

# WHAT IS VALUE-ADDED?



**COMPETENCY**

**CATEGORY:** Life Skills

**COMPETENCY**

**NUMBER:** G.44

**COMPETENCY:**

Explain the roles and function of a value-added organization.

**OBJECTIVE:**

Upon completion of this module, students will be able to explain the roles and function of a value-added organization.

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## INTRODUCTION

- How can you take charge of your work life and control your own destiny?
- One way is to make yourself more valuable to your employer.
- And just how is this accomplished?
- By improving your knowledge, skills and attitudes
- By improving your competencies, so that **you** become more valuable to your current employer
- You also become more marketable to other employers.
- The focus of this module is on the role and function of a value-added organization.

## Administer Pre-Assessment

## OUTLINE

- A. What is value-added?
1. Value-added is the activity of taking a basic product or service, increasing its value and reselling it for a profit.
  2. Why is this important?
  3. The greater the value added to a product, the more difficult it is for competitors to “win” business away.
  4. Good businesspersons understand the concept of adding value to garner loyalty.
  5. Some businesses focus only on their product and wonder why sales are low.

6. They purchase the inventory after receiving orders or to meet sales projection, but they add no value to the product.
7. On the other hand, good businesspersons offer competitive prices for their goods or services while adding value with product displays, quality service, customer conveniences, unique warranties, etc.

**COMPLETE LEARNING ACTIVITY G.44-1**  
**“INTERNET SEARCH”**

**COMPLETE LEARNING ACTIVITY G.44-2**  
**“DISPLAY REVIEW”**

**B. Sources of value-added**

1. Economies of scale – A large company (i.e. Intel) has an increase in market share (sells more computer chips) without an equal increase in production costs.
2. Economies of scope – Advantages are gained when a company can support a number of products (i.e. Proctor and Gamble, 3M).
3. Cost advantages – Some companies enjoy cost advantages that may not be available to other new entrants (i.e. McDonald’s and its’ locations, Wal-Mart and its’ volume buying power).
4. Access to distribution channels – Well-developed distribution channels provides a competitive advantage.
5. Government policy – Which limit the entry of new competitors

**COMPLETE LEARNING ACTIVITY G.44-3**  
**“INTERVIEWS”**

**C. Strategies to increase your value**

1. One of the best ways to create and maintain a profitable business is to focus on **your** value-added contributions rather than the product.
2. When potential customers see the additional value in what you offer (in terms of meeting their needs) it is easier to make the sale while keeping your prices higher.

For example, a car dealership that provides superior service after the sale is perceived to be a “better deal” by most buyers.

3. Simply stated, you can become a value-added employee by improving your skills, knowledge and attitudes.
4. By developing your competencies (skills, knowledge, and attitudes) you can make yourself more valuable to your current employer and to future employers.
5. There has never been a greater need for employees at all levels to be fully competent and motivated.
6. Global competition, rapidly changing technology, and rising customer expectations are demanding more of businesses and their employees.
7. Successful companies of the future will have a sound strategy for development of competent human resources who are committed to the goals of the company.
8. More organizations are putting the responsibility for career development in the hands of the employees.

#### D. Career ladders

1. Good performance leads to a step up to higher compensation and opportunities to move up within the organization; this is commonly called career development.
2. There are 4 concepts central to career development:

- a. Not just a promotion – Career development is not limited to upward mobility. Becoming more proficient in a current job can represent career development.
- b. Personal responsibility for growth – Responsibility for career development rests with the employee.
- c. Organizational responsibility – The organization is responsible for providing the necessary coaching, counseling, and structure so that employees can fulfill their career goals.
- d. Honesty – The employee must be honest in their assessment of abilities, skills, knowledge and potential.

E. Performance improvement

- 1. Almost all of us wish to improve our performance.
- 2. Developing competencies is how we add value – to both the organization and us as individuals.
- 3. The process of developing competencies involves 7 steps:
  - a. Identification of the required competencies – Competencies required for superior performance.
  - b. Self-assessment – Individual review of current job situation and competencies with a comparison of competencies to examples of superior performance.
  - c. Observation and study – Examples of superior performance are observed and studied; supporting information is sought.
  - d. Practice – The individual practices new competencies on the job.
  - e. Feedback – Constructive feedback and reinforcement is sought on job performance.

