

CHAPTER

13

Smart Shopping Basics

Reading for Meaning

What are some of your most and least successful shopping experiences? What did you learn from these experiences? Keep this in mind as you read this chapter.

retail store
nonstore seller
telemarketing
t-commerce
e-commerce
consumer
 cooperative
advertising
comparison
 shopping
warranty
full warranty
limited warranty
implied
 merchantability
implied fitness
extended warranty
work order

CHAPTER OBJECTIVES

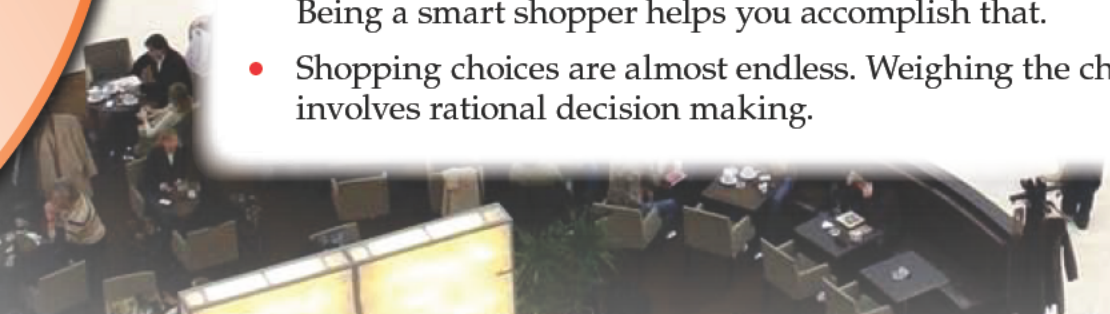
After studying this chapter, you will be able to

- **evaluate** various types of sellers in the marketplace.
- **identify** reliable sources of consumer information.
- **describe** shopping tools for consumers.
- **list** guidelines for making rational shopping decisions.



Central Ideas

- To save money and build wealth, you must spend less than you earn. Being a smart shopper helps you accomplish that.
- Shopping choices are almost endless. Weighing the choices carefully involves rational decision making.



Resource

Me, the Shopper, reproducible master 13-1, TR

Reflect

What type of shopper are you? Do you have shopping skills that help you get value for your dollars?

Smart shopping can make \$50 seem like \$100. If you develop shopping skills, you can buy far more than an unskilled buyer who spends the same amount of money. As a smart shopper, you will get greater satisfaction for your dollars. Your shopping experiences will be rewarding rather than frustrating.

Shopping smart is largely a matter of understanding the marketplace, knowing what you want, using reliable information, and making sound decisions. There are countless places to shop and items to buy. Choosing from so many alternatives can be a challenge. Knowing what you want and seeking out reliable consumer information can help you make the right buying decisions.

Places to Shop

The marketplace is where buyers and sellers meet to exchange goods, services, and money. In a free enterprise economy, the marketplace has certain characteristics that set it apart from markets in other economies. It is characterized by free economic choice, the profit motive, and competition. Within the framework of these three characteristics, the forces of supply and demand create a vast arena of sellers and buyers.

The marketplace is made up of many sellers and places to shop. You can shop at neighborhood stores, shopping centers, downtown shopping areas, and even in your own living room. Each place you shop has different characteristics and offers different advantages and disadvantages.

Linking to... History

Shopping and the Economy

Except for a few brief periods, the late twentieth and early twenty-first centuries were prosperous times for most Americans. Unemployment and inflation were low. Climbing stock market levels created wealth for most investors. Homeowners benefited from rising property values. Taxes were low.

During the prosperous times, Americans spent more than they saved. Consumer spending was high and people used credit to buy more goods and services. In 2008, the U.S. economy went into recession. Businesses suffered and laid off workers. Unemployment climbed.

Consumers stopped spending and focused on paying off debt and saving money. People delayed major purchases with hopes of better times ahead. Although saving is a good financial strategy for individuals, strong consumer spending is crucial to the health of the U.S. economy in a recession. It makes up about 70 percent of the gross national product.

American consumers contributed to a global economic boom. During the recession, imports slowed. Other countries cut production and their workforces. Hotels and restaurants around the world struggled without American tourists. When Americans stopped shopping, the impact was felt thousands of miles away.

Neighborhood Stores

Neighborhood stores may offer convenience and personal service, but selection often is limited by a store's size and space. Prices may be higher because of the small sales volume and the high cost of operating a small business.

The small stores in your immediate area are a good choice when you are in a hurry or you want personal service. You may also feel some sense of loyalty to these stores because you know the owners and sales staff. In addition, they depend heavily on your business. Often they will go out of their way to take care of your needs.

Shopping Centers

Shopping centers range from small strip malls with eight or ten stores to huge malls with several major department stores and a variety of specialty shops. Advantages of these centers include a broad selection of goods and services selling at competitive prices.

In the larger malls, it is possible to shop for a wide variety of goods and services at one time and often under one roof. Many malls offer special attractions and promotions to bring in more customers. Easy parking is a plus at most shopping centers.

Downtown Shopping Areas

Downtown shopping areas in bigger cities offer some of the same advantages of shopping centers. However, stores are usually more spread out and it is not as easy to go from one to another. In most major cities, parking is a challenge and an expense, but public transportation is usually readily available.

Leading department stores are a big draw for city shoppers. Cultural and sporting events, hospitals, clinics, and professional offices and services are often located in the area. This makes it possible to combine shopping with other activities. For those who work in the city, it may be one of the more convenient places to shop.

At-Home Shopping

At-home shopping can be done through door-to-door sellers, catalogs, telephone, television, and the Internet. In many ways, shopping at home is the most convenient way to buy what you need if you make careful choices and avoid returns and exchanges.

