

# Comparison-Shopping

“You Better Shop Around”

Most of things you buy right now are probably wants. Your parents or guardians may take care of your needs, but *you* still need to make sure that you are getting the most for the money *you* spend. By using the decision-making process and comparison-shopping, you can make sure you get the best value for your money. It is important to understand the difference between what you want and what you need. In the Economics modules, you learned that needs are required for survival (like clothes, shelter, and food). Wants are things you would like to have but can do without (like an iPod or a video game). It is also important that you learn as much as you can about a product before you buy it, know how to compare prices, and spend only what you can afford.

## Advantages of Comparison-Shopping

- Advantages:
  - Save money
  - Gain information
  - Peace of mind

The more expensive an item is, the more a smart shopper will want to compare a variety of options before choosing one. There are several advantages of comparison-shopping. The first is that you can save money by shopping around. Prices for the same or similar products can vary widely from store to store. By shopping around, you can get the best price for items you plan to purchase.

The second advantage is that you gain valuable information. Knowledge is a valuable resource for a consumer. The more you know about a product or service before you buy, the better prepared you will be to make wise decisions. There might be features or options that you didn't know were available. You might also find out which brands are more reliable or of better quality.

The third advantage is peace of mind. By shopping around and finding the best product for you, you will know that your money was well spent and that you weren't taken advantage of.

## Disadvantages of Comparison-Shopping

- Takes time
- May waste money

There are some times when the cost of comparison-shopping outweighs the benefits. The first disadvantage is that comparison-shopping takes time. Time is always a consideration. You have to be willing to spend a lot of time comparing prices at many stores and reading many product reviews. Comparison-shopping is definitely worth it for more expensive purchases. However, with less expensive items, your time could be spent doing other things like homework or earning money. You need to consider the opportunity cost of spending a lot of time comparison-shopping with the time that you are losing doing other things. In other words, is the activity you have to give up to do the comparison-shopping worth the information you will gather about the product you plan to buy? If you spend hours trying to decide between buying a candy bar at a convenience store or buying it at a grocery store down the street, then your time has probably been wasted.

The second disadvantage is that comparison-shopping can waste money. The savings from comparison-shopping, especially for lower priced items, may be less than the cost of your time, gas, or other expenses. If you saved \$1.00 but you spent \$3.00 on gas driving from store to store to compare items, it was a waste of your time and money.

## Getting Started

- Influences
  - Values
  - Friends and family
  - Stage of life

You can be a wiser consumer if you know what influences you to buy certain products. An influence is something that affects the way you think and act. You may be influenced by your values, which are the things you think are important. You may value quality over convenience or the price might be important to you. You may also be influenced by your family and friends. If your sister bought a car that constantly breaks down, you may be hesitant to buy the same type of car because of her experience. Another way that friends and family can influence your purchase decisions is if you worry about what others think of you. The opinions of others can be very valuable; however, they can also lead you to spend money you don't have. Be careful of conspicuous consumption—buying products to impress others. Your stage of life can also influence your purchase decisions. When you are young and single, a two-door car might be fine, but when you start having a family, you will probably need a four-door car instead. There is a lot to consider when making major purchase decisions. Knowing all of your options will make you a much wiser consumer, and comparison-shopping is much easier if you have a plan to follow. The next few slides will discuss each step in the process in greater detail.

## Step 1: Decide What You Want to Buy

- Write down exactly what you are looking for
  - The more details the better
- Don't buy on impulse

This step is very important. You need to know what you are looking for. Write down all the features that you must have and those that you would like to have. The more details you have on your list the better. Suppose you are going to buy a new cell phone. Do you want a full keyboard? Do you want a touch screen? Does it have to have Internet access? Does the size of the keys or the shape of the keys make a difference to you? Do you want one that has a lot of accessories available for it? Do you want hands-free capability? As you make your list, you should prioritize these features. What are the most important things for you? What can you live without?

Don't buy on impulse. An impulse buy is when you see something and buy it without giving it any thought or consideration. Impulse buys can be fun and might end up being something you really want, but more often than not, impulse buys are a waste of money. Be sure to complete all of the steps for comparison-shopping before making a purchase. Stores love for consumers to buy on impulse. That is why they have displays of merchandise near checkout lines, so that while you are waiting to check out, you continue "shopping" and purchase those little things without any thought. These impulse purchases can really add up! Having a plan and sticking to it can help you control the urge to buy on impulse.

