

LESSON 3

Vinnie's Pizza Parlor

1. FOCUS

Student Objectives

- Compare the benefits and costs of a consumer spending decision.
- Analyze the marginal (additional) benefits and marginal (additional) costs of a consumer spending decision.
- Use marginal analysis to evaluate spending choices and make better spending decisions.

Background

Children, like all consumers, want to make good decisions. Children often confront choices in which they decide how much to buy, or among products. In making these decisions, children must compare the additional benefits they receive to the additional costs.

This lesson presents an activity in which students compare marginal (additional) benefits and marginal (additional) costs. While making a decision about purchasing pizza, students consider the marginal benefit of one more topping, or a larger size, to the marginal cost. Considering marginal costs and benefits will help students make better decisions. For example, the marginal cost of an extra-large pizza may be small, but if a person isn't very hungry, the marginal benefit may be smaller.

Concepts

Marginal analysis, marginal benefit, marginal cost, consumer spending decisions

Preview

- *Spending decisions are not always "all or nothing," but also involve how much to spend or the quantity of something you want to consume.*
- *Many spending decisions include consideration of the difference between the benefits and the costs of two alternatives.*

2. PREPARE

Pizza advertisements

Activity Sheet 7: *Vinnie's Pizza Parlor Menu*

Activity Sheet 8: *Vinnie's Pizza Choices*

1. Collect or have students bring several advertisements for pizza restaurants. The ads should include information about different sizes, varieties, and price options.
 2. Make a copy or transparency of a few pizza advertisements.
 3. Make a copy of Activity Sheet 7 for each student, or make a transparency.
 4. Make a copy of Activity Sheet 8 for each group of four students.
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3. TEACH

Introduction

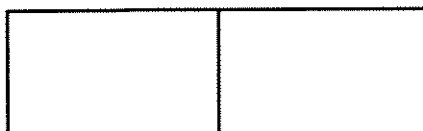
1. Discuss the following:
 - a. What are your favorite pizza toppings?
 - b. What is your favorite pizza restaurant?
 - c. Which do you like better — thick or thin crust?
 - d. Have you tried “cheese-stuffed crust?”
2. Explain that you have an important decision to make. You want to host a pizza party at your home for yourself and six friends. Although you want to have enough pizza, you don't want to have too much pizza left over. You don't want to spend more money on pizza than necessary. You really want to make a good consumer spending decision, and you would like the students' help.

Activities

1. Display pizza ads that offer several sizes, varieties, and options.
2. Ask students to identify the various decisions involved in making a pizza purchase. List these decisions on the board. (size, number of toppings, extra/free items, delivery, price, thin or thick crust, quality)
3. Tell students that your favorite pizza restaurant is Vinnie's Pizza Parlor.
4. Distribute a copy of Activity Sheet 7 to each student, or display a transparency.

5. Tell students that they will make a decision about the pizza order. Explain that their decisions will be based on the difference between the additional costs and additional benefits of the alternatives.
6. Point out the various prices and sizes. Clarify that a medium pizza is two-thirds the size of a large and a monster pizza is the same size as two large pizzas.
7. Using the diagrams below, ask the following questions:

Medium Pizza



Large Pizza



- a. What is the advantage or benefit of ordering a large pizza rather than a medium pizza? (an additional one-half of a medium pizza or 50% more)
- b. What is the difference in the price of a medium and a large pizza? (\$3.00)
8. Explain that economists use the word marginal as another word for extra or additional. So, the additional benefit received from ordering the large pizza is the marginal benefit. In this case, the marginal benefit is one-half of a medium pizza. The additional cost of the large pizza is the marginal cost. In this case, the marginal cost is \$3.00.
9. Point out that in making the decision, consumers must compare the marginal benefit (50% more pizza) to the marginal cost (\$3.00). If the marginal benefit is greater than the marginal cost for the consumer, then the choice is a good one.
10. Ask each student to decide what he or she would do. Explain that each student may value the extra pizza differently and make different decisions.
11. Divide the class into groups of four. Explain that each group will order pizza for the party. They must make choices among the alternatives listed.
12. Review the options on the menu comparing the sizes, toppings, and prices. Remind students that they must purchase enough pizza to feed seven people and try not to have very much pizza left over.
13. Explain that each group should discuss how to compare the marginal benefits and marginal costs of the various pizza choices. After

Marginal benefit is the additional benefit received from an additional unit of a good or service. Marginal cost is the additional cost of an additional unit of a good or service.

