

# Bringing It All Together: Using the concepts of scarcity, utility, opportunity costs and risk to manage a car dealership

**SUBMITTED BY:** Michael Ryan Moore, University of Pennsylvania, GSE

**SUBJECT(S):** Economics, Personal Finance

**GRADE LEVEL(S):** 9, 10, 11, 12

## ≡ OVERVIEW:

In this lesson, students will demonstrate their knowledge of scarcity, utility, opportunity costs and risk, by taking on the role of manager at a fictional car dealership. After reading the article “The Hard Sell: How to Market Products That Are No Longer Popular,” students will be given a specific dealership scenario. Based on their unique scenario, students will think about potential customers, their preferences and the risks of conducting business.

## ≡ NBEA STANDARD(S):

- Economics, I. Allocation of Resources
- Personal Finance, I. Personal Decision Making

## ≡ RELATED ARTICLES:

- [“New Car? The Costs Start Here”](#)
- [“Exploring the Economics of Everyday Life”](#)
- [“Challenging the S’mores Legacy with a Campfire Innovation”](#)

**Objectives/Purposes:** The purpose of this lesson is to get students thinking holistically about economic decision-making from a business perspective.

- Students will demonstrate their knowledge of *utility* and *opportunity costs*.
- Students will demonstrate their understanding of *risk management*.
- Students will think broadly about business ownership and economic decision-making.

**Knowledge@Wharton Article:** [“The Hard Sell: How to Market Products That Are No Longer Popular”](#)

### **Other Resources/Materials:**

For Teachers:

- Internet Access (Outside of the Classroom)
- Printer/Copier

### **Tying It All Together:**

The lesson is divided into four parts: (1) Introduction, (2) Guided Reading, (3) Exploration Activity and (4) Closing

#### *Introduction (1-5 mins)*

Briefly remind students of the previous four lessons from the week. Economists use *utility* to refer to “satisfaction,” or “happiness.” An item with high utility brings a lot of satisfaction. An item with low utility brings relatively little satisfaction. Further, in economics, we try and calculate the cost of foregone choices. These costs are *opportunity costs*. Tell students that they will need to use all these concepts today in a group project. For this project, each group will be in charge of their own car dealership. Each group will be given a unique challenge (e.g. selling luxury cars in Philadelphia, selling motorcycles in Hollywood). Based on these challenges, each group must think about potential customers, their preferences, and how to bring in business. Finally, students will have to think about the risks involved in their business plan.

#### *Guided Reading (5-10 mins)*

Before breaking into groups, have the students read through “[The Hard Sell: How to Market Products That Are No Longer Popular](#).” This article should give students some background into their new role at the dealership, and also give them some information about their customers and their preferences. Make sure the students focus on several key takeaways: (1) What are the problems with running a used car dealership? (2) How do companies target the right customers? (3) What is the utility of a used car?

### *Exploration Activity (25-30 mins)*

Once students have finished, have them break into small groups. Provide each group with a copy of the scenarios listed below. Each group should choose one scenario from the list. Based on this choice, have each group brainstorm potential customers for their dealership. After creating a customer list, have the students make a list of utility and opportunity cost for each group of customers. What do different customers value? What are their alternatives? Finally, have students choose one *specific* group of customers. Based on their utilities and opportunity costs, each group should make an advertisement that caters to this specific customer group.

After working, have each group present their advertisement to the class.

### *Closing (1-5 mins)*

Summarize the lesson by pointing out highlights from each of the presentations. Make sure to tie in vocabulary where applicable, continually pointing out the relationships between *utility*, *opportunity cost* and *risk*.

## **Scenarios**

### *Living in Luxury*

You are the owner of a brand new luxury car dealership in downtown Philadelphia, Pa. The previous owners of this dealership went out of business. Unlike you, they focused primarily on inexpensive family sedans and sport-utility vehicles. Now that the store is under new management, your inventory consists of a handful of new and used luxury vehicles, most of which cost well over \$100,000. Your dealership is located on the first floor of a large office building.

### *Hollywood Hogs*

You are the owner of a motorcycle shop just outside of Hollywood, Calif. Your shop has been family owned for over 40 years. You have a steady stream of customers — usually motorcycle enthusiasts, or middle-aged men looking for a little excitement in their lives. However, you are looking to bring in new customers to help boost sales. Your dealership is located on a large highway, right beside two car dealerships and several neighborhoods are nearby.

### *Suburb SUVs*

You are the owner of a used car dealership in the middle of the suburbs just outside Atlanta, Ga. The majority of your inventory consists of large and mid-size SUVs, and several cargo vans — all of which you purchase second-hand from car rental companies near the Atlanta airport. There are no other dealerships in the near vicinity, although several families tend to buy new cars from a dealership about 10 miles away.

### *Speed Racer*

You are the owner of a large racetrack and car dealership in Las Vegas, Nev. Your dealership is relatively small and primarily carries sports cars, go-carts and race cars. The racetrack is open to the public. While the racetrack is doing well, your dealership sales are dwindling. Your business partners are looking to you to improve profits. Currently, your only customers are Las Vegas natives who are willing to make the 20-mile drive out to the track.