

New South Wales Commerce and Mathematics

Module 3 Consumer decisions



Financial Literacy
Curriculum Resource
2008 Revised Edition

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Introduction

The Commonwealth Bank has been supporting education for more than 70 years, since the introduction of school banking in 1931. In 2003, we strengthened our commitment to education through the establishment of the Commonwealth Bank Foundation.

The Foundation seeks to encourage developments in education, particularly the financial literacy skills of young Australians, and aims to create awareness, skill and understanding of the benefits of a more financially literate community.

By helping our young people understand money management, we will empower them to take effective decisions to achieve their financial goals.

With this in mind, we are pleased to announce the availability of a national financial literacy curriculum resource which has been developed to support the teaching of financial literacy in the classroom.

Developed by a National Steering Committee comprising representatives across a broad range of state and territory education departments, sectors and professional teachers' associations, the curriculum materials have been designed to support the teaching of financial literacy in Years 7 to 10.

This practical and relevant curriculum resource has been designed to be easily incorporated into a number of subject areas and has been mapped to the curriculum in each state and territory.

There are twelve modules covering:

- Earning an income
- Spending and saving
- Consumer decisions
- Consumer protection
- Buying a car
- Financial services
- Managing finances
- Consumer awareness
- Personal investment
- Planning and running a business
- Impact of technology
- Economics of everyday finance

The resource materials can be easily downloaded via the Commonwealth Bank Foundation's website www.commbank.com.au/foundation

We hope you find this resource a valuable tool to use in your classroom.

The Commonwealth Bank Foundation Team



Module 3: Consumer decisions

Background scenario

The case studies are developed around two families: the Drivers and their relatives the Fullbricks; as well as their friends and workmates. The Drivers, Ilse and Laurie, have two teenagers: Elizabeth, aged 15, and Nathan, aged 17. Both work part-time. Ilse has ongoing medical problems and Laurie works for a small trucking company. Grandmother Josefina lives with the family. The second family is the Fullbrick family, to whom they are related through Uncle Frank, Ilse's wealthy brother. Frank Fullbrick runs a construction company, and his partner Sella is a marketing manager. Mark is their teenage son.

Royce lives next door to the Drivers and is good friends with Nathan and Elizabeth.

Teacher notes

The following tasks are designed to teach students about:

- the key factors influencing consumer decisions, such as finance, price, marketing, age, gender, convenience and service;
- factors that contribute to changes in behaviour and practices by individuals and organisations;
- issues to consider in comparison shopping such as the types of goods and services, brands, where to buy in terms of retail outlets and locations, at a variety of scales (local to global); and
- researching consumer information from a variety of sources including the Internet, advertising material, specialist magazines and comparison shopping surveys.

Stimulus material provided:

- H.3.1 Consumer life events.
- H.3.2 Life events that impact on spending and saving.

The tasks are designed to promote debate and discussion of many moral issues including stereotyping and gender issues. There is no correct answer for many of these questions.

There are also general teacher notes available at the beginning of each unit.

Key terms and definitions

Comparison shopping	The process of shopping around to compare prices, quality and features of different brands.
Convenience	Ease of use, timely.
Gender	Male or female.
Life cycle stage	The different stages of life through which people pass, from childhood to post retirement.
Marketing	The ways in which a business attempts to attract customers to buy its goods and services.
Target market / consumer group	A group of customers on which a business focuses its activities or marketing efforts. Their characteristics form a consumer profile.
Trend	The general direction in which something tends to move.

Task 1: Consumer preferences

Teacher notes

There are no simple answers for Task 1A. Students should consider the impact of price, branding, marketing strategies, style of product, peer culture, location, income, gender, customer service and other factors on purchase decisions.

Tasks 1B and 1C may be undertaken as group tasks. If difficulties arise in accessing members of certain life stage groups for the survey, these tasks may need to be structured differently. For example, student groups survey one or two members from each of the identified life stages. After this the information will need to be collated in class and redistributed so that groups are presenting the findings for one consumer group only. It is important for the teacher to ensure that all life stage groups are as equally covered as possible.

H.3.2 Life events that impact on spending and saving is essential stimulus material for this task.

Teachers may also like to work with maths teachers in the development and compilation of statistics for Tasks 1B and 1C.

Scenario

Sella brings the Drivers a new range of cool denim clothing and accessories (called FY - For You) for teenagers. She is responsible for developing marketing strategies to attract teenagers to buy the range. She is keen to get feedback from Nathan and Elizabeth on the products, prices and advertising campaign.