The technology of the Internet and television brings worldwide markets into your living room. These technologies let you shop and compare products 24 hours a day, seven days a week—whenever it is convenient for you. You can buy through online auctions and catalogs from both local companies and from sellers in distant places. This type of shopping saves the time, energy, and fuel required to go to stores and malls.

However, you do not “see” the seller and you cannot physically inspect the merchandise prior to purchase. When you buy from a distance, it is important to be familiar with the seller and the products sold. Remember to add shipping and handling costs to the price of your purchases. Returns and exchanges usually are at the buyer’s expense. You will learn more tips for shopping from a distance in the next chapter.

Types of Sellers

The marketplace is made up of sellers who do business in different ways. It includes different types of retail stores and a variety of nonstore sellers such as door-to-door sales, catalogs, telemarketers, electronic sales via television and the Internet, and consumer cooperatives.

Retail Stores

Retail stores sell goods and services directly at their place of business. Retailers include department stores, specialty shops, superstores, warehouse clubs, discount stores, factory outlets, and resale shops. Stores may be independently owned and centered in one region, or they may be chain stores located across the country. Many of these retailers also operate active catalog and Internet businesses.

Department Stores

Department stores sell a wide variety of goods and services in a single store. Merchandise is divided into departments that seem like small shops within the larger store. Sections include clothing for men, women, and children. Cosmetics, linens, home decor, shoes, jewelry, and housewares are some of the other departments. These stores offer the convenience of one-stop shopping plus a variety of customer services.



Specialty Stores

Specialty stores sell a specific type of merchandise or services such as shoes, toys, health foods, books, or gifts. Barbershops and beauty salons also are examples. Generally, the salespersons in these stores are well informed about products and services, 13-1.

13-1

A specialty shop selling bicycles may offer services such as custom bike fittings and free tune-ups.

Superstores and Warehouse Clubs

Superstores and *warehouse clubs* offer advantages to consumers, but they threaten local neighborhood stores that cannot compete with their pricing or large volume of merchandise. These stores are often in shopping

Case Study: Shopping Solutions

The Purpose Guides the Choice

Tony is captain of his high school tennis team. He hopes to go to college on a tennis scholarship. Tony's tennis racket cracked so he needs to replace it. Selecting a new racket is an important purchase for him.

Tony knows exactly what features he wants. He needs a racket with the right grip, weight, balance, flexibility, and durability. He shops carefully.

After looking in several stores, Tony buys a top-of-the-line racket from a specialty store. The tennis pro at the store checks the grip for Tony and strings the racket with just the right tension. The racket is expensive, but Tony pays for the best because he needs it for his level of the game.

Catina wants to play tennis because some of her friends play. She doesn't know if she will like the game or how much she will play. She doesn't want to spend a lot of money.

Catina goes to a sporting goods superstore. She asks to see an inexpensive racket that will be good enough for learning the game. She buys a medium-quality racket for a reasonable price. The racket works very well for her.

Case Review

1. How do you think price is related to quality and features in a product?
2. What quality and price factors might influence your choice of
 - a winter coat?
 - a computer?
 - a game system?
 - suntan lotion?
 - a musical instrument?
 - a car?
3. What types of sellers would you go to for each of the items listed above?
4. What are some consequences of failing to consider how you will use a product when you make a buying choice?

malls or on the outskirts of town. Some superstores specialize in specific products such as electronics, sporting goods, foods, or building and office products. Others sell a wide variety of merchandise similar to the department stores.

The warehouse clubs sell memberships to customers who want buying privileges. They usually offer a wide variety of merchandise at relatively low prices. Their offerings may include prescription drugs, auto services, travel packages, and more.

Discount Stores

Discount stores sell certain lines of merchandise at lower prices than other stores. They can afford to do this because they buy in large quantities and often limit customer services such as deliveries, credit, and returns. Most discount stores are self-serve operations with few salespeople. They may offer real bargains on some items, but it pays to compare prices because they do not always offer the best buys.

Factory Outlets

Factory outlets are owned by merchandise manufacturers or distributors. They sell directly to consumers rather than through wholesalers or other retailers. Very often, a variety of factory outlets will be located in an outlet mall, usually in an outlying area. Merchandise featured at outlets may include overstocks and items that did not sell in other stores. Factory outlet prices are usually lower than prices for the same merchandise in other retail stores.

Resale Shops

Resale shops sell used merchandise at greatly reduced prices. Extras such as warranties, guarantees, exchanges, and credit privileges are rare, but prices are likely to be exceptionally low. It is important to inspect used merchandise carefully to be sure items are in good condition. Clothing, household items, and furniture are among the items typically sold in resale shops. There are several types:

- *Resale shops* buy merchandise from individuals, sell it to customers, and keep the profit.
- *Thrift shops* usually sell donated merchandise. They are operated by churches, hospitals, or charitable organizations for the benefit of those they serve.
- *Consignment shops* accept merchandise to sell and pay the owners a percentage when the items are sold.

Nonstore Sellers

Direct marketers, also called **nonstore sellers**, sell goods and services in different ways and from different locations. They include door-to-door salespersons, catalogs, telemarketers, electronic sales via television or Internet, consumer cooperatives, and vending machines.

These methods of selling goods and services offer advantages, but it is important to check the reliability and legitimacy of the seller before

buying. It can be difficult to locate a distant seller if there are problems after the sale.

Door-to-door Salespersons

Door-to-door salespersons are sellers who come to your door and offer the convenience of buying at home. It can be a plus to see certain products such as home furnishings or decorating items in the home before buying. It also can be an advantage when you are considering goods or services that need to be demonstrated or discussed before you decide to buy them.

Before opening your door to a seller, ask to see identification, a selling permit or license, and a company connection. If you buy, obtain a written copy of all details of the sale such as delivery dates, model numbers, price, warranties, and credit terms. Also obtain a contact name and number for after sale follow-up if there are any problems with the purchase.

