

WHAT DOES THE CONSUMER WANT?

By

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January 1971

No. 23

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In America today people work fewer hours, have more security and real wealth than ever before and yet we are an unhappy people involved in much social dissent. We are frustrated over poverty, equal rights, changing social mores, campus revolt, pollution and our environment. There is a growing distrust of the business community. It is no longer fashionable to talk about our capacity to produce either as a nation or as individuals. Farmers and our business institutions are taken for granted. We are not so much concerned with the source of our wealth as we are with its appropriate disposal.

The things we worry about today were, of course, problems years ago but we were too busy, too insecure, too poor to do much about them. Perhaps we should be thankful for the affluence that has made it possible for us to move these "old problems" upward in our priorities. At the same time we should recognize that while affluence provides the means it does not necessarily provide the wisdom for instantly coping with many of our complex social problems.

Affluence has provided us with an abundance of people who are economically free to concern themselves about the affairs of others. Man hours no longer thought to be needed in the physical world of production are in major degree at the root of our social discontent.

We have been so busy growing in an industrial sense and we have enjoyed the fruits of our labor so much, that we have had little time or resources to devote to those broad social problems created by our rapidly advancing technology. Much of this advance has been in agriculture. Those of you left in agriculture today are the economic survivors of the greatest mass migration in history. Had there been no out migration from agriculture over the past 35 years our present farm population would be 65 million rather than the present 10 million. Out of this sudden displacement there are many who have neither the capacity nor yen to learn and master a new profession. Many of these are the technological dropouts who are in trouble -- who are both a burden and responsibility of our modern society -- who are a source of discontent in this time of affluence.

Of course, there are many other sources of technological misfits not the least of which are our youth, who supported by affluent parents, have not had to worry much about becoming productive citizens. Our colleges are crowded with those who have little idea of the professions they ultimately seek to follow. Many, in their bewilderment, seek immediate changes in our social structures amounting to an instant social security designed to perpetuate their dole. They are in style for they are concerned, not with the source of our wealth, but rather with its prompt disposal.

^{1/} Talk delivered before the New York State Horticultural Society at Rochester, New York on January 20, 1971.

Suddenly we are aware of a large and growing group living on the leavings of a highly productive society. Earlier societies have had their leisure classes but never before have so large a proportion of a society been free of the worries of seeking the bare essentials of life. The perplexing problem facing us is how to absorb these technological dropouts and make them productive. Perhaps only in this way can we destroy much of our national negativism and get on with the job of building a happier, more contented society. In the meantime this growing hoard of economic parasites takes on a very serious meaning in a one member-one vote democratic society. Still in the minority, their presence is largely manifested in social meddling -- in contemplation about the welfare of their fellow man. One example is a movement we vaguely call consumerism -- a term still too young for the dictionary. I should like to explore this particular movement with you for it not only impinges on your rights as a consumer but also is symbolic of the social meddling destined to spill over into agriculture.

Consumerism is a movement of activists who champion issues which appear to be beneficial to consumers. My very carefully worded statement that consumerism is a movement of activists who champion issues which appear to be beneficial to consumers is blunt and to the point. It will not make the consumerist happy for it exposes the spurious inference that there is, outside the market place, a bona fide movement of consumers who join in common cause on their own behalf. Nevertheless, in order to understand the growth, strength, and power of consumerism one must realize that it is not a movement of consumers themselves. The term implies protection of the consumer but the flood of proposals for ways and means of protecting the consumer are not traceable to those seeking protection for themselves. To the contrary the specific issues of consumerism are initiated by those, who for assorted reasons, seek to protect others from harm. It is this third party involvement in a buyer-seller relationship that gives consumerism its uniqueness. My real concern with consumerism is who indeed is to protect the consumer from these crusaders?

The motives of consumerism obviously range from selfish to unselfish, from dishonest to honest, from ignorant to the well informed. Regardless of motive the consumer activist contends that consumers should be protected from physical and economic harm, that consumers should be informed and educated in product knowledge, that consumers should have a choice in the market place, and finally that consumers should have proper legal redress for wrongs. On the surface one can scarcely argue with such virtuous aims until one realizes that under consumerism these rights are subjected to third party interpretation and in this sense may or may not be in the consumer interest. It is this third party involvement that is the key to understanding consumerism.

In a normal market relationship the buyer's right to accept or reject in the market place imparts a forceful economic meaning consistent with each individual's values. But competitive enterprise is rejected by the consumerist who identifies protection in terms of third party values. And because such values can always be made to appear rational they are condoned and often vigorously supported by the general public. As a result an endless myriad of laws, regulations, and coercions are

rapidly displacing the free decision of the individual in the market place and the right of the consumer to choose increasingly becomes a mockery.