When consumers consider whether to buy one unit more or one unit less of a good or service in an effort to obtain the mix of goods and services that will provide them with the greatest satisfaction for their available buying power, they are using marginal analysis.

making a decision, each group should prepare a pizza purchase recommendation to the teacher. The group's recommendation should include a statement of the marginal benefit and marginal cost of its choice.

14. Allow time for each group to make and share its decision with the class. As groups report their decisions, reinforce the analysis of marginal benefit and marginal cost. Explain that the value given to the marginal benefit depends on each group's preferences.
15. Distribute a copy of Activity Sheet 8 to each group. Read and complete the examples on the sheet as a class.
16. Instruct each group to write three additional "If . . . then" statements using different pizza choices from the menu. The statements should be similar to the examples, illustrating marginal benefits and marginal costs.
17. **Closure.** Review the preview statement for the lesson, emphasizing that these are the big ideas that they should have learned from the activities.
 - a. Spending decisions are not always "all or nothing," but also involve how much to spend or the quantity of something you want to consume.
 - b. Many spending decisions include consideration of the difference between the costs and the benefits of two alternatives.
18. Ask students for examples of other decisions they have made that involved comparing marginal costs and benefits. Examples might include:
 - a. Should I order a 12-ounce soft drink for 70 cents or a 16-ounce for 89 cents?
 - b. Should I "super-size" my fast food order for \$1?
 - c. Do I want one more topping on my frozen yogurt for 25 cents more?
 - d. The 19-inch TV is \$179, but the 21-inch screen is \$35 more.
 - e. For just \$50, I can make my video game system more powerful.
 - f. Levi's are \$34.99. The generic jeans are \$19.99.
 - g. Tickets to the concert for the front row are \$75. The balcony seats are only \$25.
 - h. If I study three more hours, I'll probably be able to raise my grade from a C+ to a B.
 - i. If I use the snooze alarm for ten more minutes of sleep, then I must get dressed faster.
19. Divide the students into pairs. Ask each pair to select one of its decisions or one of the above sample decisions and develop a story or skit about the decision. Their story or skit should emphasize that

decisions often involve consideration of the marginal benefits and costs of alternatives.

20. Allow time for students to share their stories or act out their skits.

4. CONNECT

Family Connection: A family trip to the grocery store may help students learn ways to compare purchasing choices. Many stores provide information for comparisons, such as price per ounce or some other unit. Children may compare the marginal benefits and marginal costs to determine the "best buy."

Families may want to subscribe to *Zillions* (Consumers Union, Yonkers, New York), a bimonthly magazine for children, similar to *Consumers Report*. Articles evaluate products and include activities for children to practice consumer decision making.

Language Arts Connection: Students may write about a marginal benefit and cost decision that they have made in the past or might make in the future.

Mathematics Connection: Students may calculate the cost per slice and/or sizes of the slices for different pizza sizes. Comparing the sizes of the pizzas may involve dividing into some number of slices or measuring the circumference, diameter, or area.

Students may visit the grocery store to compare the prices of different sizes of the same product. They may report on the marginal cost of purchasing the next larger size. If a 16 oz. box of cereal is priced at \$1.75 and the 24 oz. box is \$2.75, the marginal cost is \$1.00. The marginal benefit is 8 oz. or 50% more cereal.

