Chapter

A Look at Wants and Needs

Learning Objectives

After completing this chapter, you'll be able to:

- 1. State the differences between wants and needs.
- 2. Describe how limited resources relate to wants.
- 3. Identify business activities that are used for products and services.
- 4. List the two factors that motivate businesses.
- 5. Explain the relationship between business and you.

Why It's Important

Businesses satisfy people's basic needs all the way to their lavish wants. Competition and profit motivate these businesses to continually strive for your business.

Key Words

wants needs goods services resource business

profit competition consumer



BusinessWeek Feature Story

Paperless Page-Turners?

Gemstar Hopes Best-Selling Authors Will Make the Difference. When Stephen King released his 66-page novella Riding The Bullet exclusively in digital form, an estimated 400,000 computer users

downloaded copies. At the same time, though cumulative sales of paperback-sized gizmos, known as e-

books, barely numbered in the thousands. It was a sad contrast for the ragtag contingent of companies that have been trying to kick-start the e-book business since 1998. But industry leader Gemstar-TV Guide International Inc. learned an important lesson: authors sell books, whizbang formats don't.

Source: Excerpted with permission from "Will E-Books Be Real Page-Turners?" Business Week Online, October 23, 2000.

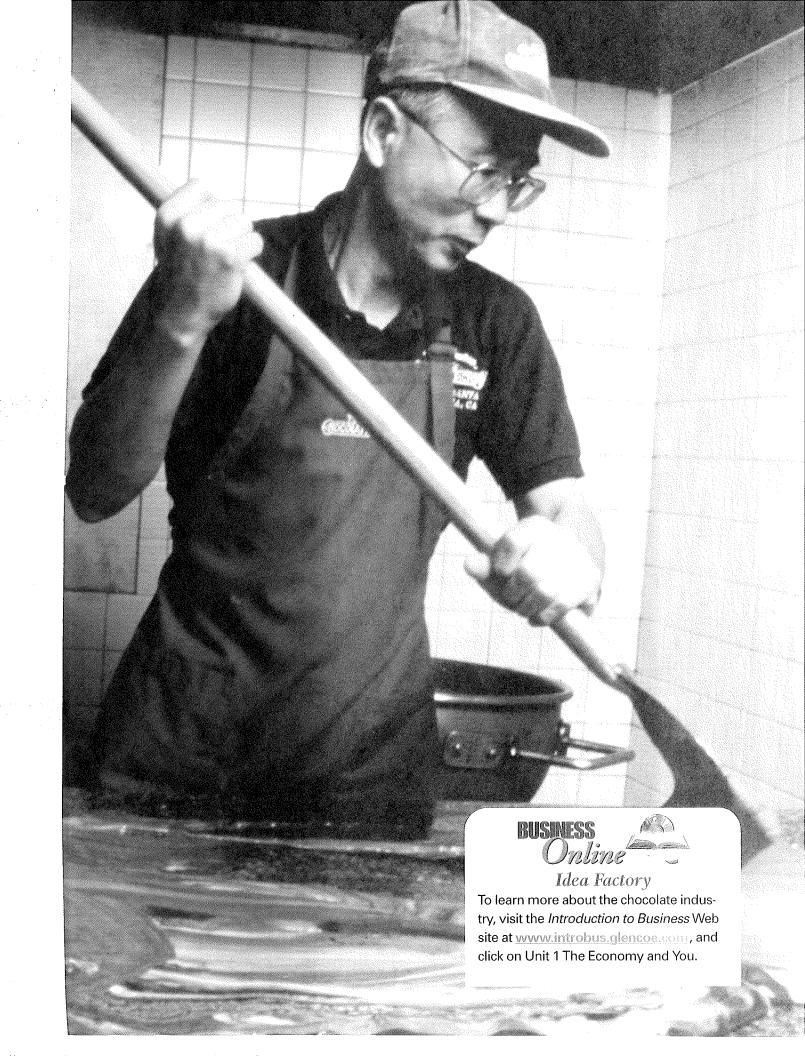
An Extension Activity

Liquid crystal display (LCD) makes it possible for you to read a portable e-book, a wristwatch, a calculator, and so on. Research the science behind liquid crystal display and who manufactures most of it.



