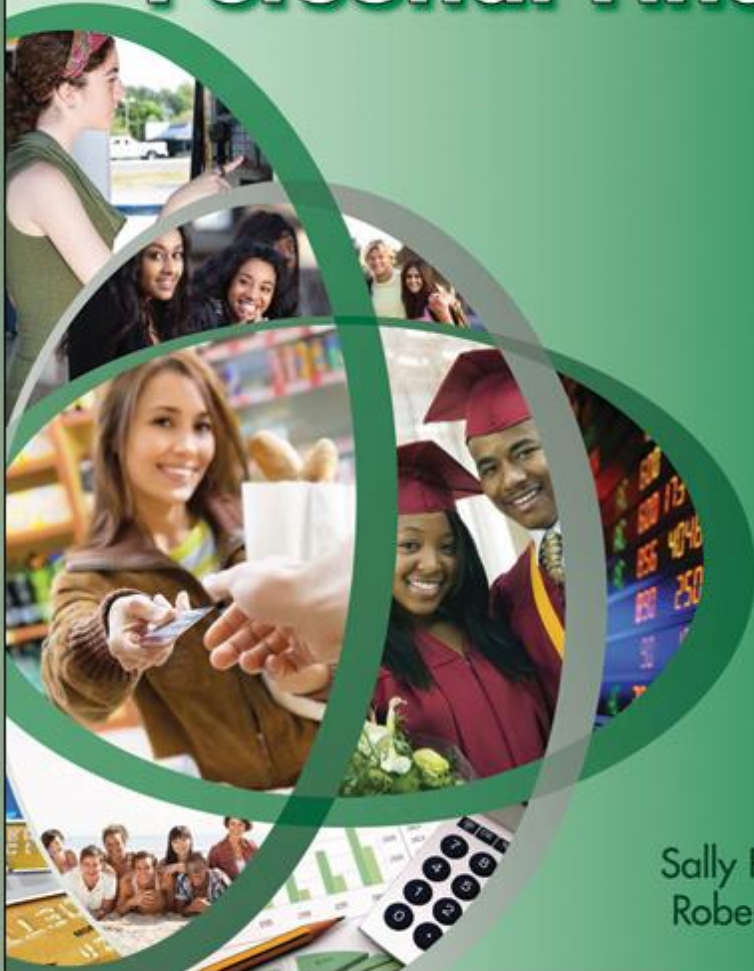


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# Foundations of Personal Finance

Ninth Edition



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*PowerPoint Presentations for*

# Foundations of Personal Finance

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# Chapter 9

## **Smart Shopping Basics**

Section 9.1

# **SHOPPING BASICS**

# Objectives

- Compare and contrast brick and mortar stores with nontraditional sellers.
- Describe selling techniques used by sellers to get consumers' attention.

# Terms

- marketplace
- brick and mortar businesses
- telemarketing
- t-commerce
- e-commerce
- consumer cooperative
- advertising
- product placement
- infomercial
- buying incentive
- coupon
- rebate
- loss leader
- game of chance
- focus group

# Marketplace

- The **marketplace** is the place buyers and sellers meet to exchange goods, services, and money
- **Brick and mortar businesses** operate out of a physical location
  - Department stores and specialty shops
  - Superstores and warehouse clubs
  - Discount stores and factory outlets
  - Resale shops

# Nontraditional Sellers

- *Catalogs* are used to order goods and services featured on their pages
- **Telemarketing** is the sale of merchandise by phone
- **T-commerce** is the sale of merchandise on TV
- **E-commerce** is buying and selling goods and services online

# Nontraditional Sellers (Continued)

- Internet auctions—highest bidder “wins” and purchases the item (reserve prices may exist)
- Free online classified listings
- A **consumer cooperative** is owned/operated by a group of members for their own benefit



# Selling Methods

- **Advertising** is a paid public announcement promoting a product or service
- Some advertising techniques include:
  - Green
  - Humor
  - Insecurity
  - Testimonials
  - Celebrity endorsements
  - Bandwagon
  - Puffers
  - Nostalgia
  - Statistics

# Selling Methods (Continued)

- **Product placement** is showing brand name or products or trademarks in movies and TV programs
- **Infomercial** is a paid TV program designed to sell a service, product, or idea
- **Direct mail advertising**, also called *junk mail*, is advertisements sent to a residence

# Special Sales and Promotions

- *Clearance sale*—a reduction from the previous price
- *Closeout sale*—a product is discontinued so the price is discounted
- *Going-out-of-business sale*—the business owner is closing the business
- *Introductory offer*—an initial price that will increase
- *Liquidation*—a reduction in prices to convert inventory to cash

# In Your Opinion

What are some things a person can do to avoid impulse buying?

# Special Sales and Promotions (Continued)

- A **buying incentive** is a special offer by sellers to help sell good and services
  - **Rebate** is a cash back offer
  - **Loss leader** is an item priced at or below cost to attract buyers

# Packaging and Display Tools

- Impulse items placed near checkout counter
- Items near the floor are least noticed
- Items at waist level increase sales near 60 percent
- Items at eye level increase sales near 80 percent
- Other tools used in packaging include:
  - Color
  - Shape/size
  - Labels
  - Recyclable
  - Convenience

# Did You Know?

Supermarkets place nonessential items near the front of the store. Items such as dairy products, breads, and other essentials will be located much further into the store.