- f. Goal setting – The individual sets specific goals and applies an action plan for applying new competencies.
- g. Support and reinforcement – The supervisor and the work environment reinforce and support the individual’s demonstration of the new competencies.

F. Types of development activities

- 1. A wide variety of development activities can be utilized to acquire
  - a. Readings – Background reading of key books can provide a sound understanding of organizational development.
  - b. Courses – Offered by community colleges, universities and professional associations
  - c. Observation of outstanding performers – This type of development activity can be helpful in developing specific job related competencies
  - d. Interviewing outstanding performers – Is easier to do than observation because you do not need to be present when job skill is being demonstrated
  - e. Practicing behavior – Actually performing the new skills you have acquired
  - f. Seeking feedback – Ask others to observe you while you try to demonstrate competency

**COMPLETE LEARNING ACTIVITY G.44-4**  
**“YOUR CAREER ASSOCIATION”**

**COMPLETE LEARNING ACTIVITY G.44-5**  
**“JOURNAL WRITING”**

**COMPLETE LEARNING ACTIVITY G.44-6**



**“SERVICE LEARNING”**

**COMPLETE READING ACTIVITY G.44  
“VALUE-ADDED IDEAS”**

**COMPLETE MATH ACTIVITY G.44  
“VALUE-ADDED COSTS”**

**Administer Post-Assessment**

**LEARNING ACTIVITY G.44-1**  
**“INTERNET SEARCH”**

**OBJECTIVE:** To conduct an Internet search on the topic of value-added organizations

**RESOURCES:** • Computers with Internet access

**SUGGESTED TIME:** 2 hours

**DIRECTIONS:**

1. Conduct an Internet search on the topic of value-added organizations.
2. Have students write a brief report on their search.
3. Have students present their report to the class.
4. As students present their reports, write key words and phrases on the writing board that would “define” a value-added organization.
5. Keep this list of key words or phrases for use in Learning Activity G.44-2.

**LEARNING ACTIVITY G.44-2**  
**“DISPLAY REVIEW”**

**OBJECTIVE:** To conduct a value-added evaluation of a retail display

**RESOURCES:**

- Poster board
- Markers

**SUGGESTED TIME:** 2 hours

**DIRECTIONS:**

1. Assign students to teams of 2.
2. Make arrangements for students to visit a retail establishment.
3. Have students select a product display to discuss and note suggestions that would add value to the product being displayed.
4. Encourage your students to “look at things” from the customer’s point of view.
5. Have students create a visual picture on the poster of their “value-added” ideas.
6. Have students present their suggestions to the class.
7. Engage students in a discussion of the individual reports.

**LEARNING ACTIVITY G.44-3**  
**“INTERVIEWS”**

**OBJECTIVE:** To collect information from local businesses on the concept of value-added organizations

**RESOURCES:**

- Work Sheet–Learning Activity G.44-3
- Letterhead stationary
- Business size envelopes

**SUGGESTED TIME:** 2 hours

**DIRECTIONS:**

1. Assign students to teams of 2.
2. Using the work sheet for Learning Activity G.44-3, have students develop interview questions.
3. Assist students in identifying local business leaders who can be interviewed on the topic of value-added organizations.
4. Assist students in formulating an informational letter to be sent to those individuals who have agreed to be interviewed.

**Note to Specialist: It might be helpful to include information that was researched in Learning Activity G.44-1.**

5. Have students report their interview results to the class.
6. Assist students in writing a follow-up thank-you letter to participants.

**LEARNING ACTIVITY G.44-3**  
**“INTERVIEWS”**  
**WORK SHEET**

**DIRECTIONS:** Use this work sheet and the results from Learning Activity G.44-1 to develop a list of interview questions.

