LESSON 2

Consumer Decision Making

LESSON DESCRIPTION

In this lesson, the students learn that every decision involves alternatives. They practice using the PACED decision-making process:

- **State the Problem.**
- **List Alternatives.**
- **Identify Criteria.**
- **Evaluate alternatives based upon criteria.**
- **Make a Decision.**

The PACED decision-making process is designed to help the students solve problems in a rational and systematic way. By recognizing what is important to them when they make a decision, the students will be able to evaluate their options and make more informed decisions.

This lesson is correlated with national standards for mathematics and economics as well as the national guidelines for personal financial management as shown in Tables 1 through 3 in the front of the book.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

Opportunity cost, trade-off, alternatives, criteria, cost/benefit analysis.
PARENT CONNECTION

Family Activity 2 in *The Parents' Guide* involves having each student and his/her parent use the PACED decision-making process to make a family decision. Assign this family activity after you have covered the PACED process in class so that the students have familiarity with it. Have the students report on how they used the PACED process with their families.

*The Parents' Guide* is a tool for reinforcing and extending the instruction provided in the classroom. It includes:

1. Content background in the form of frequently asked questions.
2. Interesting activities that parents can do with their daughter or son.
3. An annotated listing of books and Internet resources related to each theme.

Workout

WARM-UP

1. Introduce the lesson by telling the students you’ve noticed that people often make impulsive decisions about what to buy. While this may not be a big problem when the product being purchased is a 59-cent candy bar, the situation can become critical if it is a $2,000 computer or a $30,000 car.

2. Have the students read the Warm-Up in Lesson 2 of *Student Workouts*, and stress that rational decision making is an important skill. Tell the students that if they begin to use sound decision-making strategies in minor situations, they will be ready to handle major decisions when they come along.

3. Tell the students that they will participate in a decision-making simulation. The purpose of the simulation is to demonstrate that good decisions are a result of recognizing options and evaluating costs and benefits.

4. Display Visual 2.1, *The PACED Decision-Making Process*, and review the five steps. Discuss the example on the visual, and ask the students to suggest other problems, alternatives, and criteria.

5. Emphasize that making a decision is the last step in the process and that decision making should always come after the process of recognizing alternatives, defining criteria, and evaluating the criteria.

EXERCISE

1. Which Graham Cracker Is Best?
   
   a. Tell the students that they will use a decision-making process to select their favorite graham cracker. (Other items could be used, such as pretzels, vanilla wafers, or soda crackers.) After they identify their criteria, they will test several crackers to decide which one meets their definition of the best graham cracker.

   b. Divide the class into groups of three or four students. Have the students turn to Exercise 2.1, *Which Graham Cracker is Best?* in *Student Workouts*. Display Visual 2.2. Instruct the students to list in the
first row the characteristics they would look for when choosing a graham cracker. These characteristics are called criteria. (Answers will vary, but the students will probably mention taste, color, aroma, crunchiness, price, and nutritional content. If the students choose price as a criterion, tell them that you will tell them the price after the test. If they know before the test, price might influence their decision.)

c. Show the students the bags of graham crackers, and point out that there are three brands: A, B and C. These are the alternatives.

d. Distribute three bags of graham crackers (A, B and C) to each group and a small cup of water to each student.

e. Have the students taste the three different crackers. Instruct the students to “cleanse their palates” with some water between tasting each alternative. The one that best satisfies the taste criterion receives a score of 3, the next best one receives a 2, the least satisfactory cracker receives a 1. (This should be a group decision.)

f. Demonstrate how the grid in Visual 2.2 should be completed. Have the students continue to evaluate the crackers according to each of the other criteria, using the same “3-2-1” marking system.

g. When all groups have completed their evaluations, discuss the simulation with the class, emphasizing again the importance of identifying criteria before evaluating alternatives and making a decision.

h. After each group has expressed its preference and stated its reasons, reveal the brands and the costs of each to the class and allow time for discussion and reactions. Show costs both as price per box and unit cost. Show the students how unit cost is figured by dividing the cost of the item by the weight. (Often the students are surprised to find out that a less expensive brand meets their criteria as well as, or better than, a costlier one.)

i. Explain that some decisions, such as choosing the best graham cracker, are all-or-nothing. (For example, if they were going to buy graham crackers, they would probably buy one brand and not another.) In an all-or-nothing situation, when they choose one alternative, they give up the chance to enjoy another one. The next best alternative they give up is the opportunity cost. (If Brand A is their favorite cracker, followed by Brand C and Brand B, then if they buy Brand A, Brand C is the opportunity cost—the next best alternative.)

j. Have the students read the Fitness Vocabulary, Muscle Developers, and Showing Your Strength in Student Workouts. Make sure the students understand the new vocabulary and concepts by engaging them in a discussion of the new terms.