Catalogs

Catalogs allow you to order goods and services featured on their pages. It is important to check the reliability of the seller before buying and to understand the policies on returns or exchanges. Also consider shipping costs, both for orders and possible returns. Add any costs involved to the purchase price to figure the final cost to you.

Telemarketing

Telemarketing is a form of selling that involves the seller phoning you to promote the purchase of goods or services. You can buy everything from toys to insurance to burial plots by telephone. Telemarketers may call you at inconvenient times with offers that do not interest you. Consumer protection laws require telemarketers to clearly state the company and caller name, the purpose of the call, and the type of goods or services being offered.

If you do not wish to receive calls from telemarketers you can place your phone number on the National Do Not Call Registry by calling 888-382-1222 or by going online at www.donotcall.gov. Telemarketers are not allowed to call registered numbers. In addition, they may not call before 8:00 a.m. or after 9:00 p.m. or misrepresent the goods and services they are selling.

T-Commerce

T-commerce refers to shopping on television. *Television shopping networks* are TV marketplaces. Sellers display and sell their goods and services on TV broadcasts around the clock. Most networks also offer featured items online along with a full Internet catalog of other items for sale.

Sellers market their merchandise on TV using commercials that include a number to call for more information or to purchase. Whether by network or commercial, you can see the product, order by phone, pay by credit card, and have the item delivered to your home.



E-Merchandising Managers

E-merchandising managers are responsible for meeting sales goals for their area of merchandise sold online. They work to optimize online navigation and review site traffic. They also review competitive Web sites to evaluate merchandise, promotion strategies, customer experience, and product presentation.

Interactive television or ITV lets you use your remote control to make purchases. If you see a TV commercial for a pizza or a piece of fitness equipment, you can buy it instantly by using your remote control to place your order.

E-Commerce

E-commerce refers to buying and selling goods and services online. You can access thousands of retail sites online to buy almost everything you can buy offline.

Offerings include books, clothing, food, furniture, vacation and business travel, automobiles, investments, cosmetics, and prescription drugs, 13-2.

Internet Auctions

Internet auctions are markets where sellers offer items for sale to the highest bidder. In some cases, the seller will set a “reserve price” that is the lowest acceptable price for the item. Each auction is announced and bidding closes at a preset time. The highest bidder for each item in the auction “wins.” Items with reserve prices are sold if the highest bid exceeds that price.

In person-to-person Internet auctions, buyers and seller connect at the close by e-mail or telephone to arrange payment and delivery. In business-to-person auctions, the auction site controls payment and delivery arrangements. Before you buy or sell at an Internet auction site, order or download a copy of the Federal Trade Commission publication *Internet Auctions, A Guide for Buyers and Sellers*.



13-2

Busy consumers can use e-commerce to save time. Online grocery stores offer a wide selection and convenient home delivery.

Consumer Cooperatives

Consumer cooperatives are nonretail associations owned and operated by a group of members for their own benefit rather than for profit. Members contribute services and dues to participate in the association. Goods and services usually sell at lower prices than in retail stores. However, the selection of merchandise and customer services are limited to what the membership can provide.

Vending Machines

Vending machines started primarily as places to buy snacks and soft drinks. Today, a large variety of merchandise is available through vending machines, including food, cosmetics, clothing items, grooming supplies, and jewelry.

Vending machines offer the advantages of easy, fast purchases and often are available 24 hours, seven days a week. However, since the actual vendor or seller is not present, dissatisfaction with items purchased from a vending machine can be difficult to resolve.

Consumer Information Sources

There is no substitute for reliable information when you go shopping. As goods, services, and markets become more varied and complex, knowledge is ever more important. Common sources of consumer information on specific goods and services include other consumers, advertisements, labels and hangtags, product rating and testing organizations, salespeople, and the Internet. Knowing how to find, evaluate, and use available information can help you become a smarter shopper.

Other Consumers

Most people get information about products and services from friends, relatives, neighbors, and other people they know. When was the last time you bought something because a friend had it? Friends often provide information about everything from new trendy fashions and exciting movies to computer games and electronic products. Friends can provide valuable information about their experiences with a product, a service, or a seller.

Consumer reviews of products and services have become a prominent feature on the Internet. Many consumers rely on reviews to guide their buying decisions. Products and services frequently reviewed include hotels, restaurants, and autos. Bookseller sites often allow readers to post book reviews. Consumer reviews have expanded to include all types of services, including those of doctors and other professionals.

Reviews are available on company Web sites, independent rating service Web sites, and government or consumer advocacy Web sites. Many of these sites are free. Others charge a fee or require membership to access evaluations.



Emotional Triggers for Spending

For many people, shopping is a fun social pastime. For some it is an unwelcome necessity. For others,

shopping is a way to cope with stress, sadness, or low self-esteem.

Sometimes, shopping to meet emotional needs causes people to spend more than they can afford. Routine overspending leads to financial problems.

Sometimes people overspend because they seek approval from others. For example, you probably know someone who bought an overpriced pair of sneakers or jeans because everyone else was wearing them. *Peer pressure*

is the power a social group has over someone who seeks the group's approval and acceptance.

Another type of pressure to buy is exerted by *role models*, or the people you admire and strive to imitate. A role model can be a parent or other relative, a teacher, a coach, or even a politician. It can be a celebrity, such as a famous athlete or model. Many fads start when famous people adopt them.

When people follow the spending decisions of others, they often make spending mistakes, especially the mistake of overspending. They also buy things they do not need.

Advertising messages often suggest that acquiring possessions brings success, happiness, and satisfaction. However, for most people, being involved and participating in meaningful activities offers a more reliable path to happiness and fulfillment. Hobbies, volunteer work, and sports can relieve stress, build self-esteem, and provide joy and contentment.

