

Chapter 1

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?" *BusinessWeek 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.

BUSINESS

Online



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

Look at the tag on your shirt or the label on your backpack. You make choices 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.

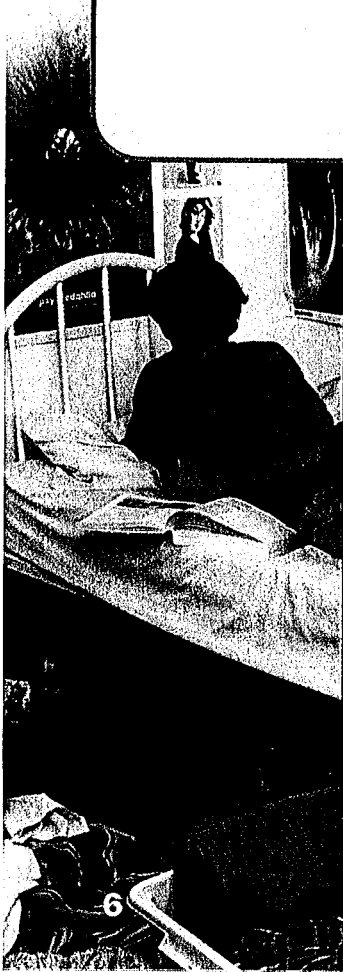
Figure
1.1

WANTS AND NEEDS OF YOUR SANCTUARY

➡ You need your own "space." Studies show your bedroom is an expression of yourself.

How would you revamp your space if you could? On a separate piece of paper, write your answers to this worksheet below.

Amount to Spend	From \$ _____ to \$ _____
Size and Shape of Bedroom	
Color	
Theme	
Curtains	
Posters	
Doorway	(For example: bead curtains, hanging shapes, and so on.)
Closet	(For example: walk-in, organized, sliding doors, mirror, rotating clothes rack, and so on.)
Extras	(For example: private bathroom, window seat, entertainment area, sitting room, fireplace, mini refrigerator, desk, bookshelves, and so on.)



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. The role of wants is that they drive our economy. Wants help determine what manufacturers produce and what service industries provide.

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. You can determine the role of needs in two ways. Many businesses respond to consumer needs by providing certain goods and services at reasonable prices. Some businesses assess consumer needs and provide goods and services to appeal to those in the high or low end of the marketplace. **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 tune-up. 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.

Unlimited Wants, Limited Resources

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

Real-World Application

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WHAT THE PUBLIC WANTS

Entertainment TV won't save your life. Political scandals don't cure a chronic cough. Sixty-two percent of Americans are tired of hyped newscasts. Instead, they want the media to spend more attention to medical research issues.

Does the media sway the public's wants and needs?

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Technology Toolkit

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 alternative 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.

Business Activities

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. A business generally goes through a sequence of activities when developing a new or improved product or service. A business:

- Determines opportunities for products or services.
- Evaluates the demand for the product or service. For example, will enough consumers want the item at a price that's profitable for the business?
- Obtains funding. A business needs both start-up money and operating capital to cover costs such as replacing equipment.

Real-World Application

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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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- Sets up and manages all the factors for producing the good or service. These include the right equipment, buildings, people, and raw materials.
- Produces the good or service.
- Markets the good or service to ensure consumers know of the item, how to get it, and what it does.
- Keeps records to satisfy requirements of the government and to analyze how to improve the production and sale of the good or service.

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
12

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?

A Snapshot of Dairy Product Production ¹		
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 weigh 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 PalmTMPilot, 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.

Real-World Application

part 3 of 4



WHAT THE PUBLIC WANTS

According to 81 percent of those surveyed by a team of researchers from Washington State University, learning is a lifelong pursuit for a successful career. More adults are enrolling in continuing education courses. How are colleges and universities changing to meet this demand?

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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. Explain the functions of 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 career path?

CAREER PATH



Health Science

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.

Real-World Application

part 4 of 4



WHAT THE PUBLIC WANTS

Diversity is the core of the U.S. public. More minorities are attending college, which feed the workforce. Why is diversity an important stimulant for the workforce?

Fast Review

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

Chapter 1 Review

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 determining opportunities for products or services, evaluating the demand, obtaining funding, setting up and managing all the factors needed for production, producing the goods or services, marketing the goods or services, and keeping records.
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.

Chapter 1 Review

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.
13. 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

LANGUAGE ARTS

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.

HISTORY

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.

MATH

Budgeting

Imagine you've been given \$100 for next month's expenses. Prepare a personal 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.

COMPUTER TECHNOLOGY

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.

Chapter 1 Review

E-Homework

Applying Technology

Create a Database. As a class, research all the resources that were used to build and furnish your school. Create a database of the resources used. Save this database to be used in Chapter 2.

Online Research. Using the Internet, research a business that sells a product that you use. Who started the business? When and why was it founded? Find out what resources were used to create the product the business sells. Is the product a want or need for you?

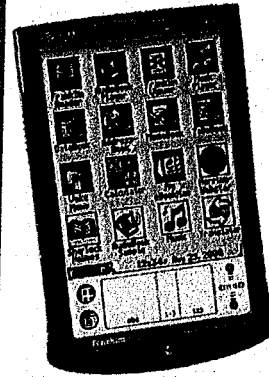
Connecting Academics

Math. At the baseball park you pay a lot if you want to buy food at the concession stand. You could satisfy your need for food and drink by bringing healthy snacks from home that cost less. If you buy a hot dog, peanuts, and soda from the concession stand it could cost you \$5. Let's say instead, you bring a homemade ham sandwich, grapes, and a soft drink, and they only cost you \$3. What's your percentage savings?

Social Science. When there are limited resources, you need to make decisions. Imagine you're managing the concession stands at the major league baseball park nearest to you. You need to make a profit. Here are possibilities on how to run the concession stands:

- Research concessions at ball parks and then brainstorm about your concessions.
- List the materials, equipment, and labor you'll need. If possible, use a spreadsheet program.
- Write your five steps in the decision-making process.
- What other information, if any, do you need to make an informed decision?

BusinessWeek Analyzing the Feature Story



You read the first part of "Paperless Page-Turners?" at the beginning of this chapter. Below are a few questions for you to answer about the article. You'll find the answers to these questions when you're

reading the entire article. First, here are the questions:

29. What is Gemstar predicting about the wants of people who buy books?
30. How do the decisions of Gemstar and publishers affect consumers who buy books?

CREATIVE JOURNAL ACTIVITY

Plan your own pizzeria by answering these questions.

Organize: How many people will work in the restaurant? Where will the equipment be located?

Manage: Who will supervise the pizza makers? Who will make sure the pizzas are made with quality ingredients?

Produce: How will the pizzas be made? Who will make the pizzas?

Market: How will you advertise? Will coupons be given away?



The Full Story

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