

Making a Purchase: Understanding the Consumer Decision-making Process

SUBMITTED BY: WGYP Summer 2011 Instructor

SUBJECT(S): Personal Finance

≡ OVERVIEW:

In this lesson, students are introduced to the consumer decision-making process and asked to employ it in an imagined scenario. They are also asked to reflect on the usefulness of the process and compare it to what they do right now. By the end of the lesson, students should be able to explain the process and critique it.

≡ NBEA STANDARD(S):

- Personal Finance, V. Buying Goods and Services

≡ RELATED ARTICLES:

- [“Zara’s ‘Fast Fashion’ Business Model”](#)
- [“Three Critical Steps to Help You Choose a College”](#)
- [“The Business of Bling: News from the Diamond Trade”](#)
- [“Purchase Power: How to Make Smart Consumer Choices”](#)

Common Core Standard(s):

- Reading Informational Text–RI.9-10.1.; RI.9-10.2.
- Speaking and Listening–SL.9-10.1.

Purpose:

After this lesson, students should be able to describe and use the consumer decision-making process.

Other Resources/Materials:

Butcher Paper/ markers.

Key Terms:

luxury goods versus necessary goods; elastic goods; needs and wants

Background on elastic goods: An elastic good is one for which there is a substitute good; for example, as pen prices rise, the cross elasticity of demand would result in consumers buying more pencils instead. An inelastic good is one for which there are few or no substitutes, such as tickets to major sporting events or original works by famous artists.

Activity:

This lesson has five parts: Introduction; Guided Activity; Teacher-led Explanation; Small Group Activity; and Closing.

1. Introduction (5 mins)

Ask students what was the last good they purchased. This should be a pretty low-price good, something from the grocery store or food mart.

What factors did they consider in order to decide what to purchase? Make a list of the factors on butcher paper. What was the process of decision-making? [i.e. did they walk into store with a purpose or not; did they need to buy or want to buy?; did they consider other items or not, etc.] Make sure students get as specific about this as possible.

Keep this list for the next exercise.

2. Guided Activity (10 mins)

Use the board to explain consumer decision making as a process by which consumers make purchases.

1. *Identify their needs.*
2. *Collect information.*
3. *Evaluate alternatives.*
4. *Make the purchase decision.*

Now ask them to consider what is similar between this process and the process they had described before.

- What's different?
- Ask them to break down these steps into more specific activities.
- For example, step 2 about collecting information: Do they go online first? Do they go to the store? Talk to friends and family?

Talk about any issues that come up here.

- Ask them to think about whether this process could be used to buy a more high priced commodity?
- Think of it in terms of luxury goods versus necessary goods. What are the differences in consumer decision-making for each good?
- They can think about step 1 and the difference between identifying a “need” and a “want.” Also introduce them to elastic goods.

3. Teacher-led Explanation (5 mins)

In this step, the students will then be divided into groups of two or three. They should work through the steps to make a decision about what kind of entertainment item they would like to buy with \$200 gift certificate at the local mall or major department store (i.e. Best Buy, Target, etc.). The teacher could bring a list of 20-30 items for the students to deliberate on. The teacher can model an example of his/her choosing here. Make sure students understand that for their work, they should try to be specific. How would they go about collecting information? Online: which websites? Word-of-mouth: who specifically and why? And so on.

4. Small Group Activity (10 mins)

Students will work on their own to come up with a decision about the \$200. They will be expected to present their decisions at the end of class.

5. Closing (10 mins)

Have each group present their consumer decisions and ask the class as a group to reflect on the usefulness of this process. Did they make decisions in a way that was different from their earlier decision-making process? Or not? Bring back the notes from the start of class. Ask students to compare and think through these issues.

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