Student activities	Learn about, <i>Learn to</i>
<p>Task 1A. Consumer preferences</p> <p>Read the scenario. Discuss as a class:</p> <ol style="list-style-type: none"> 1. Why would Sella be seeking the opinion of Nathan and Elizabeth? 2. What factors might they feel will influence teenager demand for these products? 3. Does it matter that production of jeans is very environmentally damaging? 4. Who sets the trends for purchase decisions today? 5. What advice would you give Sella about how to go about marketing such products to teenagers? 6. How can she build customer loyalty for these products? 7. Will teenagers always want to wear denim jeans and gear? 8. Will brands always matter? <p>Task 1B. Consumer preferences survey and peer presentation</p> <ol style="list-style-type: none"> 1. Refer to the life cycle diagram about consumer groups provided on <i>H.3.1 Consumer life events</i>. 2. Form class groups of 3-4. Select one of these consumer groups at a different life stage: <ul style="list-style-type: none"> • primary students (6-12 years) • secondary students (13-18 years) • young adults (19-25 years) 	<p>Commerce</p> <p>1.1 Consumer Choice</p> <p>Consumer decisions</p> <ul style="list-style-type: none"> • Key factors affecting consumer decisions - finance, price, marketing, age, gender, convenience, service - environmental issues • <i>Explain the factors affecting consumer decisions</i> • <i>Examine factors which contribute to changes in behaviour and practices by individuals and organisations</i> <p>1.2 Personal Finance</p> <p>Spending and saving income</p> <ul style="list-style-type: none"> • Expenditure • Spending patterns and factors which influence the need for saving - income, age, location, wealth • <i>Investigate the relationship between responsible</i>

- adults (26-45 years)
- pre-retirees (46-65 years)
- retirees (66 years+).

These consumer groups are also known as “target markets”, and their characteristics form a “consumer profile”. N.B. Different companies or organisations may define their markets differently.

3. As a class develop a set of survey questions that should cover five recent purchases of goods and services and reasons for these purchase decisions. Survey five to ten people from your allocated consumer group.

Task 1C. Collation and presentation of survey data

1. Present what you have learned about your consumer group from the survey in Task 1B to the class, e.g. as a poster, multimedia presentation, newspaper article or role play. Use illustrations where possible. If you have conducted the survey differently, the information may need to be collated as a class before working on the presentation.
2. Examine *H.3.1 Consumer life events*. Choose a member of the Driver family or their relatives in **another** stage of the consumer life cycle. Explain how their consumer choices are likely to be different to the group you have studied. Suggest five goods or services popular with this new group. Describe the factors that may influence their decisions.

Task 1D. Influencing consumer decisions

1. Brainstorm deliberate tactics used by businesses to reach and influence their target market, e.g. product placement in a television show, layout of products or signage in a store. Provide specific examples of these tactics, including addressing how they are trying to influence consumer choice, e.g. impulse buying.
2. As a class, examine a range of magazines. Who is the target market of each magazine? How is this reflected in the products and services advertised and the advertising strategies used?
3. Discuss how strategies or tactics might differ for different consumer groups. Give reasons.
4. Discuss, with reference to the consumer groups that have been identified, the advantages and disadvantages of consumer profiles.

spending and saving patterns at various life stages

Mathematics

Data Analysis and Evaluation DS4.1

- Drawing and interpreting graphs of the following types
 - sector graphs
 - divided bar graphs
- *Choose appropriate forms to display data*

Data Analysis and Evaluation DS4.2

- formulating key questions to generate data for a problem of interest
- refining key questions after a trial
- recognising the difference between a census and a sample
- making predictions from a sample that may apply to the whole population
- analysing categorical data
- *work in a group to design and conduct an investigation, e.g.*
 - *choose appropriate methods of presenting questions (yes/no, tick a box, open-ended etc)*
 - *analyse and present the data*
 - *draw conclusions*
- *detect bias in the selection of a sample*
- *consider the size of the sample when making predictions about the whole population*

Commerce

1.1 Consumer Choice Consumer decisions

- Key factors affecting consumer decisions - finance, price, marketing, age, gender, convenience, service - environmental issues
- *Explain the factors affecting consumer decisions*
- *Examine factors which contribute to changes in behaviour and practices by individuals and organisations*

Task 2: Comparative shopping

Teacher notes

This activity should involve small groups visiting local shops either as a class or for homework. Otherwise, use newspaper and letterbox advertising. Teachers may also like to vary the products and services selected.

