

- **Market economy:** where the level and type of consumer demand determines what is produced using the scarce economic resources available
- **Marketing:** the activities involved in selling products, including informing consumers about products available and persuading consumers to purchase them. Marketing includes advertising and branding
- **Price mechanism:** the means by which demand and supply determine prices and how scarce resources are allocated between competing uses
- **Producer behaviour:** the way in which the producers of goods and services act when engaged in the trade of products, including how they go about making economic decisions

### Teacher resources

The following resource has been provided in the accompanying Choconomics resource document:

- Chocolate tasting test

### Teacher notes

No prior knowledge or skills are required for participation in Session 2.

### Preparation

- Collect and have available three different types of chocolate – preferably a home-brand variety, a leading brand variety and a fair trade variety – in sufficient quantities for every student to have a sample taste of each.
- Ensure consideration is given to any food allergies.
- Parental permission may be required.

## Introduction to Session 2

- During Session 2 students examine, analyse and reflect on the nature of the interdependence between producers and consumers in the market. The notion of consumer sovereignty is considered, as well as the ways businesses attempt to influence consumer behaviour through marketing, including branding. Students are then asked to consider the extent to which consumer sovereignty actually exists in light of business attempts to influence consumer behaviours.
- Each day consumers are faced with multiple choices about how to use the limited amount of economic resources (usually money) available to them to satisfy their personal needs and wants (consumer demand.) Businesses offer products (goods and services) for sale in the hope of selling these to consumers and making a profit. According to the theory of consumer sovereignty, producers will make the types of products that consumers demand or want to purchase. In other words they will try to read consumer behaviour and meet consumer demand by creating what consumers want to purchase (consumer preferences).
- In reality, however, producers often attempt to influence consumer preferences and consumer behaviours through advertising and other marketing activities such as branding.
- Successful businesses or entrepreneurs are able to recognise consumer behaviour, consumer preferences and therefore consumer demand for products. They are then able to offer products for sale in direct response to consumer demand. Often entrepreneurial behaviour involving the creation of original products or ideas will influence consumers to purchase products. In this case producers are reducing consumer sovereignty, as consumers are being influenced or persuaded and their choices impacted.

## Activity

Before commencing the activity, inform students they will be participating in an activity based on a famous social experiment. The Coke vs. Pepsi taste test trial was first conducted in 1975 by PepsiCo to determine whether consumers are able to discern between the two rival soft drinks once all visual symbols, such as packaging and brand, are removed. 'Blind taste testing' aims to test whether or not a person can tell the difference between different brands of the same type of product without branding.

In this activity students will be tested on their ability to discern between a home-brand, leading brand and fair trade brand of chocolate. Students will then be asked to consider the influence that marketing, including branding, has on consumer behaviour.

A separate price test activity will require students to think about the influence of price on consumer behaviour.

## Class task 1

- Before commencing the activity, outline how the blind taste test will operate. Show students three different brands of chocolate, and then inform them that they will be given this chocolate to taste once its branding, including packaging and any trademarks, has been removed. Students must then rate each chocolate and try to guess the brand.
- Ask students to record a personal economic hypothesis, indicating what they consider this experiment will prove in relation to the links between the brand, price and quality (including taste) of a product.
- Conduct a class discussion during which a class hypothesis, or a set of hypotheses, is developed.
- Both the personal hypotheses and the class hypothesis will be tested.

### Sample hypotheses

I believe/do not believe that the majority of the class will be able to tell the difference between home-brand, leading brand and fair trade brand chocolate based on a blind taste test.

The most expensive brands will be rated by the majority of students as being of higher quality.

- Conduct the following:
  - Give each student a sample of each type of chocolate to taste. Ensure that the brand of each sample is not discernible or recognisable.
  - Also give each student a copy of the **Chocolate tasting test** table (see the accompanying Choconomics resource document and also below).
  - After tasting, students fill in the table, giving each sample a score out of 10 for quality (including taste).
  - Students guess and record the brand of each sample, as well as an estimated price of a 200 gram block of each chocolate.
  - Leave the final three columns blank at this stage.
- After all three varieties of chocolate have been tasted, reveal:
  - the real brand names, including whether the brand is home-brand, leading brand or fair trade
  - the price of each.

- Students then complete the final three columns in their tables.

### Chocolate tasting test

Product	Quality (taste rating) <i>Score out of 10</i>	Guess the brand	Guess price for 200 gram bar	Real brand	Actual price for 200 gram bar	Difference between guess price and actual price (+/–)
A						
B						
C						

## Class task 2

Ideally this activity would be completed in a Think/Pair/Share sequence, with Questions 1–11 completed individually by students prior to sharing responses with a partner. Questions 1–11 are intended to facilitate individual reflection, prior to comparison with the responses of the whole class.

### Quality

- Rank each sample according to quality. Which product did you rate the highest in terms of quality?
- List the factors that you considered when determining the quality of each sample (for example, taste, texture and appearance).

### Marketing

- Which brands did you correctly identify? Describe why you were able to correctly identify each.
- How influential is the branding of a product when you are making a decision about which chocolate to purchase? Why?
- Does advertising ever influence your decision about which type of chocolate to purchase? Why or why not?
- Having completed this experiment, how important do you think the packaging of a product will be to you when considering which type of chocolate to purchase?

### Price

7. For which sample did you guess the price most accurately?
8. Why do you think you were more accurate about this one?
9. For which product were you least accurate in predicting price?
10. Why do you think you were less accurate when predicting the price of this sample?
11. List the factors that might influence a decision about which brand of chocolate to purchase.

### Analyse blind taste test results

- Collate/record and display blind taste test results for the whole class.
- Students consider whether their original hypothesis has been proved or disproved by the class results. What percentage of students had their hypothesis proven?
- Questions 12–16 are designed to facilitate broad class discussion. Students are asked to consider broader consumer behaviour, consumer demand and factors that might influence these things. These questions can serve as a starting point but class discussion is likely to develop beyond them. Record the ideas and key points raised in the discussion.
  12. Will you change the type of chocolate you purchase as a result of this experiment? Why or why not?
  13. How important is a brand in influencing consumer choice and consumer demand? Consider a specific product.
  14. How important is the type of packaging in determining consumer choice and consumer demand for a specific product? Consider a specific product.
  15. How important is advertising in influencing consumer choice and consumer demand for a specific product? Consider a specific product.
  16. How important is price in influencing on consumer choice and consumer demand for a specific product? Consider a specific product.

### Class task 3

- Students rank the following factors according to the influence of each on consumer behaviour and the level of consumer demand for a product:
  - packaging
  - branding
  - advertising
  - quality (taste, texture and appearance)
  - price
  - safety of the product
  - whether the product is believed to be healthy or environmentally friendly
  - whether the business selling the product donates to a good cause or is known for being socially responsible.
- After class discussion, record a class ranking of factors that affect consumer behaviour, in order from most to least influential.

## Review and reflect

- The key terms for the session could be introduced and explained before the review and reflection, including the notion of consumer sovereignty and the price mechanism.
- Pose **one** of the following questions:
  - Do you believe producers respond to consumer behaviour and consumer demand and produce what consumers want to buy? (consumer sovereignty)
  - Do producers persuade consumers to purchase what they want to sell through marketing such as branding and advertising?
- Students discuss the question in small groups and each group reports their views back to the class.

## Opportunities for assessment

Select from the following as an assessment and/or an extension:

- Students complete an assignment where they are required to analyse how selected advertisements attempt to influence consumer buying habits.
- Students design a product, including appropriate branding and packaging, and outline and justify a marketing campaign that could be used to sell the product.