Advertisements

Advertising is probably the most readily available source of information about goods, services, and sellers. **Advertising** is a paid message touting the attributes of something in order to convince consumers to buy it. Advertising comes in many formats including ads in magazines, commercials on television, pop-ups on the Internet, and billboard images. Most ads contain some useful information. You can usually count on advertising to

- introduce new products and services
- keep you up-to-date on existing products
- give changing price information
- tell where to find advertised items

To make the best use of ads and commercials, concentrate on the facts. Look and listen for specifics on brands, features, and prices. Keep in mind when looking for the “facts” that advertising is intended to promote and sell goods and services.

Labels and Hangtags

Information on labels and hangtags tells you about the content, quality, performance, care, and maintenance of various products. This information



Copywriters

Copywriters work with artists to conceive, develop, and produce effective advertisements. They create the written message in print ads, posters, brochures, and Web pages as well as the scripts of radio and television spots.

helps you select, use, and care for products. The law requires specific facts to appear on the labels of certain products.

The Federal Trade Commission requires that all clothing labels give clear and complete care instructions. Clothing and textile products must be labeled with fiber content, identification of the company name or manufacturer, and country of origin. When reading clothing labels and hangtags, you will find the brand name of the product. Also look for information about materials and quality work used in the product.

Food packages must carry a list of ingredients, the name and address of the manufacturer, quantity by weight, number of servings, and specific nutritional information. For food products, note the nutritive values, grade and quality levels, expiration dates, and storage instructions.

Drugs and cosmetics are labeled with ingredients, directions for use, and cautions against misuse. Laundry supplies, household cleaning agents, pesticides, and herbicides must be labeled with directions for safe use and disposal. They should contain cautions or warnings against hazards of misuse.

Look for age-of-user advice on toy labels, such as “suitable for ages 4 to 6” or “not recommended for children under three.” New cars must be labeled with certain price and fuel economy information.

In addition, many manufacturers voluntarily provide useful information on labels, such as recipes and serving suggestions on food packages. Regardless of the product you are buying, its label can be an important source of practical, reliable information.

Testing and Rating Services

The testing and rating of consumer goods and services provides valuable guides for shopping. You can use testing and rating information to evaluate features and compare different models and brands of products and services. This helps you make purchase decisions that will best meet your needs. Two common forms of testing and rating results are seals of approval or certification and ratings in consumer publications.

Seals usually rate products as “certified,” “approved,” “tested,” or “commended.” The same organizations that test products issue seals for the products that meet their standards. A common seal is shown and explained in 13-3.


The Consumers Union publishes *Consumer Reports* magazine, which carries ratings of tested products and services. The magazine provides comparative buying information to help consumers shop wisely.

Before using testing and rating information, you need answers to the following questions:

- **Who sponsored or conducted the testing?** Consider the qualifications, interests, and intentions of the testing organization. For example, *Consumer Reports* does not get revenue from advertising sales. This allows it to be more unbiased in its reporting compared with groups that rely on advertisers. Can you expect the ratings to be honest and objective, or are they designed to help promote the product?
- **What features and performance standards were tested?** Be sure features and performance standards that are most important to you are included in the testing and rating.

13-3

This seal indicates that an appliance meets specific performance and safety standards.

The Seal	Where It Is Found	What It Means
 <p data-bbox="488 436 732 499">Underwriters Laboratories, Inc.</p>	<p data-bbox="789 233 1068 457">On appliances, computer equipment, furnaces, heaters, fuses, smoke detectors, fire extinguishers, and thousands of other products.</p>	<p data-bbox="1117 233 1414 394">Products passed initial tests and periodic factory evaluations, indicating they continue to meet UL standards for safety.</p>

- *Under what conditions were tests run, and what test methods were used?* Check to see if products were tested for the type of use you will give them. For example, suppose TV reception was tested under ideal laboratory conditions and you live where there is a lot of interference. The test results may not be your best guide.
- *What do the test results mean?* Read explanations of seals and ratings carefully to find out exactly what they mean.
- *When were products tested, and which models were included?* Products tested one year could improve or become less desirable the next year, particularly in product lines where research brings about frequent changes. If you use test results and ratings as a guide, be sure they include the actual models you are considering.
- *What factors are important to you that are not included in testing?* Consider price, availability, credit terms, delivery, installation, and reputation of the seller. None of these will be covered by product testing and rating services.

Salespersons

Knowledgeable salespeople can be one of your best sources of information on the products and services they sell. They should know how different brands and models compare and what features are most important. They should also know when new merchandise is expected, when sales are scheduled, and a host of other facts that can help you make sound buying decisions.

Of course, not all salespeople are well informed and helpful. Their job is to sell the merchandise as well as to please the customer. Some do a better job than others.

Be fair and considerate with salespeople, especially in stores where you shop regularly. You are likely to get better service and more reliable information. For example, a salesperson who likes you may tell you of an upcoming sale, call you when new merchandise arrives, or give you a straight answer when you need an opinion about a product.

The Internet

The Internet is one of the most complete, up-to-date sources of consumer information available. You can

- compare product prices, features, and availability
- check the reliability of sellers, order merchandise, and file complaints
- access both private and government agencies that protect your interests

Online brokers offer shopping search engines called “bots” that search the Web for the best values for different products. You select a category and then type in the name of the product to find comparative prices and features. The Internet mall offers a great many features and advantages to time-pressed shoppers.

Making Shopping Decisions

Every shopping decision has an opportunity cost. Since money is a limited resource, spending it now means giving up the opportunity to spend it later. Consumers who realize this and look at the costs and benefits of different spending alternatives come out ahead.

