**Knowledge is Power – Information Failure**

English philosopher Francis Bacon said: “Knowledge is power.” In business, consumers and producers need information to make good decisions.

**1. Information Failure**

Definition: Information failure happens when consumers or producers **don’t have all the facts** about a product.

* Sometimes, **one side knows more than the other** → asymmetric information.
* This can cause people to **buy or sell the wrong amount** of a product.

**Question:**

Can you think of a product you bought without knowing everything about it?

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### 2. Merit and Demerit Goods

**Merit goods** are good for you, but people may not buy enough e.g., healthy food, and education

**Demerit goods** are bad for you, but people may buy too much e.g., junk food, and cigarettes

**Question:**

Why do you think people sometimes eat too much junk food even if they know it’s unhealthy?

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### 3. Food Labelling

- Labels must show ingredients and levels of fat, salt and sugar, but not always the processing level

- Ultra-processed foods may contain chemicals linked to health risks e.g., cancer, diabetes, and strokes

- Therefore, consumers have less knowledge than producers

### 4. Yuka App – Enhancing Consumer Knowledge

- Yuka scans barcodes and gives a health score out of 100

- Highlights healthy ingredients and risky additives with explanations

- Helps consumers make rational decisions and may shift demand

Questions:

1. How does the Yuka app give consumers more power?

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2. Do you think that the app might become addictive? Answer this question again in a week!

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### 5. Class Activity (Download [Yuka app](https://yuka.io/en/))

Scan 3–5 products using the Yuka app and record results:

|  |  |  |
| --- | --- | --- |
| Product | Yuka Score | Notes / Surprises |
|  |  |  |
|  |  |  |
|  |  |  |

Discussion:
- Were you surprised by the scores?
- How might this influence consumer demand and producer behaviour?
- Does it illustrate the role of information in the market for food and beauty products?

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### 6. Plenary

Complete the sentence: "Knowledge is power in business because…"

**Teacher Version**

**Business Worksheet – Teacher Version**

**Knowledge is Power – Information Failure in Business (With Answers)**

**1. Information Failure**

Product example: Buying a snack without knowing it contains lots of additives.

* Explanation: Consumer may over-consume a demerit good because they underestimate risks.
* Key concept: Less information leads to consumers buying the wrong products

**2. Merit and Demerit Goods – Model Answers**

* Merit goods are under-consumed (healthy food, education)
* Demerit goods are over-consumed (junk food, cigarettes)
* Reason for over-consumption: tastes good, convenient, underestimates health risks

**3. Food Labelling – Guidance**

* Labels show ingredients and levels of fat, salt and sugar
* Do not show processing or full health risks. Therefore, a failure to provide full information (information failure)
* Consumer may think product is safe, but it contains harmful additives → asymmetric information.

**4. Yuka App – Guidance**

* Gives extra knowledge, enables better consumer choices.
* Shifts demand away from demerit goods, closer to socially optimal consumption.
* Could be addictive → potential demerit effect.
* Example: Organic Milk → 100/100 ✅; Bacon Butty → 0/100 ❌

**5. Class Activity – Teacher Notes**

* Encourage discussion about why products score poorly
* Highlight impact of information on consumer decisions
* Link discussion back to merit and demerit goods

**6. Plenary – Model Answer**

“Knowledge is power in business because it allows consumers to make informed decisions, reduces over- or under-consumption, and encourages businesses to act responsibly.”

**Extra Teacher Tips**

* Use real-world examples: snacks, drinks, cosmetics
* Reinforce market failure concepts simply
* Yuka app activity engages students practically and visually
* Bring in concepts such as branding, price elasticity of demand, profit maximisation, and ethics