

## Consumer Decisions

### MATERIALIEN

#### M 1 Tafelbild/Hefteintrag

### CONSUMER DECISIONS AND THE ECONOMIC PRINCIPLE


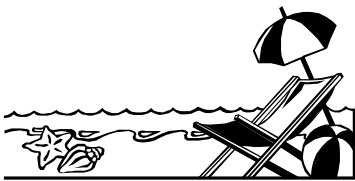

#### 1 The basic economic problem

##### 1.1 Basic knowledge: wants and needs / Grundwissen: Bedürfnisse

**Def.:** Ein Bedürfnis ist der Wunsch zur Beseitigung eines Mangels, z. B. das Bedürfnis nach Essen bei Hunger.

**Arten:** Bedürfnisse kann man in Existenz- und Wahlbedürfnisse (*needs and wants*) unterscheiden:

#### WANTS and NEEDS

We have	
NEEDS	WANTS
<u>must</u> be satisfied for us to survive	<u>can</u> be satisfied to make life better or nicer
e. g. the need for food, drink, heat	e. g. the want for nice clothes, music, a holiday-trip, a computer ...
are unlimited because they have to be satisfied again and again	are unlimited because there is always something more that we want
	 

Wahlbedürfnisse kann man noch in Kulturbedürfnisse und Luxusbedürfnisse unterscheiden: Die Befriedigung von Kulturbedürfnissen ist zwar nicht überlebenswichtig, aber durch das kulturelle, gesellschaftliche oder wirtschaftliche Umfeld mehr oder weniger unentbehrlich (z. B. Bildung, Telefon, Computer). Luxusbedürfnisse zielen auf entbehrliche Dinge (z. B. Luxusyacht, Ferienhaus).

**Note: Wants and needs are unlimited**, because **needs come again and again** (e. g. hunger, thirst) and new **wants are created all the time** through inventions, advertising etc. and because we always want new or better things that make our life better.

**Merke: Bedürfnisse sind unbegrenzt**, da **Existenzbedürfnisse immer wieder kommen** (z. B. Hunger, Durst) und **immer wieder neue Wahlbedürfnisse entstehen** (z. B. durch Werbung, bei Erfindungen ...).

## Consumer Decisions

### M 2.1 Kopiervorlage Text

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#### THE BASIC ECONOMIC PROBLEM

##### Infinite wants and needs

People have a number of **NEEDS** which must be satisfied for them to survive. Some are material needs, such as food, drink, heat and clothing. Others are psychological and emotional needs such as friendship and being loved. Although the number of needs is limited, their sum is unlimited, because most needs return again and again.

Human **WANTS** are unlimited. It doesn't matter whether a person is a farmer in China, a priest in India, a manager in the UK or the richest person in the world: there is always something which he or she wants more of. This can be food, a bigger house, cleaner air, more love, more friendship or more time to listen to music.

##### Scarcity

The world's **RESOURCES** are finite: there are only limited amounts of land, water, oil, food and other resources on this planet. That's why Economists say that resources are **SCARCE**.

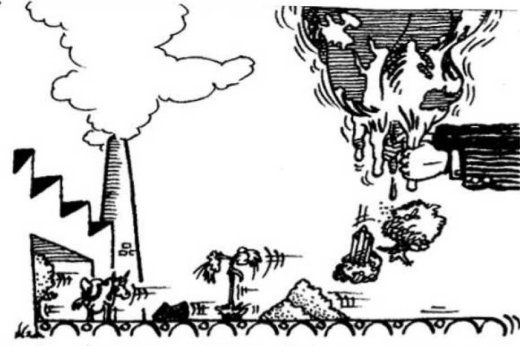
Scarcity means that everyone, e. g. individuals, firms and governments, can only get a limited amount of resources at any moment in time. Two examples: A family has to live on a fixed income; it cannot have everything it wants. A firm might want to produce more but not have enough material. Resources which are scarce are called **ECONOMIC GOODS**.