Smart shopping depends on rational decision making. To be a smart shopper, you need well-defined goals and a clear view of your resources. Review the section on rational decision making in Chapter 5. Apply this process to shopping for goods and services.

A spending plan based on sound decisions works to your advantage both for routine shopping and big purchases. Spending plans need to fit into an overall budget tailored to your specific income and needs. This type of planning gives you a framework for making decisions and can help you avoid impulse buying. A clear picture of your needs can also help you choose the best quality level for different purchases, 13-4. Finally, planning can help you stay within price ranges you can afford.

Best quality	Medium quality	Lower quality
Top of the line. Upper price range. The most and best features.	Medium price range. Standard features. Customary materials, design, and performance.	Lowest price range. Very few features. Adequate materials, design, and performance.
Buy when:	Buy when:	Buy when:
Top quality and performance are needed for frequent or extended use. You can afford the best and owning it is worth the cost.	Medium quality suits your purpose and is affordable. The best is not necessary for the amount of use it will get. Durability, practicality, and reasonable price are important. Extra features are not required.	Lower quality suits your purpose. The item will be used only occasionally or temporarily. The item will be outdated or outgrown soon. The item is necessary and it is all you can afford.

13-4

The way you will use a product and your budget will determine what quality level to buy for different products.



Case Study: Shopping Solutions

Planning Is the Key

Sheri and John want a long list of things for their new apartment. Each time they walk through a store, they see something to buy.

As a result, Sheri and John make foolish purchases and buy items they could postpone. Now they must do without some things they really need. For example, they have an electric knife but no toaster. They have many sofa pillows but a cheap lumpy mattress. They have mismatched furniture—Sheri bought a green flowered chair the same day John bought a blue plaid sofa.

Sheri and John see their mistakes when they evaluate their finances and their apartment. They decide to review their needs and set goals. They plan key purchases by deciding which items are most important. They also estimate the cost of each purchase. This plan is an overall guide to shopping and spending. Financial planning helps Sheri and John make sound shopping decisions.

Case Review

1. How can random spending create money problems?
2. How can well-established goals help people make better shopping decisions?
3. How might your goals for the next three to five years influence your shopping decisions?
4. It is easy to see the value of a spending plan for major purchases. How can an overall plan improve shopping skills for small purchases and routine spending?

You need a variety of shopping skills to carry you through the marketplace with confidence. Certain guides apply to shopping in general, while others apply specifically to buying products, buying services, or shopping at sales.

General Shopping Tips

Here are some general shopping guides to help you get value for your dollars.

- **Deal only with reliable businesses and business people.** Countless consumer problems arise each year as a result of trading with dishonest sellers and being “taken in” by shady selling schemes.
- **Compare products, services, and places to shop.** Check prices, quality, performance, and anything else that is important to you for a specific purchase. Find out about the sellers’ operating policies concerning

returns, exchanges, credit, and customer satisfaction. Check repair policies, especially for products that are very expensive to replace.

- **Consider the value of time and energy as well as money.** For example, suppose the price of a product is lower in a shopping center than in a neighborhood store. Getting to the shopping center would take more time, energy, and gasoline. When you weigh these disadvantages against the potential savings, is it worth it?
- **Do your homework before buying expensive goods and services.** If you are unfamiliar with a product or service, take time to learn more about it before you shop. Basic knowledge of prices, ratings, and recommended features can help you make informed decisions.
- **Report unfair or dishonest business practices to appropriate organizations and authorities.** Places to look for action or assistance are listed in 13-5. Consumer protection offices of local and state governments and the state attorney general's office can also help resolve customer-seller conflicts. In some cases, law enforcement agencies depend on the help of citizens to track down wrongdoers in the marketplace. By contacting the proper authorities, you can help put dishonest sellers out of business.
- **Handle money with care whether you shop with cash or credit.** Keep receipts and sales slips for possible returns or exchanges. When using credit, be sure to keep track of purchases and limit total charges to an amount you can pay on time with ease. When paying by mail, send a check or money order, never cash. This is safer and it gives you a record of the payment. Take care to keep track of both cash and credit cards as you shop.
- **Deal fairly and honestly with others in the marketplace.** Look to the guidelines in 13-6 as you come in contact with various businesses, salespeople, professionals, and other shoppers. You will get more respect and better service by being honest, courteous, and fair.

Online Sources of Consumer Information and Assistance

Center for Democracy and Technology	www.cdt.org
U.S. National Better Business Bureau	www.us.bbb.org
Federal Citizen Information Center	www.info.gov
Federal Trade Commission	www.ftc.gov
Food and Drug Administration	www.fda.gov
Internet Scam Busters	www.scambusters.org
National Do Not Call Registry	www.donotcall.gov
National Fraud Information Center	www.fraud.org
U.S. Postal Inspection Service	www.uspis.com

13-5

These agencies and organizations offer information and assistance with consumer problems and complaints.

Fairness Guide	
With Salespeople	With Professionals
<p>Show courtesy to salespeople and others who serve you in the marketplace.</p> <p>Wait your turn when stores are crowded and salespeople are busy.</p> <p>Avoid shopping just before closing time.</p> <p>Ask for salespeople who have been helpful in the past, and thank them for their help.</p> <p>Handle merchandise with care to avoid soiling or damaging it.</p> <p>Return merchandise to its proper place after you handle it.</p> <p>Inform salespeople if you come across damaged or broken products.</p> <p>Be as free with compliments for good service as you are with complaints for poor service.</p>	<p>Respect the expertise, training, and education a professional person offers. Understand that professionals are selling their time; do not waste it.</p> <p>Be on time for appointments or give plenty of notice if you must be late or cancel.</p> <p>Pay promptly unless you have made credit arrangements.</p> <p>Call during office hours except when emergencies require off-hour calling.</p> <p>Remember, in most cases, you are in partnership with the professionals who serve you. Working together is the best way to achieve mutual goals.</p>
With Other Shoppers	With Businesses
<p>Wait your turn when several shoppers want help at the same time.</p> <p>Avoid pushing, shoving, raising your voice, and blocking aisles or doorways.</p> <p>Control children, pets, and shopping carts.</p> <p>Respect the needs and belongings of other shoppers.</p>	<p>Let merchants and manufacturers know what you like or dislike about their products, services, and policies.</p> <p>Make necessary returns and exchanges promptly, particularly when merchandise is seasonal.</p> <p>Be businesslike about handling problems and registering complaints.</p> <p>Avoid damaging merchandise or making unfair returns, exchanges, or demands.</p>

13-6

Fairness in the marketplace is a two-way street that both businesses and consumers travel.