**Interview Questions:**

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_
4. \_\_\_\_\_  
\_\_\_\_\_
5. \_\_\_\_\_  
\_\_\_\_\_
6. \_\_\_\_\_  
\_\_\_\_\_

**LEARNING ACTIVITY G.44-4**  
**“YOUR CAREER ASSOCIATION”**

**OBJECTIVE:** To improve the value-added features of your career association

**RESOURCES:** • Career Association materials

**SUGGESTED TIME:** 2 hours

**DIRECTIONS:**

1. As a class, engage students in a discussion of various aspects, projects, goals, etc. of their career association.
2. Specifically, have students look at their association with the ideas related to improving the services provided from a value-added standpoint.
3. Record student ideas for future use.

**LEARNING ACTIVITY G.44-5**  
**“JOURNAL WRITING”**

**OBJECTIVE:** Student will demonstrate writing skills by creating a journal entry centered on a topic assigned by the Specialist

**RESOURCES:** None

**SUGGESTED TIME:** 1 hour

**DIRECTIONS:**

1. Provide students with the topic they are to use for this journal writing activity. The topic should relate to this module.
2. Assign the page range for the journal writing assignment.

This range could vary depending on the timeframe provided for the assignment, the writing skills of the entire group, a small group of students, or individual students. This assignment can be individualized by the Specialist by placing the page length in the blank space on the work sheet.

**LEARNING ACTIVITY G.44-5**  
**“JOURNAL WRITING”**  
**WORK SHEET**

**NAME:**

**DATE:**

**TOPIC:**

**DATE DUE:**

**PAGE LENGTH:**



**LEARNING ACTIVITY G.44-6**  
**"SERVICE LEARNING"**

**OBJECTIVE:** Students will participate in a service learning activity assigned by the Specialist

**RESOURCES:** • Learning Activity G.44-6

**SUGGESTED TIME:** 1 hour

**DIRECTIONS:**

1. Identify the type of support linkage which could be used to reinforce the key concept(s) in this module with students (See “Types of Support Linkages”).
2. With your students, identify the school and/or community resources which could be contacted to create a Service Learning Activity for this module (See “Community Resources”).
3. With students, brainstorm, organize, implement and evaluate the effectiveness of the Service Learning Activity using the “Service Activity Action Plan.”

<b>TYPES OF SUPPORT LINKAGES</b>		
<b>Direct Services to Students</b>	<b>Consultative and Technical Assistance</b>	<b>Information and Referral</b>
Community agencies	Professional organizations	Career counseling centers
Parents and personal advocates	Service organizations	Work experience and job placement services
Local education agency support/auxiliary staff	Parent organizations	School and private psychologists
Volunteer and service organizations	Advisory groups	Tutors
Placement services	State education agency personnel	Recreational programs
Postsecondary programs and personnel	Business/industry personnel and programs	Employers
Transitional services	Other vocational support service teams	Employment Services
Other school-based personnel	Local colleges and universities	Community agencies for counseling or health services
	Vocational education research and development resource center(s)	New schools (transfer students)
		Division of Vocational Rehabilitation
		Job Training Partnership Program

Source: HANDBOOK FOR VOCATIONAL SUPPORT SERVICE TEAMS IN MARYLAND

## COMMUNITY RESOURCES

Federal and State Agencies provide services to their local and regional offices. Such services include financial support, job training and placement programs, housing, health, youth programs, consumer information, and legal aid. Examples include:

- legal services
- armed services
- state employment services
- state agency or school for the visually impaired
- State Department of Welfare
- mental health agency
- Department of Immigration
- Veterans Administration
- Social Security Administration
- Job Training Partnership Act (JTPA)
- Community Action Program
- law enforcement agency
- legal and judicial agencies
- Bureau of Indian Affairs
- public health service
- social services
- adult continuing education programs
- Office of Economic Opportunity
- civil service programs
- Rehabilitation Services Administration
- employment services
- Parks Department
- public health programs
- Adult Basic Education programs
- migrant programs
- military service representatives
- Planned Parenthood
- correctional facilities
- Governor's/Mayor's Committee for Employment of the Disabled

Community agencies and organizations provide such services as youth recreation, counseling and tutoring, employment and job training, foster care placement, and leadership development. Examples include:

- Chamber of Commerce
- YMCA/YWCA
- drug and alcohol abuse centers
- Red Cross
- child abuse/women's centers
- urban league
- adult continuing education programs
- student financial aid programs
- League of Women Voters
- mental health clinics
- probation and parole services
- children and youth services
- foster homes
- halfway houses
- community action programs
- migrant programs
- bilingual programs
- dropout prevention programs
- parent-teacher organizations
- American Legion
- Veterans of Foreign Wars
- Salvation Army
- JAYCEES
- Optimists
- Goodwill Industries

Citizen and special interest groups typically offer scholarship programs, legal aid, daycare, and transportation. Examples include:

- Lions Club
- canes
- Rotary
- churches
- women's and men's clubs in the community
- crisis intervention centers
- hospitals
- Girl Scouts
- Campfire Girls
- Big Brothers and Sisters
- Boy Scouts
- Indian guides
- Knights of Columbus
- Sertoma
- Elks
- retired citizens
- Volunteer tutor groups

Business, industry, and labor organizations are good sources of field trips, guest speakers, job opportunities, and occupational and product information. Examples include:

- Trade and labor unions
- Advisory committee members
- Employers
- Personnel offices
- industrial supervisors

*Source: Sarkees-Wircenski, M. & Scott, J. VOCATIONAL SPECIAL NEEDS*

**SERVICE ACTIVITY ACTION PLAN**

<b>IMPLEMENTATION ACTIVITY/IDEA</b>	
<b>IMPLEMENTATION STEPS</b>	<b>RESOURCES NEEDED</b>

<b>PERSONNEL/AGENCIES/ COMMUNITY</b>	<b>REPRESENTATIVE INVOLVED RESPONSIBILITIES</b>
<b>POSSIBLE BARRIERS</b>	<b>CREATIVE SOLUTIONS</b>
<b>TIMEFRAME</b>	

**READING ACTIVITY G.44**  
**“VALUE-ADDED IDEAS”**

**OBJECTIVE:** To read with comprehension

**RESOURCES:** • Reading Activity G.44

**SUGGESTED TIME:** 1 hour

**DIRECTIONS:**

1. Make copies of Reading Activity G.44 and distribute to each student.
2. Have students read “Value-Added Ideas.”
3. Have students complete the “Reading Recall” and check their answers for accuracy.
4. Discuss the story with your students.

## “VALUE-ADDED IDEAS”

“I just don’t understand it,” stated Royce. “We are in a similar type of business as Lowery’s, yet their sales are up 22% this month alone! Look at the cars in their parking lot.”

Royce was talking to no one in particular. He was just venting his frustrations.

Royce was the new owner of Royce’s Lawn Mower Sales. He bought the store from the previous owner and cleaned the whole place up a bit and brought in several new product lines.

“I think I’ll call Mr. Lowery and see why his garden center is doing so well and we are stuck in ‘nowhere land’.”

Royce knew that with the spring weather people would be fixing up their lawns and gardens and that would also include the need for new mowers and lawn mower repairs. But for some reason it was not going as planned. Oh, some people would stop in, but they didn’t seem to stay very long or ask very many questions.

Well about a week later Royce called Mr. Lowery for lunch one day.

“Royce, I was wondering when you were going to call,” said Mr. Lowery.

“I noticed that there have not been too many cars in your lot lately. When the weather got warmer I expected you to see a lot more business.”

“Mr. Lowery, I just can’t seem to ‘buy’ a customer. Oh a few stop in, but they don’t stay long and they sure aren’t buying. Business in lawn mower sales is slow.”

“Royce, can I offer you some suggestions? It will cost you a dinner at the best restaurant in town. Is it a deal?”

Royce agreed to it in a heartbeat. “Are you kidding, I would love to hear your ideas. How about lunch today?”

## At Lunch

Mr. Lowery began, "Royce, I hired a couple of consultants last summer to get some ideas on how to improve my business. They called it 'value-added' service. I stopped in your place about a month ago to have my mower repaired," Mr. Lowery continued.

"Yes, I remember seeing your repair order," Royce said.

"First, when I was in your store I noticed that you have all these mowers crammed into every open floor space available. You couldn't even walk around to get your hands on the equipment. I think you have some very competitive prices, but things are so crowded you are just not doing justice to your products."

"Yes we really expanded our product line this year," stated Royce.

