

LESSON 4

Why Do I Want All This Stuff?

1. FOCUS

Student Objectives

Identify two factors that determine consumer demand.

Identify substitutes and complements for selected goods and services.

Distinguish between fact and opinion in advertisements.

Use economic reasoning to better understand the factors that influence consumer demand and spending decisions.

Background

Successful companies know who buys their products, why, and what kind of advertising influences consumers. Advertisers spent over \$150 billion dollars in 1992 to influence the spending decisions of consumers. A quick look at any television program or periodical will reveal the many ways that advertisements are used to influence demand and spending decisions.

Children are big spenders. By examining advertisements, students will find information, distinguish between fact and opinion, and better understand their own responses to advertising. Using economic reasoning to evaluate these claims and to compare facts will enhance decision making.

Since income is always limited relative to wants, people must make choices. Consumers must choose from among alternatives to achieve the greatest level of satisfaction with their limited income. Understanding the factors that influence their demand, such as taste and preference, availability of substitutes, and the costs of complementary goods, will contribute to better decision making. Practicing better decision making in the classroom better prepares students to make choices as consumers.

Concepts

Demand, determinants of demand, tastes and preferences, substitutes, complements, advertising

Preview

Producers and advertisers use a variety of methods to try to influence consumer tastes and preferences, and through that, demand.

Tastes and preferences and the price of substitute and complementary products influence demand for goods and services.

Distinguishing fact from opinion in advertising enhances consumer decision making.

People respond to advertising in various ways.

Consumers make better choices when they understand and consider the factors that influence their demand for goods and services.

2. PREPARE

Activity Sheet 9: *Familiar Symbols*

Samples of advertisements for products typically purchased by children

Markers (two colors for every student)

Optional: videotape of television commercials

Art supplies, hangers, yarn, heavy paper or index cards, hole punch

1. Ask students to bring magazines or newspapers from home that contain advertising. An option is to videotape commercials from children's television programs.
2. Assemble a display of print advertisements for familiar products or edit a selection of television commercials illustrating a variety of advertising appeals.

Examples:

brand name familiarity or slogans "Just Do It."

celebrity endorsement "If you buy ___ you will be like me."

authority endorsement "99% of doctors recommend ___"

bandwagon/status appeal "All the 'cool' people wear___"

quality claims or comparisons "We are better than ___"

informative "Now available at your local store."

3. Make an overhead transparency of Activity Sheet 9.

3. TEACH

Introduction

1. Display a transparency of Activity 9 and discuss:
 - a. What products do you associate with each symbol? (Converse shoes, Chevrolet automobiles, McDonalds Restaurants, Nike Shoes and Products, Domino's Pizza, Levi Strauss Clothing, Walt Disney/Mickey Mouse, Apple Computers)
 - b. Why do these symbols remind you of specific products or companies? (see them on television or in newspapers and magazines, see them in stores)
 - c. What do you remember about the product or company? (Answers will vary.)
2. Explain that companies use ads to provide information for consumers to influence consumer behavior. They want consumers to remember, and hopefully prefer, their product. Logos are a common advertising tool. Discuss:
 - a. What other logos, symbols, or slogans do you remember? (Answers will vary.)
 - b. Why do you remember them? (Answers will vary.)

- c. How do these advertisements or logos influence people's choices? (Being familiar with a brand name might encourage people to buy that brand.)

Activities

1. Explain that advertisers are interested in increasing the demand for their products. Two factors that influence the demand for a good or service are consumer tastes and preferences and the prices of substitute and complementary products.
2. Explain that consumer tastes and preferences involve things other than price, such as quality, color, design, flavor, size, and individual values. An advertiser tries to change consumer tastes and preferences in favor of his or her product to maintain or increase the demand for the product. Discuss:
 - a. Name a product that is advertised by a celebrity. (Nike shoes, Converse shoes, Gatorade, milk, soft drinks)
 - b. Why do companies use celebrities in ads? (They think that celebrity ads will influence consumer tastes and preferences for the product, and, therefore, increase consumer demand for the product.)
 - c. Name a product that is endorsed by an authority, such as a doctor, the American Dental Association, a teacher, a police officer, and so on. (soap, toothpaste, pain relievers, teaching aids such as Hooked on Phonics or Sylvan Learning Centers, car and home alarm systems)
 - d. Why do companies use authorities in ads? (They think that an endorsement by an authority will influence consumer tastes and preferences for the product, and, therefore, increase consumer demand for the product.)
 - e. Name a product advertisement that focuses on a claim that everyone else consumes the product. (Levi jeans, Guess, video game systems, various toys)
 - f. Why do companies advertise in this way? (They think that the ad will influence consumer tastes and preferences consumers will want what everyone else has, and the demand for the product will increase.)
 - g. Name a product advertisement that compares the quality of similar products. (cars, pain relievers, other over-the-counter medications, macaroni and cheese)
 - h. Why do companies advertise in this way? (If consumers think the quality of one product is higher than another, they will substitute one product for another, and the demand for the high-quality product will increase.)
3. Explain that complements are products that are used or consumed in combination with one another, such as hamburgers and hamburger buns, peanut butter and jelly, and loose leaf paper and 3-ring binders. Substitutes are products that can replace one another, such as apple juice and orange juice, butter and margarine, and pencils and mechanical pencils.
4. Divide the class into pairs. Explain that they are going to play Complement and Substitute Jeopardy. You will read pairs of items. Each pair of students must decide whether the items are complements or substitutes. Then, they must respond with the question What are complements? or What are substitutes?
5. Read the following:
 - a. shampoo and conditioner (What are complements?)
 - b. ice cream and ice-cream cones (What are complements?)
 - c. ice cream and frozen yogurt (What are substitutes?)
 - d. crayons and markers (What are substitutes?)
 - e. milk and chocolate syrup (What are complements?)
 - f. baked potato and sour cream (What are complements?)