The Full Story

To learn more about e-books, visit the Introduction to Business Web site at www.introbus.glencoe.com, and click on BusinessWeek Feature Story, Chapter 1.

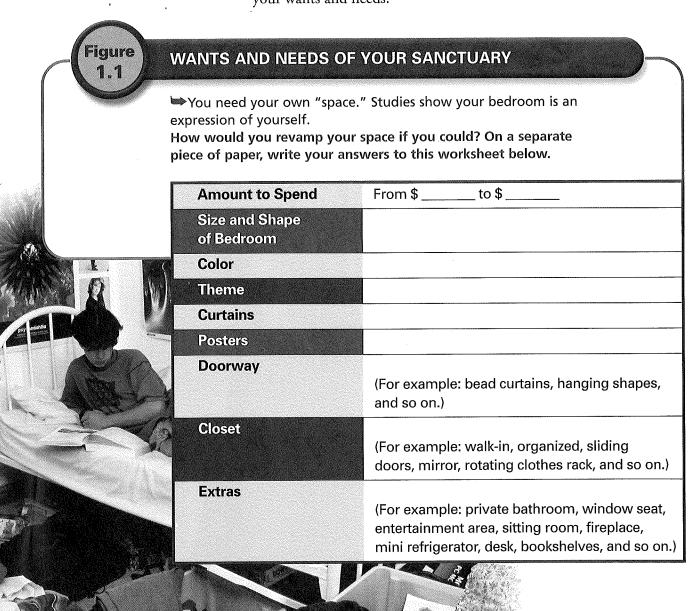


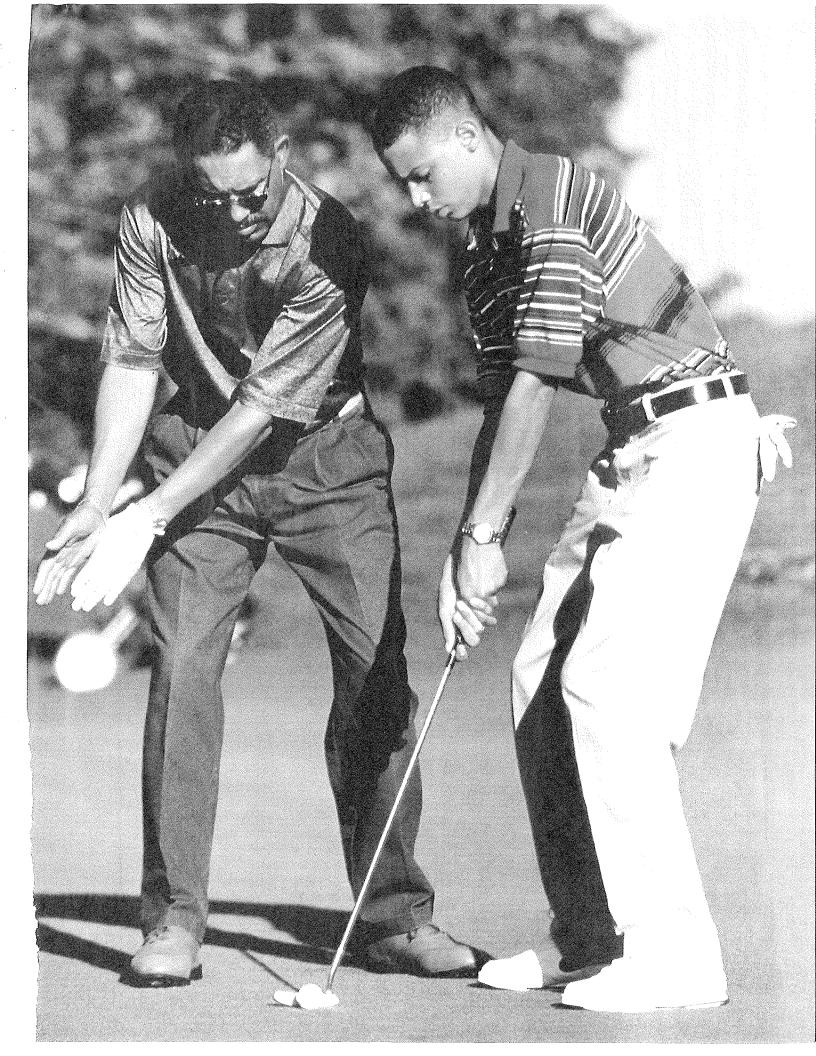
Economics' Starting Points:Wants and Needs

Lochoices about the clothes you buy and music you download. When you buy snacks from the vending machine, you choose a product based on cost, taste, brand recognition, and supply. Guess what? You've just made business decisions. New products, higher prices, and the supply of products affect your family, friends, and you.