"Secondly, when you walk in the door the place reeks of stale cigarette smoke."

"And lastly, the old guy you bought the business from had this reputation of not standing behind his products in terms of service. People who bought mowers there had to get them repaired elsewhere," exclaimed Mr. Lowery.

"Now that you mention these things I can see what you mean. The place is a bit crowded with all those new mowers. Maybe I should move some of them into the back to open the space between mowers. As for the stale smoke, I agree I don't like it either. Starting tomorrow we are going to be a smoke-free environment."

"Those are two good ideas that can add value to your business without costing you anything!" said Mr. Lowery.

"I had heard about the poor service record when I was buying the place. I thought I could turn that reputation around when I took over," stated Royce.

"I am sure you can in time but you need to come up with some value-added service ideas to change the buying public's perception," stated Mr. Lowery.



“Man, am I glad we had this lunch! I really appreciate your ideas,”  
exclaimed Royce.

“Don’t forget, now you owe me a dinner at the best restaurant in town - Star  
Canyon!”

## READING RECALL

### PART I

**DIRECTIONS:** How well did you read? Complete the following sentences.

1. Royce was an owner of
  - a. \_\_\_ a garden center.
  - b. \_\_\_ Lowery's.
  - c. \_\_\_ a lawn mower shop.
  
2. Mr. Lowery owned a
  - a. \_\_\_ garden center.
  - b. \_\_\_ lawn mower shop.
  - c. \_\_\_ restaurant.
  
3. Mr. Lowery noticed that Royce's parking lot was
  - a. \_\_\_ sparse.
  - b. \_\_\_ full.
  - c. \_\_\_ empty.
  
4. One of Mr. Lowery's suggestions was to
  - a. \_\_\_ add additional mowers to the inventory.
  - b. \_\_\_ make the store less crowded.
  - c. \_\_\_ reduce prices.
  
5. The previous owner had a reputation for
  - a. \_\_\_ good service.
  - b. \_\_\_ poor service.
  - c. \_\_\_ no service.

6. The best restaurant in town was

- a.  Star Canyon.
- b.  Lowery's.
- c.  not identified.

## PART II

**DIRECTIONS:** The following sentences are not in the correct order according to the story. Show the order that the events happened in the story by using numbers. Put a "1" by the event that happened first, a "2" by the event that happened second, and so on.

- Royce knew that with spring weather, people would be fixing up their lawns.
- Lowery's sales were up 22%.
- Royce called Mr. Lowery for lunch.
- Royce really appreciated the ideas.
- the place was a bit crowded.
- the poor service record was known at the time the store was purchased.

**MATH ACTIVITY G.44**  
**“VALUE-ADDED COSTS”**

**OBJECTIVE:** To demonstrate the ability to add, subtract, multiply, divide and calculate percentages

**RESOURCES:** • Work Sheet—Math Activity G.44

**SUGGESTED TIME:** 1 hour

**DIRECTIONS:**

1. Make copies of the work sheet for Math Activity G.44 and distribute to each student.
2. Have students complete the questions on the work sheet and check their answers for accuracy.
3. Discuss the Math Activity with your students.

**MATH ACTIVITY G.44**  
**“VALUE-ADDED SERVICE”**  
**WORK SHEET**

**DIRECTIONS:** Royce was exploring the cost of making some value-added changes to his business. Answer the following questions.

1. Royce examined his sales figures for last month this year vs. the sales figures for the same month last year.

April 1999 \$63,721  
April 2000 \$65,006

- a. What is the difference in gross sales?

- b. If 7% of the gross sales must be paid to the state for sales taxes collected, how much sales tax must be reimbursed to the state in April 2000?

- c. How much sales tax was reimbursed to the state in April 1999?

- d. With sales tax excluded in April 1999 and April 2000, what was the percentage difference in profits in April 2000 vs. April 1999. (Round your answer to the nearest tenth.)

2. Royce decided to print some color brochures to place in Mr. Lowery's garden center. The copy center will print 500 brochures for \$395 or 1000 brochures for \$555.

- a. What is the cost for each brochure if 500 are printed?

- b. What is the cost for each brochure if 1000 are printed?