Source: adapted and modified from Alain Anderton (1995): *Economics. Second Edition*. Ormskirk

Not all resources are scarce. There is enough air on this planet for everyone to be able to breathe as much as they want. Resources which are not scarce are called **FREE GOODS**.

In the past many goods such as water, food and shelter have been free, but as the population of the planet has grown and as production has gone up, so the number of free goods has diminished. Even the air we breathe may no longer remain a free good. Some factories have to clean the air they take from the atmosphere. This air is an economic good.

Resources are scarce but wants are infinite (=unlimited). This is the reason for the **BASIC ECONOMIC PROBLEM** which forces people to make **CHOICES**: They have to decide for which wants or needs they want to use their scarce resources.



## Consumer Decisions

### M 2.2 Tafelbild/Hefteintrag

#### 1.2 Basic knowledge: Goods and scarcity / Grundwissen: Güter und Knappheit

**Def.:** Goods are the means to satisfy our wants and needs  
(Güter sind Mittel zur Befriedigung von Bedürfnissen)

**Kinds:** Goods can be distinguished in **free goods** and **economic goods**

- **free goods** are **unlimited** and therefore you don't have to pay for them  
→ they are "**for free**", e. g. daylight, heat from the sun
- **economic goods** are limited or **scarce**




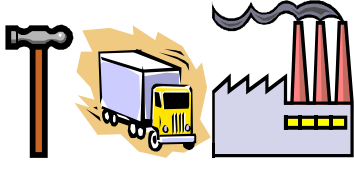
(Güter kann man in freie und wirtschaftliche Güter unterteilen:

- freie Güter stehen unbegrenzt zur Verfügung und sind kostenlos,  
z. B. Tageslicht, Sonnenwärme
- wirtschaftliche Güter stehen nur begrenzt zur Verfügung)

#### GOODS

- To satisfy our needs and wants we need goods.
- Some goods are unlimited and we get them for free.  
→ free goods, e. g. daylight, heat from the sun, air
- Most goods are limited or scarce. → economic goods

#### ECONOMIC GOODS

CONSUMER GOODS		SERVICES	INVESTMENT GOODS
SOFT GOODS	HARD GOODS		
are consumed	are used by consumers		are used to produce new goods
e. g. food, drink, paper,	e. g. computer, furniture, car	e. g. haircut, medical treatment, car repair	e. g. machines, tools, cars, buildings
			

**Note:**

- Economic goods are **scarce/limited**, because they are scarce resources from nature (e. g. crude oil) or they have to be produced with limited factors of production (e. g. cars).
- Free goods can turn into economic goods, when they become scarce (e. g. clean water).
- Wirtschaftliche Güter sind begrenzt, da sie entweder nur begrenzt in der Natur vorkommen (z. B. Erdöl) oder erst hergestellt werden müssen (z. B. Auto).
- Freie Güter können zu wirtschaftlichen Gütern werden, wenn sie knapp werden (z. B. sauberes Trinkwasser)

## Consumer Decisions

### M 3.1 Tafelbild/Hefteintrag

## 2 Rational consumer decisions

### 2.1 Types of consumers

There are **rational** and **emotional** consumers:

Emotional consumers	Rational consumers
buy spontaneously what they like or want	buy only after making rational decisions based on information
are attracted by <u>emotional product attributes</u> like <ul style="list-style-type: none"> <li>- brands</li> <li>- look and feel</li> <li>- pride of ownership</li> <li>- safety</li> <li>- luxury</li> <li>- high end technology</li> <li>- social status or class associated with the product</li> </ul>	base their decision to buy on <u>rational product attributes</u> like <ul style="list-style-type: none"> <li>- price</li> <li>- features</li> <li>- availability and transport</li> <li>- service and support</li> <li>- ease of use</li> <li>- warranty</li> <li>- cost of ownership</li> <li>- quality and reliability</li> </ul>

#### NOTE:

In the real world most consumers are partly emotional and partly rational consumers: Even people who generally think about what they buy, sometimes buy something spontaneously because they like it or are attracted by emotional attributes.