- g. a bar soap and liquid soap (What are substitutes?)
- h. pudding cups and Jell-O cups (What are substitutes?)
- i. lunch box and a paper bag (What are substitutes?)
- j. lunch at school and a packed lunch (What are substitutes?)
- k. roller blades and hockey sticks (What are complements?)

6. Remind students that companies try to influence consumer demand for a product through advertising. The advertisements may attempt to change consumer tastes and preferences, promote the sale of complementary goods, or promote the sale of a substitute good. Knowing that advertisements are created to influence consumer behavior may help consumers analyze advertisements so they can make more careful decisions.

7. Explain that some of the information in advertisements is fact and some is opinion.

8. Define a fact as a statement that can be proven true or false. For example:

- a. The price of the toy is \$27.00.
- b. The bike is 21 inches.
- c. The basketball is red, white and blue.
- d. The binder can be used to hold paper.
- e. The candy contains sugar, caramel, chocolate, and peanuts.

9. Define an opinion as a statement based on a belief or value. For example:

- a. Our cereal is better than the other brand.
- b. This game is more fun than the other one.
- c. This computer is easier to use than the other brand.

10. Divide the students into small groups. Distribute copies of print ads and markers to each group.

11. Explain that the students should read the ads and determine which phrases in the ads are facts about the product and which are opinions. They should circle facts with one color and opinions with another.

12. Ask each group to report the facts and opinions they found to the class. When all groups have reported, discuss the following questions:

- a. Which occurred more frequently facts or opinions? (probably opinions)
- b. Which are most useful to consumers? (facts)
- c. Provide an example of a time that you were misled by an advertisement. (Answers will vary.) Why do you think this happened? (Didn't pay enough attention to the facts.)

13. Using the same advertisements, ask each group to answer the following questions:

- a. Who is being encouraged to use this good or service? (Answers will vary.)
- b. How do the ads appeal to the consumer's tastes and preferences? (describes the product; shows a celebrity using, eating, or wearing the product; provides an authority's opinion about the product)
- c. In which type of publication did this ad appear? (newspaper, children's magazine, sports magazine, news magazine, working women's magazine, fashion magazine)

d. Is there a relationship between the potential consumer, the type of advertisement, and the type of publication? (Yes. Companies place advertisements in publications that will most likely be read by consumers the company is trying to reach.)

e. Does the ad provide consumers with enough information to decide whether to buy this good or service? (Answers will vary.)

14. Explain that each group will create a substitute mobile for its product.

15. Distribute art supplies, a hanger, yarn, hole punch, and heavy paper or index cards to each group.

16. Instruct each group to create a mobile by illustrating the product and the available substitutes for the product on the paper or index cards. For example, if the product is Coca-Cola, substitutes would include Pepsi, Dr. Pepper, Kool-Aid, mineral water, fruit tea, flavored water and juices.

17. Explain that when the drawings are complete, students should punch a hole in the top of each drawing and tie a piece of string through the hole. Then, they should connect each drawing to the coat hanger and hang it from the ceiling.

18. When the mobiles are completed and hung, discuss the following questions:

a. Give an example of a product for which there are few if any good substitutes. (electricity, salt, water, some medicines)

b. Do companies advertise these products? (No.) Why? (If there are few substitutes, no advertisement is needed to encourage people to buy the product.)

19. Review the following:

a. Why do companies advertise products? (to provide information in an effort to influence consumer tastes and preferences and, as a result, consumer demand for the product.)

b. What types of information do ads provide? (facts and opinions)

c. Which information is most valuable to consumers in making decisions to buy? (fact)

d. Give an example of a fact that might be included in an ad. (size or color of the product, price of the product, use for the product, ingredients in the product)

e. Why are facts valuable for the consumer? (Facts allow consumers to accurately compare a product to similar products.)

f. Give an example of two products that are substitutes for one another. (Answers will vary.)

g. Give an example of two products that are complements for one another. (Answers will vary.)