H.3.2 Life events that impact on spending and saving is provided to stimulate discussion about consumer decisions.

Task 2C uses examples that aim to provoke discussion demonstrating different perspectives. They do not have specific right or wrong answers.

Scenario

The Drivers are going shopping.

Ilse says, "Let's go to the mall and get it all in one visit."

Nathan comments, "We should check the prices of the expensive things first, Mum, as it may be much cheaper in our local shopping centre."

Student activities

Begin with a class discussion on why comparative shopping is good practice.

Task 2A. Group task

- Form groups of 4-5 to gather information on the type and price of a selection of one of these groups of goods or services: A. electrical and white goods; B. a service, for example, provided by beauty salons, travel agents; C. clothing; D. soft drinks. Remember, your items need to be comparable using the information you collect from your visit to the shops or examination of advertising brochures.
- Choose one item from your allocated category (e.g. 2 litre orange juice, woman's haircut), and record the brand or location (where applicable), price and shop for four to six examples. Avoid choosing all items from the one shop or all items of the same brand. Record your findings in a table like the example below.

Brand/location	Price	Shop
Just Juice	\$3.68	Foodworld
...or...		
Roadside shop	\$35.00	Hairaffair

- Circle the item you would choose from those listed and give the reasons for your decisions, including a statement on what factors influenced your decision.
- As a class, discuss the choices you have made. Would

Learn about, *Learn to*

Commerce

1.1 Consumer Choice Consumer decisions

- Comparison shopping - types of goods and services, different brands and products, choosing what to buy
- Choosing where to buy - range of locations and sources, types of retail outlets, Internet purchasing and mail order, locally, interstate and globally
- Key factors affecting consumer decisions - finance, price, marketing, age, gender, convenience, service - environmental considerations
- *Research consumer information from a variety of sources that may include the Internet, advertising material, specialist magazines and comparison shopping surveys*
- *Select and apply appropriate criteria to rank alternative purchasing options*
- *Explain factors influencing decisions to buy locally, regionally, interstate or globally, retail or wholesale or*

you have made the same choices as other students? Why/why not? Include in your discussion influences on consumer choices, e.g. peer pressure, location, opening hours.

Task 2B. Optional individual task

Undertake a comparative shopping task on a personal item, e.g. clothing, music storage device or mobile phone. Collect prices and information from different sources for comparison. Present comparisons in a table, identifying your potential purchase. Give reasons for your choice.

Task 2C. Consumer decisions: good or bad choices?

Examine *H.3.2 Life events that impact on spending and saving*. Do you think each of these are good or bad decisions? Give reasons. Where applicable, explain how you might have acted differently.

Task 2D. Optional life events survey

Record (either audio or audio-visual) interviews with people describing how one life event influenced a change in their spending or savings patterns.

on the Internet

- *Research and report on comparison shopping processes and decisions using word processing applications*
- *Explain the factors affecting consumer decisions*
- *Examine factors which contribute to changes in behaviour and practices by individuals and organisations.*