3. Royce has two employees who smoke. They have agreed to smoke outside on their breaks. One employee is paid \$14.76 per hour and the other one is paid \$13.25 per hour. What would be the value-added cost of permitting these employees to smoke outside?

4. Royce opened the floor space as a value-added suggestion. The sales floor had 86 mowers on display. He decided to move 25% of them to the back. How many mowers were moved? (Round your number up to the nearest whole number.)

5. Royce decided that he would incorporate Mr. Lowery's value-added suggestion to improve his service reputation for his customers. He implemented a policy that all minor repairs would be made in 5 days or less, or the customer would receive a 20% discount (before 7% sales tax) for each repair taking longer than 5 days. In the first month, only two repairs took longer than 5 days.

Invoice #1  
Cost of repairs \$115.16

Invoice #2  
Cost of repairs \$72.40

- a. How much is the discount on Invoice #1?

- b. What is the sales tax on Invoice #1?

- c. What is the total charge on Invoice #1?

- d. How much is the discount on Invoice #2?

- e. What is the sales tax on Invoice #2?

f. What is the total charge on Invoice #2?

g. What was the total cost to Royce for his new value-added discount service policy?



**PRE-ASSESSMENT**     **POST-ASSESSMENT**

**DIRECTIONS:**    Answer the following questions to the best of your ability.  
A listing of points as opposed to sentences is suggested.

1.    Define the term value-added.

2.    What are 5 sources of value-added?

3.    How can you become a value-added employee?

4.    What are 4 concepts central to career development?

5. List the 7 steps for developing competency.

6. List the 6 types of development activities.

## ANSWER KEY

PRE-ASSESSMENT  POST-ASSESSMENT

1. Define the term value-added.
  - Value-added is the activity of taking a basic product or service, increasing its value and reselling it for a profit
2. What are the 5 sources of value-added?
  - Economics of scale
  - Economics of scope
  - Cost advantages
  - Access to distribution channels
  - Government policy
3. How can you become a value-added employee?
  - By increasing your competencies, increasing your knowledge, skills and attitudes
4. What are 4 concepts central to career development?
  - Not just a promotion
  - Personal responsibility
  - Organizational responsibility
  - Honesty
5. List the 7 steps for developing competency.
  - Identification of the required competencies
  - Self-assessment
  - Observation and study
  - Practice
  - Feedback
  - Goal setting
  - Support and reinforcement
6. List the 6 types of development activities.

- Readings
- Courses
- Observations of outstanding performance
- Interviewing
- Practicing behavior
- Seeking feedback

**ANSWER KEY**  
**READING ACTIVITY**

**PART I**

1. Royce was an owner of
  - a.  a garden center.
  - b.  Lowery's.
  - c.  a lawn mower shop.
  
2. Mr. Lowery owned a
  - a.  a garden center.
  - b.  lawn mower shop.
  - c.  restaurant.
  
3. Mr. Lowery noticed that Royce's parking lot was
  - a.  sparse.
  - b.  full.
  - c.  empty.
  
4. One of Mr. Lowery's suggestions was to
  - a.  add additional mowers to the inventory.
  - b.  make the store less crowded.
  - c.  reduce prices.
  
5. The previous owner had a reputation for
  - a.  good service.
  - b.  poor service.
  - c.  no service.
  
6. The best restaurant in town was
  - a.  Star Canyon.
  - b.  Lowery's.
  - c.  not identified.

## PART II

- 2 Royce knew that with spring weather, people would be fixing up their lawns.
- 1 Lowery's sales were up 22%.
- 3 Royce called Mr. Lowery for lunch.
- 6 Royce really appreciated the ideas.
- 4 the place was a bit crowded.
- 5 the poor service record was known at the time the store was purchased.

**ANSWER KEY**  
**MATH ACTIVITY**

1.
  - a. \$1285.00
  - b. \$4550.42
  - c. \$4460.47
  - d. 1.25%
2.
  - a. .79¢
  - b. .55¢
3. No cost
4. 22 mowers
5.
  - a. \$23.03
  - b. \$ 6.45
  - c. \$98.58
  - d. \$14.48
  - e. \$ 4.05
  - f. \$61.97
  - g. \$37.51