Shopping for Goods

When you buy merchandise, inspect it first. Look products over carefully. Read labels, hangtags, seals, and manuals. Look for information about the price, quality, and performance features. Also consider any extra costs for delivery, installation, upkeep, and servicing of goods. Be sure to know exactly what you are buying and the quality you are getting.

For certain goods, it may pay to buy in quantity. For example, soap at three bars for \$2.75 is a better buy than a dollar each. When buying in large quantities, make sure the merchandise will keep. Only buy what you can conveniently use and store.

As you shop for goods, remember the options available to you. Compare different stores as well as products to find the best values. You may be able to save a lot of money by *comparison shopping*. **Comparison shopping** is the process of gathering information about products and services to find the best quality or usefulness at the best price.

Knowing what features, performance requirements, quality, and price range you want gives direction to your shopping. It will also help you evaluate quality and performance.

Warranties

A written **warranty** guarantees that a product will meet certain performance and quality standards. The warranty provides for specific remedies if the product does not live up to stated promises. Warranties are included in the purchase price.

Warranties can guide consumers both in the purchase of products and in later needs for service and satisfaction. By law, consumers have the right to read product warranty promises before they buy.

The basic types of written warranties are *full* and *limited*. A **full warranty** must provide the following:

- free repair or replacement of defective products or parts
- repair or replacement within a reasonable time
- no unreasonable demands on the customer as a condition of receiving repairs or replacement
- replacement if a number of attempts at repair fails
- transfer of coverage to a new owner if the product changes hands during the warranty period

A **limited warranty** provides service, repairs, and replacements only under certain conditions. The customer may need to pay labor costs or handling charges. It may cover repairs only and not replacement. It may also require return of the product to the seller or authorized service center for warranty servicing.

Most warranties cover products for a stated period of time, such as 90 days or one year. Warranties do not protect against failure caused by customer misuse of a product.

In addition to the written warranty, most products carry unwritten implied warranties of merchantability and fitness. **Implied merchantability** means that a product is what it is called and does what its name implies. A computer printer must print documents; a heater must produce heat. The product must be in working order.

Implied fitness means that a product must be fit for any performance or purpose promised by the seller. If a salesperson or hangtag suggests roller skates for outdoor use, they must be fit for outdoor skating. Implied warranties apply to the condition of a product at the point of sale. They cover defects that are present but may not be obvious at the time of purchase.

You may need a proof of purchase to receive warranty service, so be sure to keep the sales receipt, warranty, and model number of the products you buy. To make the best use of a product warranty, read it carefully.

- How long does coverage last?
- Does it cover the entire product or only parts of the product?
- What performance and characteristics are guaranteed?

- Is the labor to repair the product included?
- Who is responsible for carrying out warranty promises?
- What must the consumer do to receive warranty benefits?

Extended Warranties

When you buy major appliances, autos, or electronic products, you often are offered a *service contract* or **extended warranty** for an additional cost. The contract covers servicing for a product, if needed, during the term of the contract.

An extended warranty may offer more protection than you need and it can be expensive. It covers servicing and repairs that may be required after the warranty expires. In some cases the extended warranty duplicates protection that comes with the product. Before you buy this type of protection consider the following questions:

- What is the cost of an extended warranty or service contract? Must you pay a deductible?
- What is covered by the agreement and what must you do to obtain the services promised? Must you provide proof of periodic maintenance in order for the warranty to be honored?
- Does the extended warranty cover services already guaranteed in the original warranty?
- What would repair services cost without an extended warranty? What would it cost to simply replace the product if it fails? It may be cheaper to replace the product than to buy the extended warranty.
- Who and where do you call for service? If you have time, check them out with a consumer protection group, such as the Better Business Bureau.
- Can you buy the service contract at a later date or after the warranty expires?

If you want to buy this type of protection you may want to buy it directly from the manufacturer rather than the retailer or other third party. Compare the available sources of protection.

Used Merchandise

In some cases, you can meet your needs with used instead of new products. For example, an apartment can be furnished with used furniture for a small fraction of the price you would pay for new. Items people often buy secondhand include sports equipment, baby clothing, musical instruments, furniture, and autos.

Secondhand stores, auctions, army surplus stores, garage sales, and online and printed classified ads all offer opportunities for buying used items in good condition. Usually there are no guarantees on used products so it pays to examine goods with great care before buying. Be especially careful when buying items for infants and children. Make sure the item was not recalled by the manufacturer because of a safety hazard. Some

items such as infant and child car seats should not be purchased used because they may have hidden damage from car accidents.

You can also look for giveaways, especially free furniture and other hard-to-move items. People who must move may be forced to give away possessions that could not be sold quickly. Others like the idea of recycling their belongings and keeping them out of landfills.

Shopping for Services

Buying services is different from buying goods. When you buy a product, you can see it, inspect it, try it on, or handle it. After using a product once, you can usually expect it to be the same each time you buy it.