Business in Today's World

Suppose you have \$10. You could use it to buy lunch, buy a magazine, or go to a movie. What is the difference between what you want and what you need? How can you satisfy wants and needs with the money you have available? Figure 1.1 asks you to think and write about your wants and needs.





An Abundance of Wants

Wants are the things you wish you could have. Each person has wants. You might want a mountain bike, while your best friend may want a road bike. A group of people may also share the same wants. A family may want a new car, a company may want a more advanced computer system, or an athletic club may want to add a swimming pool. Although these wants are shared, they are considered *private wants*.

On the other hand, some wants are widely shared by many people. These wants are no longer considered private but become *public wants*, such as highways, drinking water, and education. For the most part local, state, and federal governments satisfy public wants.

Satisfying Wants and Needs With Goods and Services

Necessary wants are **needs**. Food, shelter, and clothing are basic needs. Whether private or public, necessary or optional, some type of good or service can satisfy most of your wants and needs. **Goods** can be physically weighed or measured. Bicycles and skates are goods, as are groceries and telephones. Goods satisfy your wants and needs for material things that you *can* see or touch.

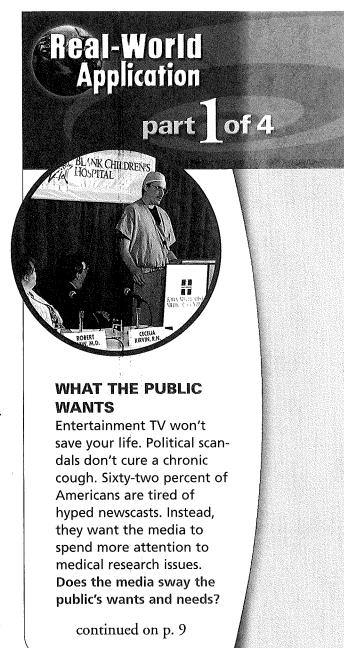
At some point, your mountain bike may need a tuneup. Although you could try to do this yourself, it's more likely that you will take it to a bike shop for maintenance. If you pay a bike shop to repair your bike, you're buying a service. **Services** are tasks that people or machines perform. Services also satisfy some of your wants for things you *cannot* see or touch. Many services such as cutting hair or teaching guitar lessons are provided for a fee.

Not all business activities satisfy wants. People want things that cannot be valued in terms of money. For example, individuals want love and respect. In a business context wants are *not* about these intangible kinds of desires. Businesses please those wants

Unlimited Wants, Limited Resources

that can be satisfied by goods and services.

Most people have unlimited wants for goods and services. In the United States, Canada, England, and Japan, the majority of consumers have satisfied their lower-order needs, so marketers promote goods and services that will appeal to higher-order needs. Take Marie Van de Mark, a young entrepreneur, who started Jam Enterprise. She created a \$2 million company from making promotional items from metal. Amazon.com and A/X Armani Exchange like her products. The more money you make, the more goods





Listen to Your Ring, Watch Your Watch

Wristwatch cameras have been standard equipment for action heroes. Today, this "smart jewelry" is a reality for anyone. Pervasive computing inserts silicon chips in your jewelry so you can listen to the radio, phone friends, take pictures, download music, or withdraw money from your bank account.

Students in a Florida high school already use the personal computer rings to record their attendance, gain entrance to classrooms, and even pay for cafeteria meals.

Critical Thinking

What other kinds of wearable computers might enhance people's wants and needs?



or services you want. However, few have enough resources to satisfy all of their wants. A **resource** is anything that people can use to make or obtain what they need or want. Examples of resources include fuel, timber, labor, and money. The problem of unlimited wants and limited resources affects individuals, companies, and nations.

Resources limit the number of wants people can satisfy. For example, you may want a new pair of jeans and a new camera, but you may only have enough money to buy one of these things. You may also want to earn a lot of money, but you have only so much time to work between school and family responsibilities. Businesses and government are influenced by the same problem. They lack the resources to do all the things that they want to do. It is important for individuals, businesses, and nations to make the best use of limited resources.