Without doubt I reveal my personal convictions on consumerism. Most of all I resent the hypocrisy of the politics behind consumerism...the illusion that someone is doing something for me when in fact he is only doing something, at my expense, to serve his own selfish political interests. Consumer issues gain cheap and appealing headlines for politicians. Only when we realize the cost the consumer pays for his protection in terms of public administration, in terms of lost productivity, in terms of lost freedom of choice by the consumer, in terms of costly business harassment, in terms of lost opportunity for improvement in product and service will consumerism lose its illusionary appeal. It seems to me that our responsible public officials should be doing more important things than writing Federal specifications for panty hose or the size of lettering on a can of sardines.

I hear business leaders today claiming that consumerism is anti-business...antiproducer...antiagriculture. They too have fallen victims to the hypocrisy of consumerism. They are mistaken. Consumerism is aimed at the consumer. It's the consumer who suffers and it's the consumer who pays the bill. Business can adjust and endure under consumerism much better than consumers. To business, consumerism merely closes the doors to certain opportunities, redirects effort or alters the competitive advantage one business might have over another. But look what it does to the consumer who pays the cost and loses the benefits that a prohibited product or service could have provided. There can be no polarization of the consumer and business interest for, contrary to what many consumerists would have us believe, the two interests are in common not in conflict. To deny this truth is to deny the basic tenets on which a capitalistic society is built.

I reject the popular contention that the consumer is ignorant, stupid or uninformed merely because her actions are not consistent with either my beliefs or the beliefs of any professional consumerist. In my opinion consumers with dollars in their pockets are not by any stretch of the imagination weak. To the contrary they are the most merciless, meanest, toughest market disciplinarians I know. You don't have to have a skirt on to realize that you are not to dictate universal wants for the American Woman. She is smart and she will exercise her intelligence. Any businessman trying to capture the favor of the consumer knows this. He knows that the values and needs of every consumer change with each purchasing decision. Surely we need to distinguish between the proper role of government in protecting consumers from fraudulent practices and the inappropriate role of serving as intermediary between buyers and sellers in making value judgments.

In our zeal to protect the "innocent" consumer we need recognize that risk is inherent in every consumer purchase...in every consumer act and man can do nothing to alter the fact. The efforts of man to

eliminate risk in the market place contain much political appeal but are nonetheless futile because the reduction of one kind of risk must always be accompanied by a compensating increase in another kind of risk. The cost of protection is deprivation. The proper balance between these two risks is a judgment value for society to determine. We can, if we desire, achieve a high degree of auto safety by reducing speed but society rejects the sacrifice and instead with the safety belt accepts a lower safety level requiring less sacrifice. Some of the most protected members of our society are the inmates of our prisons. The distinguishing characteristic of these unfortunates is that they know the personal cost of their protection by having an acute awareness of their deprivations. But the cost of consumer protection is not so apparent. We have no way of putting a value on the sacrifice in foregone products and services that a free market could provide.

At the same time no thinking person would deny the appropriate role of government in protecting its citizens from physical harm. It didn't take either the industry or consumer long to react to the tuna fish mercury scare and considering the cost-benefit nature of risk we would not have it otherwise. At the same time thinking people must at times question the scientific validity of laboratory tests that detect malfunctions in rats with dosages that run up to 1,000 times normal intake. But this is quite a different issue than attempts to standardize via legislation and regulation the economic values of consumption for 200,000,000 Americans.

As citizens we must come to realize the awesome burden and responsibility we place on those public officials charged with protecting the consumer interest. They are not to be criticized for doing the job we have given them. How would you like to make the decision of which drugs to ban from the market knowing that the very drug that can save lives can destroy others? If you had the job you would quickly realize that the political risk of under protection is far greater than the risk of overprotection but still how far do we go? How broad a license should we give to those charged with protecting the public interest?

So far I have identified the consumerist only as a self appointed, omnipotent guardian of the consumer. Who is the consumerist? Where do his ideas come from? What gives him motive? To some degree we are all consumerists at one time or another. We all have ideas about how other people should behave or be made to behave. However, the most potent and dangerous consumerists are found in the ranks of elected public officials, career public workers, authors and writers, college professors, school teachers, preachers...people who have time on their hands to worry about others...people whose status depends on publicity and popularity...and perhaps above all those technological dropouts who have yet to find a place in society. It is interesting to observe that the consumerist sometimes has as much difficulty convincing the consumer of her need for protection as convincing some regulatory body to do something about it. This is what they call education. But in final analysis the consumerist with the real punch is the elected official who champions laws, the appointed official who establishes regulations, the meddler who needs only to demonstrate, to release a report or make a

speech to hit the headlines. No industry, no individual, no service is immune to attack for a degree of risk is involved in everything. Those of you who subscribe to the issues of consumerism will soon come to realize that your own productive efforts are vulnerable to the attack of the consumerist. I doubt that my Congressman is responsible for the eight sets of seat belts called optional, mandatory equipment, that came in my last car but I got them and I paid for them, whether or not I use them. While many Congressmen deem it expedient to play on the political opportunities of consumerism we can be thankful that most of our public representatives, perhaps much better than the general public, understand the shams of consumerism. In a very real sense these responsible representatives often protect the consumer from the consumerist.