## Step 2: Decide How Much You'll Spend

- Set a budget and stick to it!

Look at your finances—especially your monthly budget and your savings account balance. It is very important to decide how much you can afford and not spend more than that. Don't let the salesperson or the features of a more expensive product lure you into buying something you can't afford. If you follow all of the steps presented in this slide show, you will be prepared to buy just what you want without breaking the bank!

## Step 3: Determine What Products Are Available in Your Price Range

- Do your research
  - Check the Internet
  - Read consumer magazines
  - Look at advertisements
  - Ask your friends and family
- Compare prices at different places
  - Internet
  - Department stores
  - Specialty stores
  - Price clubs
  - Outlets and discount stores
  - Thrift or consignment shops

Research a product before you go to the store. Read consumer reviews online so you know which product other people recommend. Read product labels or tags. There are many sites online that give you free information about various products. You can also read magazines like *Consumer Reports*, which can be found at your local library. Compare store advertisements to see if the product you want is on sale. Some stores will do “price matching” if you have an advertisement from another store. Ask your family and friends which product they have. Ask if they like the product and what they would change if they had it to do over again.

After you have determined which products will fit into your budget, you need to decide where to shop. Your purchase decision can be influenced by many things. Price, convenience, return policies, available merchandise, loyalty, values, and quality of service may all be things to consider when deciding where to purchase. The Internet is convenient and you can sometimes find great deals online. However, it may take quite a bit of time to find just what you are looking for and returning the product may be a real hassle. Consider the return policy before you buy anything online. Also, keep in mind that the pictures online can often make products look better than they are in reality!

Another shopping option is department stores like Sears, Walmart and Target. These stores have a variety of items and can be convenient when you need to buy different things but don't want to go to different stores. They are often located in or near a mall. Be careful of aimless shopping while in these stores. Many people go in for one item and come out with several. Remember the previous step in this process: set a budget and stick to it! Don't be tempted to buy just because these stores have lots of different kinds of items.

Specialty stores carry one type of merchandise. Rack Room is a shoe store. You wouldn't go there to buy a TV! These stores usually have a large variety of the merchandise that they sell. A specialty store is likely to have more choices than a department store because they only carry their specialized items. However, be careful. Specialty stores can be a more expensive option. Be sure to comparison shop before buying at a specialty store to make sure you are getting the best deal.

Some stores are set up specifically to offer lower prices or bargains. If your main shopping goal is to save money, these types of stores may be a good choice for you. Price clubs like Sam's and BJ's are warehouse-type stores that sell in bulk (large quantities) for lower prices. Merchandise may vary, but they often have everything from seasonal items to food and electronics. Customers must pay a membership fee. Be wary of buying more than you need. Why buy three just because you can save some money if you only need one? You may not really be saving money.

Outlet and discount stores often sell products that were overstocked or left over from past seasons. You may be able to get some really good deals, but some of the items in these stores may be damaged or irregular. Be sure to inspect each item carefully before purchasing.

Thrift shops and consignment shops sell used merchandise. People sell or donate their unwanted items to the store and the store sells it at bargain prices to other customers. These stores usually have good prices but there is no guarantee that the product you purchase is in working order. Before buying, inspect each item very carefully. Also be sure to get your purchase cleaned after you buy it. Many times the stores tag donated items and put them on the sales floor without cleaning them! You can get furniture steam cleaned and clothing should always be washed before wearing!

## Step 4: Analyze the Features You'd Like to Have

- List the characteristics you must have, would like to have, and definitely don't want
- Be careful of hidden costs
- Be aware of return policies
  - Any time with original receipt
  - For limited time from purchase date
  - Restocking fee
  - Store credit or full refund
  - No returns or exchanges allowed

Take your list from step one and analyze what you have recorded. What can you not live without and what is optional for you? Compare the features and quality of your various options. A wise consumer doesn't just compare prices, but also quality of construction, features, warranties, and service options. For example, if you are buying a camera, you should compare the cost as well as the picture quality, the zoom level, the ease of use, and any warranties included with the purchase. Look at all of these things and compare them with your list of "must-haves." Some people are willing to pay a higher price for higher quality. Sometimes a higher price indicates additional features. For example, a computer will cost more if it has a larger monitor, a faster processor, or more memory. Sometimes a higher price indicates a brand-name product. You may be able to find generic versions of brand-name products for a much lower price with basically the same features and quality of the brand-name product without the higher price tag. This is where your research will help you narrow down your choices. How did the reviews rate the generic-brand product? Remember, price is just one aspect of comparison-shopping. Look at all of your options. Making a decision without evaluating all of your options can cost you!

