

# Business Summary

- The PPT revision + SE's are really important

## Customer Bill of Rights

### Customer Bill of Rights : \*memorize 4

#### 1. Right to be Informed -

- As a consumer, you have a right to accurate information.
- Consumers can make wise decisions only when they have the information they need.
- E.g. Writing the ingredients in a food packaging.

#### 2. Right to Choose -

- Competition means choices. Lack of competition hurts the consumer.
- The government has the power to keep markets competitive.

#### 3. Right to Safety -

- The legal responsibility that manufacturers have to make a safe product is called **product liability**.
- E.g. Products that might be dangerous if used improperly must have instructions for correct and safe operation.

#### 4. Right to be Heard -

- If you're not happy, businesses generally want to hear about it so they can fix the problem and keep you as a customer.
- There are always some businesses that don't operate in the best interest of consumers.
- Most stores do tactic of **Bait & Switch**. Ad showing item of lower price, once you there they tell it is out of stock and try to get you more expensive item.

#### 5. The Right to Have Problems Corrected -

- Usually if you take a defective item back to the store with your receipt, the business will **replace** the item or **refund** your money.
- If a business refuses to correct a problem, you can write to the manufacturer to find out how to get the problem resolved.

#### 6. The Right to Consumer Education -

- When you decide to buy an item, you should know that different stores might charge different prices.
- Some sources of consumer education are:
  - Consumer Reports
  - Consumer education classes

#### 7. Right to Service -

- Customers have a right to be treated in a respectful and courteous manner.
- E.g. You have the right to be served without discrimination on the basis of your race, gender, income, or age.

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## Your Responsibility as a Consumer

### Responsibilities of Consumers : \*memorize 4

#### 1. Responsibility to be Informed -

- Before making a major purchase, read fact sheets from the **Consumer Product Safety Commission**. You can also get product information on the Internet. Ex: whenever shop food read labels for nutritional facts, they can tell you how much salt, sugar, fat and protein a product contains.

#### 2. Responsibility to Choose Carefully -

- Responsible consumers make comparisons to find the best product or service at the best price.
- Ex : which electronic company offers the best guarantee?
  - Which cars have the best record for reliability?
  - which computer will best fit for your budget and needs?

- **Pollution:**

Buying pattern of consumers effects on the environment. individual have a right to **drink pure, water breathe clean air** and **live in a healthful place**. Pollution and contamination is caused by waste from products consumer must do their part to cut down the pollution.

- **Conserving Resources:**

Businesses and people have learned that they must conserve resources. **Conservation** is the process of **preserving, protecting** and **planting the management of resources**. Every consumer should be aware of the limited supplies of resources and adjust their consumption accordingly.

- **Recycling:**

Part of conservation is **reducing, reusing** and **recycling** materials in your daily life. It is the responsibility of all consumers to reduce the use of disposable materials, reuse products when they can, and recycle materials to reduce waste.

#### 3. Responsibility to Use Products Safely -

- Consumers must follow the instructions given by the manufacturer for the safe use of products. You can have safety problems if you buy products from an unreliable source.

Ex : Consumers should use common sense when handling or storing chemicals or electrical devices.

#### 4. Responsibility to Speak Out -

- You have the responsibility to report unfair, unsafe, and illegal business practices. Reporting those practices help protect other consumers from problems. As a consumer you can take the action of **boycott**, or refuse to buy, a company's goods or services.

#### 5. Responsibility to Seek Remedy -

- To get the best value of your money it's your responsibility to seek remedy for, or correct, a defective product. Exchange the defective item or get refund. It's the consumer responsibility to bring the item the receipt and any warranty or guarantee that came with the item.

#### 6. Responsibility to Learn Consumer Skills -

- Read information on labels and packages
- Compare prices at different stores and look for sales
- Pay attention to media
- Become aware of illegal practices
- Read consumer information publications
- Attend classes or workshops on consumer issues and problems.