Deciding on Your Resources. Every day you have opportunities to make choices about how you'll act, how you'll treat others, and what you'll do. You should make these important decisions carefully. People make the most of their resources by making the right choices about what to buy. The decision-making process is a step-by-step method to carefully consider alternatives that result in better choices. The decision-making process is a procedure for carefully consider-

ing alternatives and their consequences before you make a final decision. The process has these essential steps:

- **Step 1.** Identify the problem. Whether the decision-making problem is one that occurs daily or comes up only a few times in a lifetime, this is the first step. It is often the easiest.
- **Step 2.** List the alternatives. Take time to think through the problem, so you can come up with a good range of alternatives. Try to include all the important ones.
- **Step 3.** Determine the pros and cons. Write down and weigh the advantages and disadvantages of each alternative. Your values and goals now become part of the decision-making process.
- **Step 4.** Make the best decision. Determining the best alterative is the key step in the process. Rank the alternatives according to their pros and cons. After you pick a winner, ask yourself what you'll lose if you give up your second choice. Do you really want to give that alternative?
- **Step 5.** Evaluate your decision. After you've put your decision into effect, ask yourself whether you achieved the results you expected. Would you make the same choice again?

You may not use all of the steps of the process every time you buy something. For example, when you decide to buy orange juice, you may always buy the same brand. However, many decisions need more careful thought. A bike can be an important purchase because you're likely to keep it for some time. A bike can also cost anywhere from \$100 to \$2,000. When you consider what type of bike to buy (mountain bike or road bike) and what brand (Gary Fisher or Trek) you'll probably use all five steps of the decision-making process.

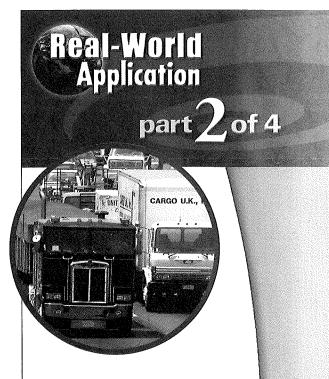


Fast Review

- 1. Define wants, needs, goods, services, and resources.
- 2. What is the difference between public wants and private wants?
- 3. List the steps in a decision-making process.

What Is Business?

Whether you're deciding what movie to see or what bike to buy, your wants and needs are usually satisfied by business. **Business** is any activity that seeks profit by providing goods or services to others. Businesses provide you with necessities such as food, clothing, housing, medical care, and transportation, as well as things that make your life easier and better. Businesses also provide people with the opportunity to become wealthy. For instance, take the late founder of Wal-Mart Stores, Inc., Sam Walton. In 1962 Walton opened the first store in Arkansas. Today, the company sells about \$200 billion worth of goods and services. To become a successful company, it had to figure out that its customers wanted low prices and genuine customer service.



WHAT THE PUBLIC WANTS

Take a deep breath of air in an urban area and you just might get a diesel fuel-like aftertaste. According to the U.S. Environmental Protection Agency (EPA), 107 million people live in areas with high levels of air pollutants. How will the EPA's decision to clean up big diesel trucks, buses, and diesel fuel influence some businesses?

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What Business Does

You might be surprised about all the things that happen before you see a product in the store. What happens before your favorite soft drink is available to buy? The company conducted taste tests to make sure enough people liked the flavor of the soft drink. Chances are you saw an ad for that soft drink on TV. Someone else made sure that your local grocery store had enough of the soft drink on hand so that it is available when you go to buy it.

Levi Strauss and Jacob Davis successfully responded to people's wants and needs. The two became business partners in 1873 and began selling work pants to miners, surveyors, cowboys, and other hard-working westerners. Early buyers called the denim pants "Levi's" and the name stuck. Today, Levi Strauss & Company dominates the world of manufacturing jeans.

Similar business activities happen for every product or service that is offered. A business must *organize* the people and equipment to provide the product. People within the organization *manage* the company's resources to *produce* the product. The company then *markets* the product or service by deciding where to sell it and how to advertise it. Every business uses some combination of these activities.