Be careful of hidden costs. Salespeople will often try to get you to purchase extended warranties. If you have done your research prior to purchasing, you will know from the consumer reviews how often that product needs repairs. This will determine whether or not you feel you need to purchase an extended warranty. Also, be aware of service policies in case you need to have your product repaired. Sometimes a manufacturer will have you send them the product for repairs instead of returning it to the store where you bought it. The shipping costs and the insurance on the package to ensure its safety are two hidden costs that you should be aware of. Another hidden cost might be an accessory that you will need for the product that must be purchased separately. For a cell phone, you may need to purchase a car charger, an extra battery, or a protective case. Consider these items in the cost of the product when making your decision.

Consider the return policies of each option too. These policies vary from store to store. Be sure you understand each store's policies and save your receipt in case you do need to return the product or take it in for repairs. Some stores allow returns or exchanges any time as long as you have your original receipt. Others allow you to exchange or return a product for a limited time only from the date of purchase, like 30 days with your receipt. Other stores will allow a return but will charge you a restocking fee and return most, not all, of the purchase price. The restocking fee is usually a percentage of the purchase price. Some stores don't refund money but will give you a store credit that you can use to purchase something else in their store. Finally, some stores don't allow returns or exchanges at all. It is VERY important for you to know this before you buy!



## Step 5: Create a Decision Grid

	Plasma, LCD, LED	Size	HD Capable	Price
Panasonic				
Samsung				
Sony				
Vizio				

List the characteristics from step four as your criteria. List the product choices as your alternatives. Compare the benefits and costs of each option. Be sure to consider your opportunity costs. If you purchase the Samsung, what do you give up by not purchasing the Sony? Is it worth it to you? Is the Vizio available at a location closer to your home? Is the time travelling and the cost of extra gas worth it for the Sony? Evaluating the benefits and costs of your options is an important step in the decision making process.

Remember from the Economics modules that marginal means additional, or one more. Look at each thing you get from a particular product, the marginal benefits. Then look at each feature you won't receive or each thing you must do to get that product, like driving a long distance to pick it up. These are the marginal costs. Analyze the costs and benefits of each choice. Use the marginal benefits/marginal costs rule you learned in the Economics modules. If the marginal benefits are greater than the marginal costs, go for it! If the marginal costs are greater than the marginal benefits, don't do it! In other words, if the benefits outweigh the costs, it is a good choice, but if the costs are higher than the benefits, you should choose something else.

## Step 6: Make a Decision

- Decide what you want and stick to it
- Don't give in to impulse buys

Now that you have done all the research and compared the marginal costs and marginal benefits, you should have a very good picture of which product is right for you. So, make up your mind on the one you want and go get it! When you get to the store, don't be tempted by other products. You have done your research and your comparison-shopping and you know what you want. Don't give in to the impulse to upgrade or purchase a product that wasn't on your list. Sales people can be very persuasive. Stick to your choice and you will get the product that is right for you! You can feel confident because you are an informed, wise consumer and you didn't spend more than you could afford!

## Step 7: Evaluate Your Decision

- Learning is an ongoing process

Learning is an ongoing process. Would you do the same thing again? If so, why? If not, what would you do differently? At some point you will regret a purchase you made. Even with an informed, well-researched decision, the product you purchased may not be all that you expected. Why? What can you learn from the experience so that you won't be dissatisfied with future purchases? Maybe you decided to purchase a product because it was the lowest priced option. Buying the lowest priced item isn't always the best choice in all situations. Maybe next time you will choose durability over price for products that you want to last a long time. For example, suppose you bought a dresser because it was the least expensive, but it fell apart a few months after your purchase. Now you have to buy another dresser. Perhaps spending a little more on a dresser will allow you to get one that will last longer. Making purchasing decisions is a learning process. Just be sure to learn from your mistakes!

By following the comparison-shopping process, you are much more likely to make good purchasing decisions. You can also learn from purchase decisions that you don't regret. Think about what went right and do it again next time. By using this process, you will increase your chances of buying the product that best fits your needs and wants.