# Review 9.1

- What is the other name by which direct mail advertising is also known?
  - Junk mail
- What does the term *brick and mortar* mean?
  - Store with a physical location where customers can go to shop



Section 9.2

# **BEFORE YOU SHOP**

# Objectives

- Recognize and develop the shopping skills you need for different types of shopping.
- Make suggestions on how to shop for various types of personal goods.
- Evaluate warranty promises and coverage for products you buy.

# Terms

- comparison shopping
- nutrients
- equilibrium
- organic food
- unit price
- EnergyGuide label
- ENERGY STAR program
- work order
- warranty
- limited warranty
- implied merchantability
- implied fitness
- extended warranty
- obsolete

# Shopping Tips

- Every shopping decision has an opportunity cost
  - Money is a limited resource
  - Spending money now means giving up the opportunity to spend it later
  - Consumers should look at the costs and benefits of spending alternatives
- Smart shopping requires well-defined goals and a clear view of your resources

# Shopping Tips (Continued)

Levels of Quality		
Best Quality	Medium Quality	Lower Quality
<p><b>Upper Price Range</b></p> <ul style="list-style-type: none"> <li>• top of the line</li> <li>• most and best features</li> </ul>	<p><b>Medium Price Range</b></p> <ul style="list-style-type: none"> <li>• standard features</li> <li>• customary materials, design, and performance</li> </ul>	<p><b>Lowest Price Range</b></p> <ul style="list-style-type: none"> <li>• few features</li> <li>• adequate materials, design, and performance</li> </ul>
<p><b>Buy when:</b></p> <ul style="list-style-type: none"> <li>• you can afford the best and owning it is worth the cost.</li> <li>• top quality and performance are needed for frequent or extended use.</li> </ul>	<p><b>Buy when:</b></p> <ul style="list-style-type: none"> <li>• medium quality suits your purpose and is affordable.</li> <li>• the best is not necessary for the amount of use it will get.</li> <li>• durability, practicality, and reasonable price are important.</li> <li>• extra features are not required.</li> </ul>	<p><b>Buy when:</b></p> <ul style="list-style-type: none"> <li>• the item is necessary, and it is all you can afford.</li> <li>• lower quality suits your purpose.</li> <li>• the item will be used only occasionally or temporarily.</li> <li>• the item will be outdated or outgrown soon.</li> </ul>

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# Shopping for Goods

- **Comparison shopping** is when you compare products, services, and prices to find the best buy
- Do not let price reductions tempt you to buy what you do not really want or need

# In Your Opinion

How can you plan your purchases to match the timing of sales?

# Shopping for Food

- The food you eat affects how you feel, look, and function
  - Nutrients furnish energy, build and maintain body tissues, and regulate body processes
  - Six types of nutrients: proteins, fats, carbohydrates, vitamins, minerals, and water
- Eating out is usually more expensive than preparing meals at home



# Shopping for Food (Continued)

- Supply and demand affect the price of food
- **Organic food**
  - Produced without synthetic fertilizers, pesticides, or genetic engineering
  - Tends to be more expensive
  - Organic meats and poultry come from animals raised without the use of growth hormones, antibiotics, or feed made from animal parts

# Shopping for Food (Continued)

- A food budget prevents impulse buying and overspending
- Make a grocery list and spending limit
- **Unit price** is cost per unit, weight, or measure; it can be used to find the best value

# Shopping for Clothing

- Look seriously at your budget and clothing needs before shopping for clothes and shoes
- Prioritize your needs and focus on the most important items first
- Check labels for care instructions

# Electronics and Appliances

- **EnergyGuide label** shows the estimated annual cost of operating an appliance
- ENERGY STAR label appears on appliances and electronics that meet strict energy and water-saving criteria
- Check costs for delivery, installation, and removal of your old appliance

# Electronics and Appliances (Continued)



*United States Environmental Protection Agency*

# Services

- When buying a service, you are buying on faith
- Check the provider's qualifications and reputation
- A **work order** is a document that describes the work to be performed

# After the Purchase

- A **warranty** is a guarantee that the product will meet performance and quality standards
- A **limited warranty** is a guarantee for service, repairs, and replacements only under certain conditions
- An **implied merchantability** is an unwritten guarantee that the product is what it is called and does what its name implies
- **Implied fitness** is an unwritten promise that a product must be fit for purpose promised by seller

# Discussion

- Have you purchased an extended warranty?
- Was it worth the cost?
- Did you ever use the warranty?



# After the Purchase (Continued)

- Product safety is important, and you can prevent many home accidents by taking simple precautions
- Product service can be expensive if the item is not under warranty
- Keep receipts, owners manual, and warranties paperwork
- Products eventually break or outlive their usefulness and become obsolete

# Did You Know?

The UL seal of Underwriters Laboratories, Inc. indicates that a product has been tested and meets UL standards for electrical, thermal, and fire hazards.

# Review 9.2

- What does comparison shopping involve?
  - Gathering information about products, services, and prices to find the best buy among similar products and services
- What is the name given to food produced without synthetic fertilizers, pesticides, or genetic engineering?
  - Organic food