Businesses' Motivations

Why would a person or a business supply the goods and services you want? It comes down to turning a profit. **Profit** is the amount of money left over after a business has paid for the cost of producing its goods and services. Without profit, a company cannot survive in a competitive business world where each strives for a chunk of the market's business. Profit is the motivation for taking the risk to start a business. It's the reward for satisfying the needs and wants of consumers. A business is profitable when sales are high, and costs are kept low.

Figure 1.2

RIDING THE SEA OF CHEESES

Cheese lovers' tastes are changing to specialty cheeses. While cheddar and mozzarella are mainstays, sheep's and goat's milk cheeses are moving straight ahead to your nearest deli counter. Imagine you want to become a cheese maker. What kind of cheese would you make? Why?

CHEESE	Previous Year	Present Year
American ²	302,331	277,547
Cheddar	236,410	216,003
Swiss	17,486	18,000
Brick & Muenster	6,974	6,766
Cream & Neufchatel	38,763	42,757
Hispanic	7,271	7,264
Mozzarella	204,909	216,254
Other Italian	53,602	53,378
Total Italian	258,511	269,632
All other types	14,231	14,642

¹ Production reported in thousands of pounds.

² Includes cheddar, colby, monterey, jack

When consumers' wants and needs change then businesses are motivated to change along with them. In order to change with consumers' wants and needs the companies thrive on **competition**, or the contest between businesses to win customers. For example, people are very interested in buying cellular telephones. Motorola offers cell phones with access to the Internet, digital operating systems, and an FM stereo. The Finnish pioneer of wireless telecommunications, Nokia, offers you the power to personally design your own cell phone cover in the company's online studio.

When there is more than one kind of cellular phone to choose from, you can buy the cheapest one, the one that is the right size, the right shape, the right color, or has the right high-tech capabilities. Competition is a direct response to consumers' wants and needs. Figure 1.2 asks you to make a business decision based upon the consumer's tastes. Will competition and profit wager into your decision?

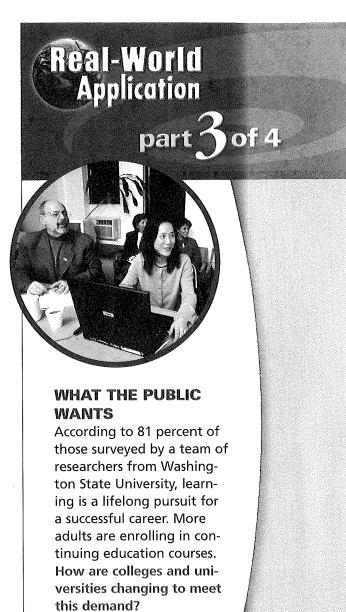
Business and You

Businesses make many decisions that impact you. They decide what products and services to produce. However, you also affect business. You decide what kind of products and services you want and where you will buy them. This mutual relationship relies on each partner making a decision.

You as a Consumer. A consumer is a person who selects, purchases, uses, or disposes of goods or services. Business is aware of your changing needs and wants. For instance, take electrical engineer Jeff Hawkins who is the original creator and designer of the Palm™Pilot, a handheld computer product. The handheld device has changed the way people communicate and organize their lives. A compact handheld computing device allows you to electronically organize your to-do list, calendar, e-mail, address book, and download software.

Businesses also affect you when they discontinue products. The decision to stop manufacturing products is often because there is a decreasing demand. When a company is slow to respond to customers' complaints and doesn't communicate very well, then customers usually find another company's product to buy. When customers behave this way the company doesn't make much money. Either the company makes some changes to satisfy its customers or the company folds.

You as a Wage Earner. Businesses affect you as a wage earner. In order to make products and provide services, businesses hire people to work. In order to produce a product, the business decides how it will be produced. For example, if Gene's Pizza decides to deliver pizzas to its customers, it needs to hire pizza-delivery drivers.



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In business today, workers have more input about how business is done. A business you work for may ask you to think of ways to improve the production process. When you're an employee, decision-making skills, quality of work, and input to problems help a business flourish. IDEO is a product-design company responsible for innovating Polaroid's I-Zone instant camera and Crest's stand-up toothpaste tube. The small company attracts passionate people who have fun and work hard as a team to produce its products every day.