Mathematics

Fractions, Decimals and Percentages

NS4.3

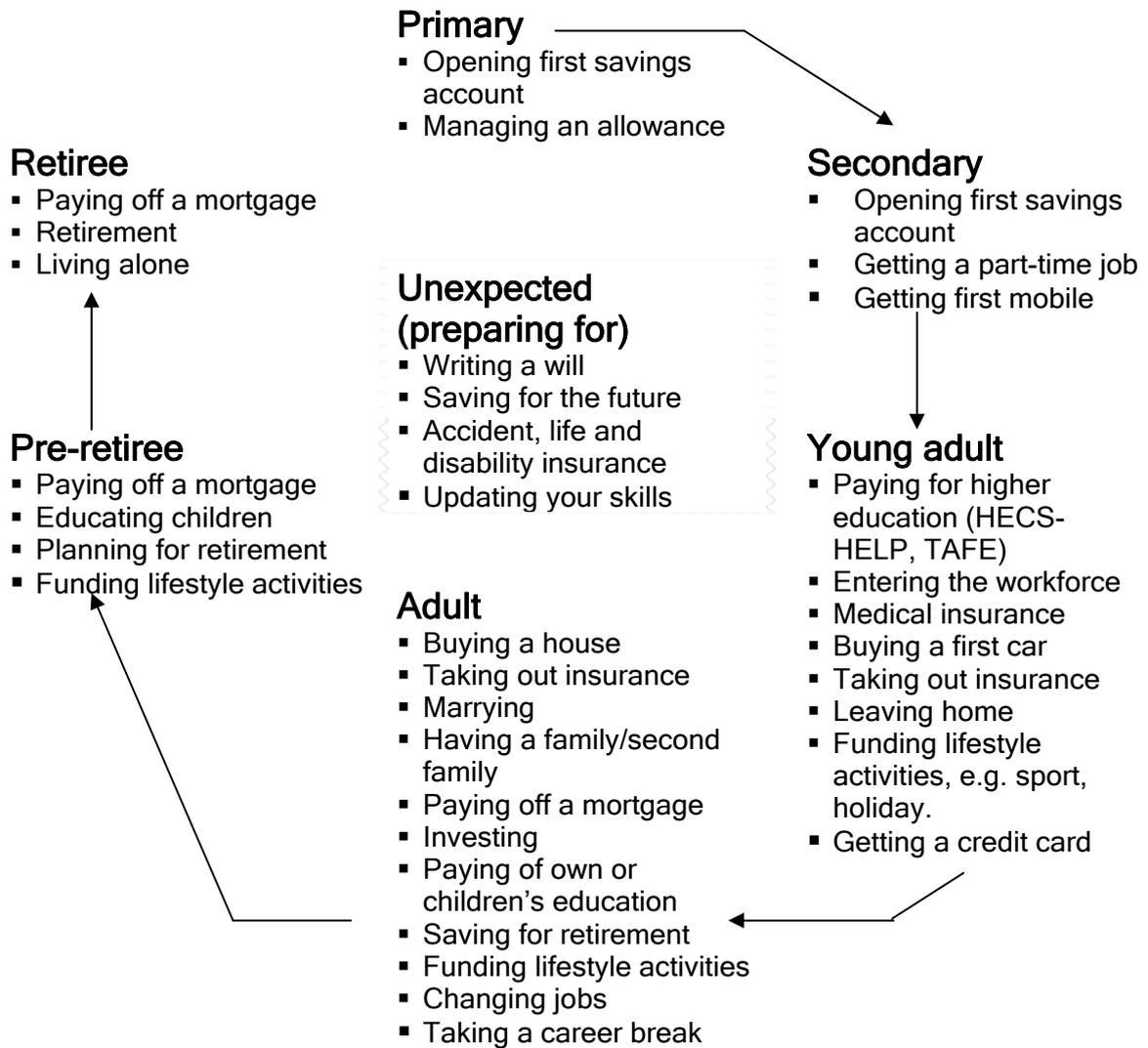
- *evaluate best buys and special offers eg discounts*

Consumer Arithmetic

NS5.1.2

- *calculating a “best buy”*
- *make informed decisions related to purchases eg determining the best mobile plan for a given situation*

H.3.1 Consumer life events



H.3.2 Life events that impact on spending and saving

- Royce wants to start saving for a house, so he stays home on Friday nights.
- Josefina spends \$5,000 on a “Go Fer” motorised vehicle to allow her to go to the shops and her Bridge games.
- Nathan spends \$2,000 on a new sound system for his car.
- Lana, Elizabeth’s cousin, spends \$800 on two pairs of new Italian shoes for her new job.
- Ilse has signed up for a \$40 per month gym deal.
- Frank and his wife buy a holiday home worth \$300,000.
- Tina, a single mum living next door, works 10 hours per week and gets \$150 from Centrelink. She wins \$20,000 and buys a car.
- Thomas, Nathan’s mate from TAFE, spends \$50 a week on the pokies, because he wants to win enough money to buy a boat.
- Frank’s son Mark has worked hard at school this year, so Frank decides to give him \$4,000 spending money for “Schoolies” and pays for his accommodation.
- Laurie has three credit cards, and has increased the limit for each to \$10,000 in case of accident or emergencies. He uses one card, now up to \$8,000, for household items, and another, now up to \$9,900 for the car and holidays.
- Elizabeth has saved \$3,000 and invests it in Qantas shares.
- Helen, a friend of Nathan, gets a back payment from Centrelink for \$8,500. She gives it to her uncle so he can buy her a car.