CHAPTER 4

Consumer Purchasing and Legal Protection
What You’ll Learn

- **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.
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, by looking at store advertisements, or by doing research on the Internet.
Factors That Influence Buying Decisions

Wise buying decisions will:

- Help you get the most out of the products you buy now
- Enable you to meet your long-term financial goals

To get the most for your money, you will need to recognize the economic, social, and personal factors that affect your buying habits.
Trade-Offs and Buying Decisions

Keep in mind that buying decisions always involve trade-offs.

Some examples of trade-offs include:

- Buying a sound system with a credit card instead of waiting until you have saved enough money to pay cash for it
- Choosing a poorly made or difficult to repair jacket because it is the cheapest one available
Researching Consumer Purchases

By taking time to do research and evaluating products you want to buy, you can get more value for your money.

A research-based approach to buying has four phases:

- Before you shop
- Weighing alternatives
- Making the purchase
- After the purchase
Phase 1: Before You Shop

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
- 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>
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<tr>
<th>Economic Factors</th>
<th>Social Factors</th>
<th>Personal Factors</th>
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<td>• Warranty</td>
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### 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?**
Identifying Your Needs and Gathering Information

If you define your needs clearly, you will be more likely to make the best buying decisions. Information for buying decisions usually falls into three categories:

- Costs
- Options
- Consequences
Information Sources

Simple, routine purchases probably do not require much more research than your own experience can provide. You can find information about more expensive items through:

- Recommendations by people you know
- Product advertising and labeling
- Media sources
- Consumer publications
- Government agencies
- The Internet
Phase 2: Weighing Alternatives

As you evaluate alternatives when making a purchase, decide which characteristics of the product are important to you. 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
Compare Prices

The price of an item is an important consideration. When prices and quality vary, you have two options:

- Buy the highest-quality item if you can afford all choices.
- Consider buying the item that gives you the best value per dollar if you cannot afford all choices.

*Remember that while differences in price may be related to quality, price does not always equal quality.*
Comparison Shopping

Comparison shopping can be useful when:

- You are buying complex or expensive items.
- You are buying items you purchase often.
- You are using the Internet, print advertisements, or mail-order catalogs.
  - What’s that TV show?? Extremely Couponing
- 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, you may wish to:

- Negotiate the price.
- Decide whether to use credit or cash.
- Determine the real price of the product.

Certain purchases, such as real estate or cars, may involve price negotiation. To negotiate, research information about the product and the buying situation.
Deciding on Cash or Credit

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
- Type of credit account
- Payment period
- Amount of down payment
Phase 4: After the Purchase

After making a purchase, you may have other costs or tasks. When buying a car, for example, these will include:

- Additional maintenance
- Ownership costs (gasoline and insurance)
- Repair service

Remember that the purchasing process is an ongoing activity. You should rethink and reevaluate your decisions.
Smart Buying Strategies

Whatever your buying style, several strategies can help you get the most value for your dollar:

- Timing of purchases
- Store selection
- Brand comparison
- Label information research
- Price comparison
- Warranty evaluation
Timing Purchases

You are more likely to find a bargain at certain times of the year. You can save money by:

- Buying seasonal clothing about midway through a particular season
- Shopping at back-to-school sales, spring sales, and other special sales
- Taking advantage of clearance sales
Store Selection

Your decision to shop at a store may be influenced by the:

- Quality and variety of goods
- Price
- Hours
- Location
- Reputation
- Policies
- Services such as parking and delivery
Alternatives to Store Shopping

Over the years, several alternatives to store shopping have emerged, including:

- The cooperative
- Direct selling (mail order, TV home shopping, and online shopping)

An advantage of these types of shopping is the convenience of not having to leave home; disadvantages include paying for shipping and handling and difficulty in returning purchases.
Brand Comparison

Remember to consider price and quality when:

- Comparing brands
- Choosing between national-brand products and store-brand, or generic, products

You can avoid **impulse buying** by:

- Planning what you are going to buy before you shop
- Taking a list of what you need

Impulse buying can cost you more, and you may buy products that you do not really need.
Impulse Buying

Too much impulse buying can ruin a budget. When you are tempted to buy clothes, cool sneakers, CDs, or anything else that you really do not need, give yourself a two-day cool-down period. If you decide you really want it, you can go back to the store and buy it. However, chances are that most things will not seem as necessary a few days later.

How would you plan your budget to allow for some impulse buying?
Label Information Research

Federal laws require labels to present factual information.

For example, food labels must indicate the:

- Common name of the product
- Name and address of the manufacturer or distributor
- Net weight of the product
- List of the ingredients in decreasing order of weight
- Nutritional information
HONEST BRANDING Some food labels claim that the product is considered “low in fat” or “lighter.” Foods must meet government criteria to be labeled with such terms. *Why do you think this type of regulation is necessary?*
Open Dating

To help consumers determine the freshness of some foods, manufacturers print dates on the labels. Labels indicate open dating with phrases such as:

- “Use before May 25, 2008”
- “Not to be sold after October 8”
Price Comparison

You can save money by taking advantage of:

- Discount coupons
- Manufacturers’ rebates

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.
Section 4.1
Consumer Purchasing

Guidelines for Price Comparison
When comparing prices, the following guidelines can be very helpful:

- More convenience usually means higher prices.
- Large packages are usually the best buy.
  - What store follows this motto???
- Ready-to-use products usually have higher prices.
  - How about some examples???
- Buying items “on sale” may not always mean that you save money.
  - Why????
Warranty Evaluation

Many products come with a guarantee of quality called a warranty. Warranties are divided into two basic types:

- **Implied**—unwritten guarantees that cover certain aspects of a product or its use
- **Express**—full or limited written warranties

When you buy a product, you may be offered an extended warranty, or service contract. Before purchasing a service contract, make sure that it is worth the cost.
Smart Shopping

Smart shoppers know:

- When to buy
- Where to buy
- What to buy
- How much to pay
- How to make sure that the products they buy will perform as advertised
Main Idea
Various methods can solve consumer problems. Legal alternatives are available to consumers.
Sources of Consumer Complaints

Every purchase involves some degree of risk. Most customer dissatisfaction results from products that are:

- Defective
- Of poor quality

Consumers also complain about:

- Unexpected costs
- Deceptive pricing
- Unsatisfactory repair service

Another source of consumer complaints is fraud.
Common Types of Fraud

As a consumer, you must be aware of various types of fraud. Telephone and mail scams, for example, may offer you phony:

- Free prizes
- Travel packages
- Work-at-home schemes
- Investment opportunities
Section 4.2
Resolving Consumer Complaints

Protecting Yourself from Fraud

Protect yourself from consumer fraud by:

- Recognizing it before you become a victim
- Reporting it if you see it happening
Resolving Differences Between Buyers and Sellers

If you are dissatisfied with a product or service and decide to make a complaint, document the process by keeping a file of:

- Receipts
- Names of people you talk to
- Dates of attempted repairs
- Copies of letters you write
- Any fees that you have had to pay
Return to the Place of Purchase

Most consumers can resolve their complaints at the original place of purchase. Remember to:

- Bring sales receipts and other relevant information.
- Remain 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.
Section 4.2
Resolving Consumer Complaints

Contact Company Headquarters

If you cannot resolve your problem at the local store or business, contact the company’s headquarters. Sending a complaint letter can be effective.

You can find a company’s address through:

- Consumer’s Resource Handbook
- The library
- Company Web sites
Consumer Agency Assistance

If the company is not providing the answers you seek, get help from various:

- Consumer organizations
- Business organizations (Better Business Bureau)
- Government organizations (Food and Drug Administration, Consumer Product Safety Commission)
Dispute Resolution

Dispute resolution programs offer other ways to settle disagreements about a product. Working out a complaint may involve:

- **Mediation**
- **Arbitration**

Settling a dispute through one of these methods can be quicker, less expensive, and less stressful than going to court.
Sources for Dispute Resolution

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.
Legal Options for Consumers

First, try to settle your dispute by:

- Going to the place of business
- Contacting the company’s headquarters
- 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. When you present your case in a small claims court:

- Be calm and polite and stick to the point.
- Submit your own evidence, such as receipts, contracts, and photographs.
- Use witnesses who can testify on your behalf and support your claims.

This process will take a few weeks.

I am sure most of you have watched “Judge Judy at some point in your life.
Class-Action Suits

Sometimes many people have the same complaint. A group may qualify for a class-action suit when several people are, for example:

- Injured by a defective product
- Overcharged by a utility company

If a situation qualifies for a class-action suit, all parties must be notified of the suit. If a court rules in favor of the class action, the money awarded may be:

- Divided among the claimants
- 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. You can find a lawyer by:

- Getting a referral from someone you know
- Checking newspapers and the yellow pages of the phone book
- Calling a local branch of the American Bar Association (ABA)

Make sure that the lawyer you choose has experience in handling your type of case.
Legal Aid Society

If the cost of lawyers and other legal services is too high for you, you may be able to:

- Seek help from a legal aid society.
- Visit a legal clinic.

Your income must fall below a certain amount to qualify for help from a legal aid society.
Avoiding Consumer Problems
You will have fewer consumer problems if you:

- Do business only with companies that have good reputations.
- Avoid signing contracts and other documents you do not understand.
- Watch out for offers that seem too good to be true.
Key Term Review

- 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.

Buying decisions are influenced by:
- Economic factors—prices, brand names, quality, and maintenance costs
- Social factors—lifestyle and culture
- Personal factors—age, occupation, and family size
Reviewing Key Concepts

2. Describe the research-based steps for buying a personal computer.

A research-based approach to buying involves:

- Identifying needs
- Gathering information
- Becoming aware of the marketplace
- Weighing alternatives
- Making the purchase
Reviewing Key Concepts

3. Explain why some of the strategies for making wise purchases may be more important than others, depending on the item being purchased.

Although some purchases may require more careful weighing of options, smart shoppers know:

- When to buy
- Where to buy
- What to buy
- How much to pay
- How to make sure that the products they buy will perform as advertised
Reviewing Key Concepts

4. Identify methods to resolve consumer complaints.

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.
- Initiate legal action.
Reviewing Key Concepts

5. Describe the advantages and disadvantages of small claims court and joining a class-action suit.

If you are unable to solve a dispute through other means, the legal system may help you to achieve your desired results. However, going to court will be:

- Slower
- More expensive
- More stressful
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 you teenage friends what they buy and want. Make a list.