Children's Literature:

- Barbour, Karen. *Little Nino's Pizzeria*. New York: Harcourt Brace Jovanovich, 1987. This book looks at the restaurant business and making business decisions.
- Khalsa, Dayal Kaur. *How Pizza Came to Queens*. New York: Crown Books, 1989. Mrs. Pellegrino comes to New York from Italy, bringing a mysteriously shaped package. What a delicious surprise awaits young May and her friends.
- Martino, Teresa. *Pizza!*. Milwaukee, WI: Raintree, 1989. From the Real Readers Series, the story of pizza.
- Pillar, Marjorie. *Pizza Man*. New York: T.Y. Cromwell, 1990. Black and white photographs highlight the steps in making a pizza, from the moment the pizza man starts making the dough until he serves it to a hungry customer.
- Ray, Mary Lyn. *Pumpkins*. New York: Harcourt Brace Jovanovich, 1992. When a field is put up for sale across from his house, a man goes to extraordinary lengths to purchase the field.

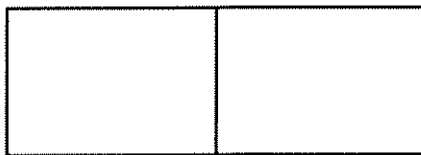
ACTIVITY SHEET 7

Vinnie's Pizza Parlor Menu

VINNIE'S PIZZA PARLOR			
Chef Vinnie Condemi, Proprietor			
1 medium with 1 topping	\$6.00	extra toppings	\$1.00 ea
2 mediums with 1 topping	\$10.00	extra toppings	\$1.00 ea
3 mediums with 1 topping	\$13.00	extra toppings	\$1.00 ea
1 large with 1 topping	\$9 .00	extra toppings	\$1.50 ea
2 large with 1 topping	\$13.00	extra toppings	\$1.50 ea
3 large with 1 topping	\$16.00	extra toppings	\$1.50 ea
1 monster with 1 topping	\$13.00	extra toppings	\$3.50 ea

Pizza sizes: 3 medium = 2 large = 1 monster

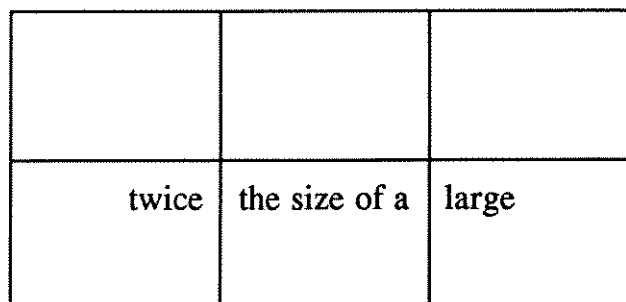
Medium Pizza



Large Pizza



Monster Pizza



ACTIVITY SHEET 8

Vinnie's Pizza Choices

Use information from the Vinnie's Pizza Parlor menu to complete problems 1 through 3. Determine the marginal differences.

1. We may order one medium pizza with one topping for \$ _____ .
If we order two medium pizzas, then the marginal cost is \$ _____ .
and the marginal benefit is _____ .
2. We may order one large pizza with one topping for \$ _____ .
If we add two more toppings, then the marginal cost is \$ _____ .
and the marginal benefit is _____ .
3. We may order two large pizzas with two toppings for \$ _____ .
If we order one monster pizza with two toppings, then the
marginal cost is \$ _____ and the marginal benefit is _____ .

Write three more "If. . . then. . . ." statements about pizza choices from Vinnie's Pizza Parlor Menu.

4.

5.

6.

ACTIVITY 8

Vinnie's Pizza Choices (Answers)

Use information from the Vinnie's Pizza Parlor menu to complete problems 1 through 3. Determine the marginal differences.

1. We may order one medium pizza with one topping for \$ 6.00.

If we order two medium pizzas, then the marginal cost is \$ 4.00 .

and the marginal benefit is one additional medium pizza .

2. We may order one large pizza with one topping for \$ 9.00.

If we add two more toppings, then the marginal cost is \$ 3.00.

and the marginal benefit is two additional toppings.

3. We may order two large pizzas with two toppings for \$ 16.00.

If we order one monster pizza with two toppings, then the

marginal cost is \$.50 and the marginal benefit is zero. Two large pizzas equal one monster. Each has two toppings.

Write three more "If. . .then. . . ." statements about pizza choices from Vinnie's Pizza Parlor Menu.

4.

5.

6.