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## Your Power as a Consumer

### Consumer Powers : \*memorize 4

1. **Buying Power** 💰:
    - Consumers decide what to buy, when to buy, and from whom.
  2. **Demand Power** 📈:
    - Businesses must adapt to consumer preferences and trends to stay relevant.
  3. **Price Sensitivity** 💵:
    - Consumers compare prices across different sellers.
  4. **Word-of-Mouth & Social Influence** 🗣️:
    - Online reviews, social media, and personal recommendations.
  5. **Ethical & Sustainability Influence** 🌍:
    - Consumers demand eco-friendly, fair-trade, and ethical business practices.
  6. **Expectation for Quality & Service** ⭐:
    - Consumers expect high-quality products and excellent customer service.
  7. **Power to Boycott & Protest** 🚫:
    - Consumers can boycott brands that engage in unethical practices.
  8. **Customization & Personalization Demand** 🎯:
    - Consumers want tailored experiences, personalized ads, and unique offerings.
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## Consumer Organizations

### Consumer Organizations :

- Groups and individuals that work to protect, inform, and defend consumers are called **consumer advocates**.

#### Consumer Federation of America

- The Consumer Federation of America (CFA) **works to promote laws that help consumers**.
- CFA's major areas: Financial services ,Utilities, Product safety, Transportation, Health care, Food safety

#### National Consumers League

- The National Consumers League provides **government, businesses, and other agencies with the consumer's point of view**. One of the National Consumers League's services is a national fraud information center. It also **monitors the Internet to prevent consumer fraud**.

#### Consumers Union

- Consumers Union is the **nonprofit publisher of the magazine Consumer Reports**. Consumers Union tests products in its laboratories and reports the findings in its magazine.

#### Major Appliance Consumer Action Program

- The Major Appliance Consumer Action Program (MACAP) helps consumers **solve problems with large appliances** such as washers, stoves, and freezers.

#### The Media :

- Internet sites, radio, TV stations, and newspapers advocate for consumers. They often have a consumer reporter who reports on issues that are important to consumers, such as product safety, testing, and shopping.

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## Government Organizations

### Government Organizations :

- **The Federal Trade Commission (FTC)** : It enforces laws about business practices. It seeks to ensure that the nation's markets function competitively by eliminating unfair or deceptive practices.
  - **U.S. Department of Agriculture (USDA)** : It inspects foods and grades them. Grade indicates the level of quality of foods. For example, meat might be graded as "prime" or "choice." Consumers can use the grades as a guide in choosing what to buy.
  - **The Food and Drug Administration (FDA)**: It regulates the labeling and safety of food, drugs, cosmetics, dietary supplements, and medical devices sold in the United States. The FDA tests and approves all drugs before they can be offered to consumers. It also reviews products that are already on the market.
  - **The National Highway Traffic Safety Administration** : It is the part of the U.S. Department of Transportation. This agency sets and enforces safety standards for motor vehicles. The administration can require an automaker to issue a recall of the automaker's vehicles. A recall is an order to take back and repair or replace a product that has defective parts.
  - **The Consumer Product Safety Commission** : The U.S. Consumer Product Safety Commission is a federal government agency that oversees the safety of products such as toys, cribs, power tools, electronics, and furniture. The commission has contributed significantly to a 30 percent decline in the rate of deaths and injuries associated with consumer products over the last 30 years.
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## The Business Community

### The Business Community :

- **Customer Service Representatives** :
    - Most businesses have a customer service representative. To help consumers select the best product for your needs. When you buy a product, the package often lists the address, telephone number, or web site for a customer relations representative.
  - **The Better Business Bureau** :
    - The Better Business Bureau (BBB) is a nonprofit organization that collects information on local businesses and handles complaints. It also shares information about problems that consumers have had and distributes consumer publications. It does not enforce laws or recommend one business over another.
  - **Advertising** : Although businesses use ads to promote their products, they also use them to tell consumers as much about their products as possible.
  - **Magazines** : Some commercial magazines are good sources of consumer information. They include articles or guides to help you make choices. Good Housekeeping features consumer information and endorses products with a "seal of approval."
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### Computing Markup :

- **Markup** = Selling Price - Cost
- **Markup Rate** = (Markup / Selling Price) x 100

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## Credit

- The word Credit has been derived from a Latin word “**credo**” meaning “**I trust** or **I Believe**”. It implies confidence or trust in an individual's solvency.
- **A creditor** : who lends money or provides credit. (most common example is bank)
- **A debtor** : who borrows money or uses credit. (most common example is Business)

### Debt :

- is the sum of money that is borrowed for a certain period of time and is to be return along with the interest.

### Interest :

- creditors charge a fee for using their money is called interest.

### The amount of interest to be paid is based on two factors :

1. **length of time of the loan**: The longer you take to pay it off, the more interest you will have to pay.
2. **Credit Rating**: Poor credit rating, the more interest that will be charged.