### 2.2 Sources of consumer information

Before buying something expensive you should get as much information on the product as possible, e. g.

What <b>kind of information</b> ...	from which <b>source of information</b>	Reliability of the source
(technical) product details	the manufacturer (e. g. website, product brochure)	as reliable as the manufacturer
<u>objective</u> test results	consumer organizations (e. g. Stiftung Warentest, Ökotest) special magazines (e.g. Chip for electronics)	high reliability if the organization is independent
<u>subjective</u> (!) opinions, customer reviews (Erfahrungsberichte, Kundenbewertung)	in online shops (e. g. amazon, computeruniverse, globetrotter) on consumer pages on the Internet (e. g. www.dooyoo.de)	critical reading is necessary; consumer perspective can be very useful; different consumers prefer different things

**Consumer Decisions**

**M 3.2 Kopiervorlage: Arbeitsblatt**

**2.3 Basic skill: Decision making grid (\_\_\_\_\_)**

**TASK:** *Imagine you want to buy a new digital camera. Find three suitable alternatives, search for relevant information on the internet (cf. last lesson!) and make a decision with the help of a decision grid (cf. instructions below!).*

**Step 1: Simple decision grid (\_\_\_\_\_)**

- Choose the alternatives / options between which you want to decide.  
→ Write them into the cells of the first row of the table (see below!).
- Choose the criteria (=decision factors) which are important for your decision.  
→ Write them into the cells of the first column of the table.
- Score the different options on a scale between 0 (extremely bad / criterion not met); 1 (very bad); 2 (bad); 3 (acceptable); 4 (ok) and 5 (perfect).
- Enter the individual scores into the left columns below the different options.
- Sum up the score for each option and make a ranking.

**Step 2: Weighted decision grid (\_\_\_\_\_)**

- Decide the relative weight of each criterion according to its importance. Enter it into the grid (e.g. very important double weight x 3, important x 2)
- Multiply the individual scores for each criterion/option and enter the result into the right columns below each option.
- Sum up the weighted score for each option and make a ranking.
- Compare the result with that of the simple decision grid.

alternatives criteria/ factors	weight						
<b>Score</b>							
<b>Ranking</b>							

## Consumer Decisions

### L 3.2 (Tabelle nur als Beispiel)

#### 2.3 Basic skill: Decision making grid ( Entscheidungsmatrix )

**TASK:** *Imagine you want to buy a new digital camera. Find three suitable alternatives, search for relevant information on the internet (cf. last lesson!) and make a decision with the help of a decision grid (cf. instructions below!).*

#### Step 1: Simple decision grid ( ungewichtete Entscheidungsmatrix )

- Choose the alternatives/options between which you want to decide.  
→ Write them into the cells of the first row of the table (see below!).
- Choose the criteria (=decision factors) which are important for your decision.  
→ Write them into the cells of the first column of the table.
- Score the different options on a scale between 0 (extremely bad/criterion not met); 1 (very bad); 2 (bad); 3 (acceptable); 4 (ok) and 5 (perfect).
- Enter the individual scores into the left columns below the different options.
- Sum up the score for each option and make a ranking.

#### Step 2: Weighted decision grid ( gewichtete Entscheidungsmatrix )

- Decide the relative weight of each criterion according to its importance. Enter it into the grid (e. g. very important double weight x 3, important x 2)
- Multiply the individual scores for each criterion/option and enter the result into the right columns below each option.
- Sum up the weighted score for each option and make a ranking.
- Compare the result with that of the simple decision grid.

alternatives criteria/ factors	weight	camera 1		camera 2		camera 3	
price	2	5	10	2	4	1	2
pixels	3	3	9	1	3	2	6
colour	1	2	2	5	5	5	10
battery	2	5	10	3	6	1	2
<b>Score</b>		15	31	11	18	9	20
<b>Ranking</b>		1	1	2	3	3	2