

Bike Shop Choices

How competition and incentives shape market decisions

SS.7.E.1.5 "Assess how profits, incentives, and competition motivate individuals, households, and businesses in a free market economy."

NAME _____

DATE _____

1 READ AND MARK _____ Read it twice

YOUR JOB Underline each phrase that shows profit, circle each incentive, and write H, I, or B beside each decision made by a household, individual, or business. Write B for decisions made on behalf of a business, even when an owner or worker makes the decision.

Two Shops, Many Choices

- ① On Cedar Street, two bike shops compete for customers: Pedal Point and Trail Works. Pedal Point sells helmets, repairs bicycles, and pays rent and mechanic wages. The money left after the shop subtracts these costs from its sales is profit. To increase profit, Pedal Point negotiates a lower price for brake pads. The shop can then keep more money from each repair. Trail Works pays attention because it also wants customers and profit in this market.
- ② Competition pushes Trail Works to respond. It begins offering a free safety check with each paid tune-up. This offer is an incentive, or a reason that may persuade customers to choose Trail Works. Pedal Point responds by training its mechanic to finish basic repairs faster. Both businesses hope their choices attract buyers, increase sales, and lead to profit. Yet competition also limits prices, because customers can compare the shops and choose another seller if dissatisfied.
- ③ Households and individuals make choices too. Lee's household needs a bicycle tune-up but has a limited budget. The free safety check may encourage the household to choose Trail Works, while a faster repair may encourage it to choose Pedal Point. At Pedal Point, mechanic Jordan has an incentive to work carefully and efficiently: good work can bring tips, steady hours, or a raise. Jordan is an individual, but choices made for Pedal Point, such as its prices and services, are business decisions.

2 ANSWER WITH EVIDENCE _____ Use the passage

1 How could Pedal Point's lower price for brake pads help the business earn more profit?

2 How did competition cause Trail Works and Pedal Point to change their actions?

3 Which incentive could lead Lee's household to choose Trail Works, and which could lead it to choose Pedal Point?

4 Why is Jordan's careful work an individual decision, while Pedal Point's prices and services are business decisions?

3 YOUR TURN _____ Your own words

Create a four-sentence market situation about a household, two competing businesses, and an individual worker. Show a choice by the household, an action by each business to compete for profit, and an incentive that motivates the worker.

PART 1 • READ AND MARK

Underline each phrase that shows profit, circle each incentive, and write H, I, or B beside each decision made by a household, individual, or business. Write B for decisions made on behalf of a business, even when an owner or worker makes the decision. Accept any marking that follows this job and points at the right text.

PART 2 • ANSWERS

#	QUESTION	ANSWER
1	How could Pedal Point's lower price for brake pads help the business earn more profit?	Lower-priced brake pads reduce Pedal Point's costs, so the shop can keep more money from each repair.
2	How did competition cause Trail Works and Pedal Point to change their actions?	Trail Works offered a free safety check with a paid tune-up. Pedal Point trained its mechanic to complete basic repairs faster. Both actions were meant to attract customers and increase sales and profit.
3	Which incentive could lead Lee's household to choose Trail Works, and which could lead it to choose Pedal Point?	The free safety check could lead the household to choose Trail Works. A faster repair could lead it to choose Pedal Point.
4	Why is Jordan's careful work an individual decision, while Pedal Point's prices and services are business decisions?	Jordan chooses how to do the job and may be motivated by tips, steady hours, or a raise. Prices and services are choices made on behalf of Pedal Point, so they are business decisions.

PART 3 • YOUR TURN (SAMPLE ANSWER)

The Ortiz household chooses Bright Wash because it offers a free stain treatment with each paid load. Bright Wash adds this offer to attract customers and increase profit. Clean Corner responds by lowering the price of its wash-and-fold service so it can compete for customers and profit. At Bright Wash, Sam sorts clothes carefully because a bonus for accurate work gives Sam an incentive.

Accept answers that correctly connect profit to money remaining after costs, incentives to reasons for choosing or acting, and competition to business responses. For the open response, require a household choice, a separate action by each of two businesses, and an individual worker incentive.