When buying a service, you do not really know what you are getting until after you receive it. For the most part, you buy on faith. Therefore, it is important to check the reputation of any business or person who offers a service. Try to talk with former customers. Find out if they are satisfied with their service.

Most services require special knowledge or skills. Examples are dental and medical care, auto and household repairs, and legal and financial advice. When buying such services, carefully investigate the person's qualifications and the reputation of the business. Check out the person's education and training, experience, and membership in professional organizations. Choose only qualified professionals whom you can trust to do a good job, 13-7.

Know or find out who performs the service. Ask how long the service takes, how much it costs, and what the price includes. For expensive services, such as auto repairs and home improvements, get several written estimates from different sources. Compare estimates carefully, reading all the details. Look for reasonable price estimates along with assurance the job will be done right, on time, and with appropriate guarantees.

Also give a clear and complete description of the service you want. For example, when you get a haircut, describe the type of cut you want or bring a picture of the style. If you do not know what you want, ask for advice. Professionals who know their fields can give you valuable information.

Work Orders and Contracts

Work orders and contracts are common when buying services on your car or home or other work that is performed over a period of time. A **work order** requests service and describes the work that will be performed. For expensive or lengthy service jobs, a contract may be signed. A contract for services should include

- the name, address, phone number, and license number of the service provider



13-7

Search for a licensed and experienced provider with whom you feel comfortable for services such as medical and dental care.

- a description of the work to be done and materials to be used
- the starting and estimated completion dates
- the total cost and a schedule of payments
- a description of the grounds for terminating the contract by either party along with the consequences of termination

Ask to see a copy of the service provider's liability insurance certificate if it is applicable. If a building permit is required, ask the service provider to apply for it in his or her name. Be sure to thoroughly inspect the work before paying in full or signing a completion certificate.

Shopping at Sales

There are several guidelines to follow when shopping at sales events.

- ***Do not let price reductions tempt you to buy what you do not want or will not use.*** For example, a \$90 jacket on sale for \$35 is no bargain if it does not fit. A half-price banana split is no bargain if you are trying to lose weight.
- ***Look for possible flaws and see if they will affect your use of the product.*** Very often you cannot return or exchange sale items. If a product is marked "second," "irregular," or "as is," it may be flawed in some way.
- ***Figure the cleaning or repair costs if items are soiled or damaged.*** For example, suppose a \$150 white coat is marked down to \$110 but is soiled and needs dry cleaning. Add the cost of dry cleaning to the sale price before figuring your bargain.
- ***Find out store policies on sale items before you buy.*** Does the store allow returns or exchanges on sale items?
- ***Try to plan your purchases to match the timing of sales.*** Seasonal sales usually offer the best buys. Knowing when to expect price cuts on certain products and services can help you plan your purchases to get the best values for your dollars, 13-8. Check ads and store mailings to know what is on sale in your area.



Sales Promotion Managers

Sales promotion managers direct programs that combine advertising with purchase incentives to increase sales.

They use direct mail, telemarketing, media advertising, catalogs, exhibits, Web sites, in-store displays, and special events to establish closer contact with consumers.

The Right of Refusal

It pays to exercise the "right of refusal" when sellers offer items you do not need, do not want, or cannot afford. As long as the economic system guarantees free economic choice, no one can make you buy what you do not need or want. You always have the ultimate right of refusal. Use this right to protect your financial interests.

On a larger scale, consumers need the right of refusal to maintain control of demand in the marketplace. Consumers have the power to strengthen the demand for what they buy and to weaken the demand for what they refuse. Thus, the economic system, as well as your own financial welfare, depends on the intelligent use of the power of refusal.

Shopping Guide for Seasonal Sales		
January	February	March
<p><i>Watch for:</i></p> <ul style="list-style-type: none"> Postholiday sales Preinventory sales January “white” sales <p><i>Best buys:</i></p> <ul style="list-style-type: none"> Winter clothing, coats, bedding, linens, furniture, floor coverings, toys, sports equipment, home appliances 	<p><i>Watch for:</i></p> <ul style="list-style-type: none"> Lincoln’s, Washington’s and Presidents’ Day sales Valentine’s Day specials <p><i>Best buys:</i></p> <ul style="list-style-type: none"> China, silverware, glassware, rugs and floor coverings, TVs and sound equipment, sportswear and sports equipment, furniture and home furnishings, housewares, used cars, mattresses 	<p><i>Watch for:</i></p> <ul style="list-style-type: none"> Spring promotionals <p><i>Best buys:</i></p> <ul style="list-style-type: none"> China, glassware, garden supplies, housewares, laundry appliances, spring clothing, infants’ wear, shoes, skates, ski equipment, luggage
April	May	June
<p><i>Watch for:</i></p> <ul style="list-style-type: none"> Warm weather sales <p><i>Best buys:</i></p> <ul style="list-style-type: none"> Clothing, fabrics, lingerie, hosiery, ladies’ shoes, home clean-up/fix-up supplies 	<p><i>Watch for:</i></p> <ul style="list-style-type: none"> Mother’s Day sales Memorial Day specials <p><i>Best buys:</i></p> <ul style="list-style-type: none"> Outdoor furniture, luggage, jewelry, auto tires and accessories, bedding, lingerie, clean-up/fix-up supplies, TVs 	<p><i>Watch for:</i></p> <ul style="list-style-type: none"> Father’s Day sales Bridal and graduation gift specials <p><i>Best buys:</i></p> <ul style="list-style-type: none"> Floor coverings, bedding, lingerie, hosiery, sleepwear, clothing, women’s shoes
July	August	September
<p><i>Watch for:</i></p> <ul style="list-style-type: none"> 4th of July sales <p><i>Best buys:</i></p> <ul style="list-style-type: none"> Fabric, furniture, summer clothes, sportswear and equipment, computers, indoor and outdoor furniture, swim wear 	<p><i>Watch for:</i></p> <ul style="list-style-type: none"> Summer clearances Back-to-school sales <p><i>Best buys:</i></p> <ul style="list-style-type: none"> Luggage, sports equipment, bedding, furniture, outdoor furniture and garden supplies, school supplies, air conditioners and humidifiers, lawn equipment 	<p><i>Watch for:</i></p> <ul style="list-style-type: none"> Back-to-school specials <p><i>Best buys:</i></p> <ul style="list-style-type: none"> Outgoing year’s car models, auto accessories, china, glassware, fall fashions, housewares, bikes, grills, consumer electronics, paint, shrubs and trees
October	November	December
<p><i>Watch for:</i></p> <ul style="list-style-type: none"> Columbus Day specials <p><i>Best buys:</i></p> <ul style="list-style-type: none"> Major appliances, furniture, women’s coats, fall/winter sportswear, last of outgoing year’s car models, bikes, school clothes, silverware 	<p><i>Watch for:</i></p> <ul style="list-style-type: none"> Election, Veterans, and Thanksgiving Day specials <p><i>Best buys:</i></p> <ul style="list-style-type: none"> Shoes and boots, blankets, bedding, kitchen appliances, china, glassware, holiday gifts, toys, new cars, computers 	<p><i>Watch for:</i></p> <ul style="list-style-type: none"> Holiday gift and toy promotions Postholiday sales Storewide clearances <p><i>Best buys:</i></p> <ul style="list-style-type: none"> Cars, resort and cruise wear, men’s and children’s wear, coats, TVs