20. **Closure.** Review the preview statements for the lesson, emphasizing that these are the big ideas students should have learned from the activities.

a. Producers and advertisers use a variety of methods to try to influence consumer tastes and preferences, and through that, demand.

b. Tastes and preferences and the price of substitute and complementary products influence demand for goods and services.

c. Distinguishing fact from opinion in advertising enhances consumer decision making.

- d. People respond to advertising in various ways.
- e. Consumers make better choices when they understand and consider the factors that influence their demand for goods and services.

21. (Optional) For homework, instruct students to view two television advertisements or read magazines that have ads that are designed to have high appeal for children their age and answer the following questions:

- a. What information is presented in the ad that may influence children to buy the product?
- b. Was a celebrity used in the ad?
- c. What facts were provided about the product?
- d. Were there enough facts for you to make a decision about buying the product?
- e. Was there any part of the ad that might not seem true? (toy moved in a way it wouldn't really move, product appeared larger than it really is)
- f. Would this ad influence your buying behavior?

4. CONNECT

Family Connection. Ask families to discuss with their children at what age they began to recognize common product logos. Discuss the brands of products found in the home. Why were those brands purchased? Did advertising influence their choices? Families can use the following resources to help children learn more about consumer decision making:

Berry, Joy Wilt. *Every Kid's Guide to Making & Managing Money*. Chicago: Children's Press, 1986. Helps children understand about producers and consumers, including the use of advertising.

Fair, Jan and Melvin, Mary. *Kids Are Consumers Too!* Menlo Park, California: Addison-Wesley, 1988. Real-world mathematics for the classroom. A collection of activities using mathematics and consumer decision-making.

Money for Kids. Time Inc., New York, New York. An annual magazine for children on a variety of topics, including consumer and career decisions. Available from Time Consumer Service, Inc., P.O. Box 30626, Tampa, FL 33630-0626. \$1.50 for postage and handling.

Language Arts Connection. Locate advertisements for the same product in two or more publications. Compare the ads. Students can write about how their spending decisions are influenced by ads, illustrating their understanding of how facts and opinions affect preferences and demand.

Children's Literature:

Asch, Frank. *Good Lemonade*. New York: Franklin Watts, 1976. A boy decides to open a lemonade stand. He uses every advertising appeal to gain customers.

Herman, Charlotte. *Max Malone Makes a Million*. New York: Holt, 1991. Max decides to make his fortune after reading about how another young boy did it.

Page, David. *The Lemonade War*. St. Petersburg, FL: Willowisp Press, 1993. Pam and Julie want to earn enough money to buy a video game. They decide to open a lemonade stand. They argue over advertising the lemonade as the war begins.

Video Resources:

Buy Me That Too: A Kid's Survival Guide to Advertising. HBO, 1991. Grades K-6. This video explores advertising aimed at children. Children develop their critical thinking skills as they watch sample commercials and examine advertising techniques.

Buy Me That 3! A Kid's Guide to Food Advertising. HBO, 1993. Grades K-6. A look at advertising of food products aimed at children.

Demand is the quantities of a product that consumers are willing and able to buy at all possible prices during a specific time period. Non-price determinants of demand are the factors that influence the demand for goods, services, or resources.

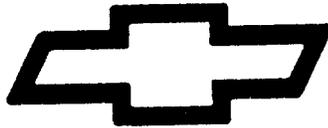
ACTIVITY SHEET 9

Familiar Symbols

What product or "brand" do you associate with each of these symbols?



1. Product/Brand? _____



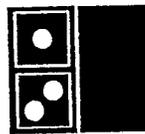
2. Product/Brand? _____



3. Product/Brand? _____



4. Product/Brand? _____



5. Product/Brand? _____



6. Product/Brand? _____



7. Product/Brand? _____



8. Product/Brand? _____

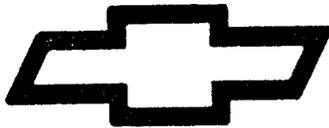
ACTIVITY SHEET 9

Familiar Symbols – Answers

What product or “brand” do you associate with each of these symbols?



1. Product/Brand? **Converse Shoes**



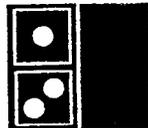
2. Product/Brand? **Chevrolet Automobiles**



3. Product/Brand? **McDonalds Restaurants**



4. Product/Brand? **Nike Shoes and Products**



5. Product/Brand? **Domino's Pizza**



6. Product/Brand? **Levi Strauss Clothing**



7. Product/Brand? **Walt Disney / Mickey Mouse**



8. Product/Brand? **Apple Computers**