Fast Review

- 1. Define business.
- **2.** List the business activities that happen behind every product or service.
- 3. How does business affect you as a consumer and as a wage earner?

Working Lifestyle

What are you doing at 10 A.M.?



Curing Children

"A lot of doctors go into pediatrics because they want to work with kids," says pediatrician Eric Lau.

"Then they find you treat the parents as much as the children. When kids are sick, parents are really stressed out!"

Lau always wanted to work with kids, so when he volunteered at a hospital and became interested in medicine as a college student, pediatrics was a perfect fit for him as a career. Since graduating medical school, going through residency, and joining a small practice, he hasn't been disappointed.

Appointments at Lau's office begin at 8:45 in the morning, so by 10:00 he is diagnosing coughs, colds, and ear infections. Lau says, "It's sort of like what I expected, but you never really know what it's like until you're there.

The pace is always changing. You're faced with situations where you're not sure what's going on, but you have to make decisions. You're always thinking."

Lau is always making on-the-spot decisions, but the most rewarding aspect of his job is long-term. He says, "I treat kids, make them better, and, over the course of time, watch them grow."

Salary

The median income of physicians is about \$164,000, with a range between \$120,000 and \$250,000 a year.

Outlook for This Career

This profession is expected to grow faster than average due to a growing population. This drives the overall growth of healthcare services.

Connecting Careers Activity

Education and training to become a doctor takes longer than any other occupation. What are the benefits of choosing a medical

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career path?

CAREER PATH

Self-Discovery in Business

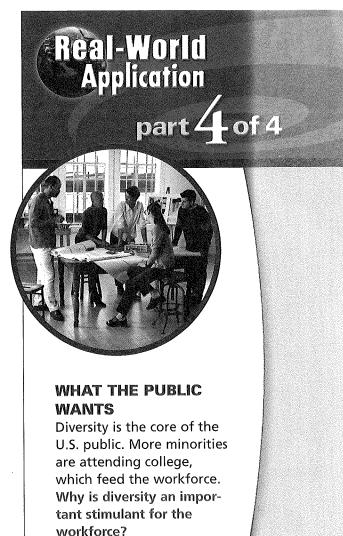
Before dinner you start watching the local news. A broadcast journalist talks about the price of consumer goods. A little later, the reporter mentions that a major online company filed for bankruptcy. The federal government announces a change in interest rates. What does this mean to you? What difference does it make? Will it influence your life, your friends, or your family? Do the actions of the government and businesses have any impact on you?

More than ever before, you need to understand the world you live and work in. What happens in business and government will make a difference in your life. Change comes faster and faster. Companies come and go, and new types of companies continually appear.

The Value of Knowledge

What do you need to be a wise consumer, a good employee, or a successful business owner? Everyone is a consumer. Learning how to get the most from your spending now is important, but getting the most from your future income is even more important.

When you become a business owner, manager, or employee, you'll need business knowledge. You'll probably have several jobs during your lifetime. The more education you have, the better your income. Business in today's world has all types of jobs, and you'll learn and understand the role of those jobs, which influence the millions of workers in all economies.



What Do You Like?

You may not know yet whether you would like to work for someone else or whether you would like to have your own business. Explore the world of business. Learn as much now in order to make an informed decision in the future.

If you like to work outside, for example, you could explore businesses in forestry, gardening or landscaping, ranching, or animal care. If you prefer to take risks on new ventures then being an entrepreneur may appeal to you. If you like to create ideas, you might like to be a writer or an actor. If you like to work with numbers and solve problems, you may find yourself drawn to being an accountant, an engineer, or a mathematician. Explore all the business opportunities in order to see what is available to you in order to satisfy your wants and needs.

Fast Review

- 1. Why is it important to understand business today?
- 2. How will knowledge help your career?

Summary

- 1. Wants are those things you wish you could have. Needs are things you need for survival, like food, shelter, and clothing. Goods satisfy your wants and needs for material things that you can see or touch, whereas services satisfy some of your wants for things you cannot see or touch.
- 2. Limited resources affect the number of wants.
- 3. Business activities include producing and distributing goods and services to consumers. Every business organizes, manages, produces, and markets a product or service.
- 4. Both profit and competition motivate businesses to meet wants and needs.
- 5. Business affects consumers by the products or services it decides to offer. You affect business by what products and services you buy. Business also affects you as a wage earner by determining the types of jobs that will be available. You also affect business by how you work.