### Advantages of credit :

1. **Convenient**. You can shop and travel without carrying large amounts of cash.
2. **Useful in an emergency**. If your car breaks down and you don't have the cash to fix it, you can use credit.
3. **Credit Card on websites**: Without credit you could not buy some things Ex: airline tickets or shop on the Internet.
4. **Establish a credit rating**. A credit rating is a measure of a person's ability and willingness to pay debts on time. A good credit rating tells other lenders that you are a responsible borrower and a good credit risk.
5. **Keep track of your spending**. Whenever you buy something on credit, it goes on your credit card bill, so you have a record of your expenses.
6. **Growth of economy**. If you use credit, you can buy more goods and services. Since so many consumers make credit purchases businesses must hire more workers and produce more goods to keep up with the demand.

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## Disadvantages of credit :

1. Since credit is so convenient to use it can also be **easy to misuse**. With credit it is **tempting to buy things** you can't afford, by too much, or by things you don't need.
2. Items also **cost more** when you use credit instead of cash because of the interest.
3. As credit card bills pile up, you might have **trouble paying them**.
4. After a while you may reach your **credit limit**, the point where you can't charge anymore.
5. Late or **missed payments lowered your credit rating** which will make it difficult for you to get credit in the future.

**Q :** Explain why interest rates are higher in consumer credits than commercial credit ?

- (sample ans) Interest rates are higher for consumer credit because businesses support economic growth, create jobs, and pose lower risk, so they receive favorable rates, while consumers have less collateral and higher default risk.

## Sources of Loans : \*people who give loans

1. Departmental Stores/ Retailers
2. Credit card Companies
3. Banks/ Financial Institutions
4. Seller Provided credit
5. Consumer Finance Companies
6. Payroll Advance Services

- Higher the credit rating, lower the interest rate.
- Poor(lower) credit rating, higher the interest rate.

## Types of loans :

1. **Short-term loans :**
  - A loan scheduled to be repaid one year or less.
  - Ex : to meet day to day needs of the business.
2. **Medium-term loans :**
  - A loan scheduled to be repaid 1 to 5 years.
  - Ex : purchase of vehicle/machine.
3. **Long-term loans :**
  - A loan scheduled to be repaid more than 5 years.
  - Ex : expansion of business.

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## Factors of credit-worthiness :

**Capacity** – This is the applicant's ability to repay a loan by comparing income against debts. Lenders often use **debt-to-income (DTI) ratio**. Creditors also check whether applicant have a job, how much he make, and how long he have been employed. If applicant have a large amount of debt, creditors will be unlikely to give you more credit. creditors will verify the applicant's employment and income.

**Character** – This refers to a applicant's reputation or track record for repaying debts. Creditors want to know what kind of person applicant are before they lend money. Lenders look at credit history, references, and interactions to gauge trust-worthiness.

**Credit History** - Creditors take the help of **central bank's- Credit Bureau agency**. Credit bureau keeps record of all borrowers of the country. Companies and banks provide information about consumers' creditworthiness to credit bureau. It keeps following records:

- do applicant pay your bills on time?
- do applicant pay interest to banks promptly?
- how much debt applicant have taken from all banks?
- Check to see if the applicant has a criminal record?

**Capital** – An applicant's capital is the amount of money the applicant has beyond his or her debts. It includes cash, savings and investments and possessions.

**Collateral** – Assets or property that can secure the loan. It is used as security of a loan. If the borrower defaults (fail to pay debt), the lender can sell the collateral to recover losses.

- **KYC** (Know Your Customer)

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## Installment v.s. Mortgage Loans :

### Installment Loans

- **Definition** : A broad term for any loan that's repaid in fixed payments over a set period of time.
- **Examples** : Personal loans, car loans, student loans.
- **Terms** : Can be short-term or long-term.
- **Collateral** : May or may not be secured (e.g., a personal loan is usually unsecured, but a car loan is secured by the car).
- **Use** : buying a car, covering medical expenses.

### Mortgage Loan

- **Definition** : A specific type of installment loan used to buy real estate (house, condo, land).
- **Secured By** : The property itself (the lender can take it back if you don't pay)
- **Loan Term** : long-term—15, 20, or 30 years.
- **Interest Rates**: Often lower than personal loans because they are secured.
- **Down Payment**: Usually required (e.g., 10% to 20% of the property price)