13-8

This shopping calendar can help you time purchases to get the best sale prices. Shopping skills are the keys to shopping smart.

Chapter Summary



Smart shopping is a skill almost anyone can develop. It involves knowing about different places to shop and different types of sellers. The marketplace offers consumers many opportunities to comparison shop and find the goods and services they want at the best prices.

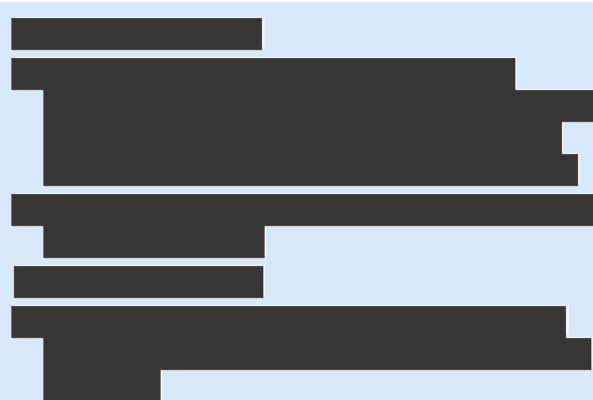
Collecting, evaluating, and using information as it applies to different purchases is part of smart shopping. Smart shopping also calls for rational decision making and a personal spending plan. Specific suggestions apply to buying products and others apply to buying services. Shopping at sales calls for another set of techniques to get the best bargains.

Review

1. Name three common locations where you can buy goods and services.
2. Name five types of sellers.
3. What are some advantages and disadvantages of buying from a door-to-door salesperson?
4. Distinguish between t-commerce and e-commerce. What are some advantages and disadvantages of this type of shopping?
5. How do consumer cooperatives differ from retail stores and other nonstore sellers? What are the advantages and disadvantages of joining a consumer cooperative?
6. What can shoppers learn from the information on labels and hangtags?
7. Name three questions you should answer before using testing and rating information.
8. How can a spending plan help you make smart shopping decisions?
9. Name five tips for making rational shopping decisions.
10. Describe the major difference between buying products and buying services.
11. When you buy a product with a warranty, what information do you need to keep with the warranty?
12. List five questions consumers should ask before purchasing an extended warranty.

Critical Thinking

13. In what ways have technological developments changed the marketplace in the past 20 years?
14. What sources of information have you found most helpful when buying goods and services? Why were they helpful?



15. How do you decide what to buy? How do needs, prices, and quality affect your shopping decisions?
16. How can well-established needs and goals help you make sound decisions as you shop?
17. Describe your most successful shopping experience. Describe your most disappointing shopping experience. Why was one successful and the other disappointing?
22. **Research.** Investigate service contracts and extended warranties on the Internet to answer the following questions.
 - When, if ever, does buying a service contract make sense?
 - What are the advantages and disadvantages of an extended warranty?
 - What do sellers and manufacturers have to gain from selling service contracts?
 - What should consumers know before buying a service contract or extended warranty?

Academic Connections

18. **Financial literacy.** List at least five products that you expect to buy in the near future. According to the shopping guide for seasonal sales, what month of the year would you most likely find the best price for each item?
19. **Financial literacy, research.** From your product list above, choose one that costs \$200 or more. Make a list of the characteristics and features you want this product to have. Then check brand names and prices for this product at three or more stores and online. What differences do you find in quality and price from one brand to another and from one seller to the other?
20. **Writing.** Develop a list of guidelines to follow when shopping for products or services online and on television.
21. **Social studies.** Make a directory of government and private agencies that provide consumer protection and assistance with problems in the marketplace.

MATH CHALLENGE

23. Store A has flip-flops on sale at two pairs for \$5.50. Store B has them on sale for 25% off their normal price of \$3.50 a pair. Store C gives you one free pair of flip-flops if you buy a pair at the regular price of \$5.
 - A. How much do the flip-flops cost per pair at each store?
 - B. What store has flip-flops at the lowest price per pair?
 - C. What is the worst deal?

Tech Smart

24. Use comparison shopping to find the best deal. Search the Internet for several sellers of three products or services you want to buy. Write down the name of each seller, the price charged, and any additional charges such as shipping and taxes. Identify the best deal.