2. Using the PACED Decision-Making Process

a. Have the students complete Exercise 2.2 in Student Workouts as an independent or small group assignment. (Problem: At which store should I buy a new baseball mitt? Alternatives: Super-Star or Pro-Athlete Sporting Goods Stores. Criteria: price, selection, guarantee, time for shopping, exchange policy, location. Evaluate: Answers will vary. Accept any reasonable)
b. Explain that some choices, such as which baseball mitt to buy, are all-or-nothing. If you buy a mitt at one store, you won’t buy a mitt at the other store. However, many times choices involve trade-offs, i.e., giving up a little of one thing in order to get a little more of something else. Point out that if the students have ever studied for one hour instead of two, they have traded off one hour of studying for one hour of watching television.

3. Some Criteria Are More Valuable Than Others

a. Explain that in some decision-making situations all the criteria are equally important (e.g., when choosing a graham cracker, taste and aroma may have the same value to you); however, in other decision-making situations, some criteria may be more important than others (e.g., when buying a new music CD, price is important, but it may not be as important as the type of music). Have the students suggest other examples. (When buying a new bike, price may be more important than color. When choosing a hair stylist, quality of work may be more important than price. When shopping for groceries, wide selection may be more important than location.)

b. Explain that when criteria have different degrees of importance, they can be given different values in the Paced grid.

c. Have the students read the opening paragraph of Exercise 2.3 in Student Workouts; point out how the values will be used to complete the grid, based upon the eight computer advertisements.

d. Have the students complete Exercise 2.3, using the grid in Student Workouts to record their answers. (Completed grid is shown below: Row D is highlighted; it is the choice.)

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Less than $2000</th>
<th>17” monitor or larger</th>
<th>Stereo sound system</th>
<th>56K modem or faster</th>
<th>128 MB RAM or more</th>
<th>10 GB hard drive or more</th>
<th>Color printer</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternatives</td>
<td>Value</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td>A</td>
<td>0</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>15</td>
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<td>B</td>
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</tbody>
</table>
e. Discuss the second question posed after the grid in Exercise 2.3. The students’ explanation of why it would be best for the Noga family to buy Computer D should reflect a discussion of how the benefits of this particular product outweigh the costs of choosing some other one.

COOL DOWN

1. Display a number of advertisements from newspapers or magazines, pointing out the criteria noted in each ad (e.g., an ad for a sports drink might mention taste, vitamin content, price, quick thirst-quenching, etc.). Ask each student to list on a 4” × 6” index card, a good or service s/he has purchased in the past month. The students should also list the criteria that they value in that product.

2. Have the students exchange cards and use construction paper and markers to design an advertisement for the product on their cards, making sure to highlight and illustrate the criteria. (For example, if the item is a CD player, they should highlight criteria such as size, price, sound quality, number of functions, and portability.)

Assessment

Distribute Assessment 2.1 in Student Workouts and allow enough time for the students to conduct research and prepare their panel discussions. (Responses will vary; assess each group/individual based upon the following: facts presented; relevance of facts to demographics of Group A, B, or C; appropriate use of the PACED decision-making process; clear, concise communication of information.)

Other Training Equipment

The PACED Decision-Making Process

P  State the problem.
A  List the alternatives.
C  Identify the criteria.
E  Evaluate the alternatives based upon the criteria.
D  Make a decision.

Problem:  I don’t have enough time to finish two big assignments.

Alternatives:  I can do my math homework or finish my science project.

Criteria:  I have an A average in math and a C average in science. The math assignment is worth 10% of my math grade; the science project is worth 25% of my science grade. I’ve missed two assignments in math; I haven’t missed any assignments in science.

Evaluate:  Because I’m not doing so well in science, and the science project is worth more, it’s more important for me to finish the science project (even though I have a missing math assignment).

Decision:  I’ll finish the science project.
# Lesson 2

## Visual 2.2

### Which Graham Cracker Is Best?

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
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