Using Business Key Words

In today's business world, people often use the following terms. See if you can match each term to its definition.

- wants
- services
- needs
- resource
- goods
- business
- competition
- consumer
- profit

- 1. Things we must have to survive.
- **2.** Any activity that seeks profit by providing goods or services to others.
- **3.** Anything that people can use to make or obtain what they want or need.
- **4.** The contest between businesses to win customers.
- 5. Things we wish we could have.
- **6.** A person who selects, purchases, uses, or disposes of goods or services.
- 7. Tasks that people or machines perform.
- **8.** Material things that can be weighed or measured.
- **9.** The amount of money left over after a business has paid for the cost of producing its goods and services.

Review What You Learned

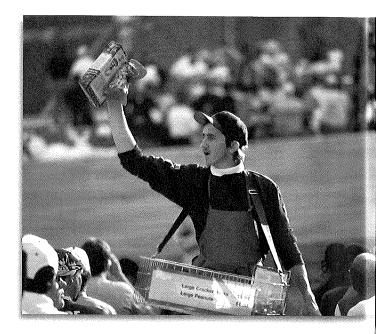
- **10.** Explain how a family, a business, or a group could have private wants.
- **11.** Who satisfies most of the public wants shared by many people?
- **12.** Describe the difference between wants and needs. Give two examples of each.
- Explain the major difference between goods and services. Give two examples of each.
- **14.** Describe the problem of unlimited wants and limited resources.
- **15.** Is time an example of a resource? Explain your answer.
- **16.** Why is the decision-making process important to use when making choices about what to buy?
- 17. Describe the business activities that happen for every product or service that is offered for sale.
- **18.** How do the decisions that businesses make affect you as a consumer?
- **19.** How do the decisions that you make as a wage earner affect a business?

Understanding Business Concepts

- **20.** Give a personal example of a private want, a public want, and a need.
- **21.** Do you think it's possible to have all your wants satisfied? Explain.
- 22. Think about a purchasing decision you'll have to make in the next few weeks. Use the five-step process to carefully consider your alternatives.
- **23.** How does business provide people with the opportunity to become wealthy?
- **24.** Describe how business decisions determine the jobs that you and other wage earners have.

Critical Thinking

- **25.** Why do you think Wal-Mart has been so successful?
- **26.** What would you do if a product you like to buy was no longer offered by the business?
- 27. List three situations in which decision making has greatly influenced your life.
- **28.** How have you improved the production process of something?



Viewing and Representing

Examining the Image. Pair up with a partner and take turns asking each other these questions: What exactly do you see in this photo? What people and objects are pictured? Thinking about wants and needs, what do you think is going on? What would you want if you were in this situation? Would you really need it or them?

Chapter 1 Review

Building Academic Skills



Grouping

List five businesses you're familiar with in your community. Identify whether the business provides goods or services? Do any provide both? For example, many hair salons not only provide the service of cutting and styling hair but also sell hair-care products, which are goods. List the kinds of decisions that the business might have made in choosing what to provide for its customers.



Researching

Research the history of Wal-Mart. Include information about how Sam Walton became one of the richest people in America. Find out how many stores are currently located in the United States and if there are any located outside the United States. Write a two-page paper with your findings.



Budgeting

Imagine you've been given \$100 for next month's expenses. Create a budget showing how you would spend the money. Determine how much of the \$100 would be spent on needs and how much would be spent on wants. Compare your budget with another member in your class.



Predicting

Handheld computer devices, like the Palm[™]Pilot, are becoming very popular. Research another emerging technological device and predict when you think it will become as popular as handheld computers. Write a 100-word paragraph about the device and include a picture if possible.

Linking School to Home

Compare and Contrast. Suppose you're stranded on a small, uninhabited tropical island. Do you think your wants and needs would be different on the island than at home in your own community? Would satisfying those wants and needs be different on the island? Describe how the resources available on the island would impact your wants and needs.

Linking School to Work

Evaluating Information. Interview the manager or owner of a local small business. Find out about the sources of information he or she uses in making business decisions. Ask how he or she evaluates the information before acting upon it. Does he or she use the decision-making model described in this chapter? Write a 200-word report about the ways that person evaluates information.