I have heard it said that if strawberries were a manufactured product they would be restricted from the market today because so many people are allergic to them! Indeed the long arm of consumerism will soon reach back to the products of the farm as it already has in its intense concern with antibiotics, insecticides, herbicides and fertilizers. So far I have talked in broad generalities. Perhaps a specific illustration can do more to expose consumerism in its true light.

My little story has to do with unit pricing and I approach it with no misgivings. From past mail I have received I've learned the danger of commenting on any consumer issue because someone, some self-appointed consumerist, always stands ready to defend such issues. My pantry is already well stocked with tuna fish sent to me by loving friends who have heard me speak on this subject. A few years ago someone had the thought that if all products in the retail store were marked as to price in equivalent units of pounds, quarts, square feet and the like, then the consumer could better identify the best buy. There was an implied assumption that the variety of package sizes on the market were a calculated attempt to deceive the consumer...that merchants were failing to capitalize on a service wanted by consumers.

At the outset I want it perfectly understood that I see nothing wrong with unit pricing. If indeed it has merit, the competitive opportunities of the market place are a sufficient force to bring it into being. In this unique American way those who want it can bare its cost. But if we choose to legislate it we force its cost on all people for the benefit of a few who may want to use it.

Anyway the idea has fired the imagination of many people who today accept and champion it. Consumerists think the idea has merit for people on a tight budget. Some merchants claim costs of so marking products would be prohibitively expensive...the net increase in cost would be borne by the consumer. The consumerists claim that unit pricing would enable some consumers, and particularly those who need it most, to save up to ten percent on their grocery bill. This is the typical way consumerist issues arise and generate support, first among those who would like to do something for the consumer and then among consumers who innocently become effective consumerists

without really knowing it. It also reveals the typical negative reaction of the business community which serves only to add the fire of certainty to the consumerist's eyes.

Fortunately this is one idea that could be tested and one of my colleagues at Cornell, Professor Daniel Padberg, undertook to do just that. The most interesting of his conclusions is that both the costs and benefits are grossly overstated. The costs in the smallest stores ran to over 4 percent of the sales value but in large supermarkets they amounted to something like two-tenths of one percent of sales. But a check of product movement over time indicated no significant shift in purchases by the consumer. In two broad food categories the consumer actually traded up to the higher cost per unit item, in the cereal category she traded down and there was no measurable change in the others. Surveys revealed that awareness of the availability of the information was greatest among the high income, well-educated consumers. Despite these findings, the only real facts on the issue available, it is my prediction that the consumerist will continue to champion unit pricing, will continue to talk about how it will benefit the poor and eventually succeed in getting widespread regulations making unit pricing mandatory.

The issue of unit pricing did not originate from any factual base and accordingly facts are not likely to alter the decisions of those who champion its cause. It makes no difference that the theory of unit pricing is based on a false and strictly materialistic premise. It makes no difference that it gives the large merchant a competitive advantage over the small. It makes no difference that unit pricing destroys much of the competitive advantage of lower cost private labels. It makes no difference that the wealthy take greater advantage of the information than the poor. My retailer friends who have tried it tell me that, while their shoppers generally ignore unit pricing, it has given them some favorable publicity. Even if the benefits are not great it may be argued that the the costs are insignificant. At least the consumer doesn't need a computer when shopping and perhaps she gains a notch in right to be informed. But is the cost really insignificant if we add this to the hundreds of other laws and regulations that have been so forced on the consumer within the last several years? Once again I would make it abundantly clear that I neither advocate nor oppose the idea of unit pricing. I am only saying that if indeed it has merit, if truly enough people want it, the competitive pressure of the market is a much more sensible and effective way of bringing it into being. In a democratic society we can, if we desire, force its cost on the public by either legislation or regulation. But no amount of legislation or regulation can force its use on an unwilling, uninterested consumer. The same can be said of nutritive labeling, open code dating, see-through packages, credit charges and all the other economic valves the universal use of which we are attempting to legislate.

My example on unit pricing may sound trivial to you but I assure you it is not so considered by the industries involved. It's not at all unlike the truth-in-lending law. How many consumers do you think wanted this law for their own protection? How many thought it might be a good idea for someone else? How much more do you now know about interest rates and carrying charges than before the law was passed? How many

dollars has it saved the consumer? Regardless of how you choose to answer, the truth-in-lending law is now safely tucked away on the books where it can be forgotten. The few mills of marketing margin that it will permanently cost may even be worth the silencing of the consumerist on this issue. The fact that some unwanted carrying charges now have been built into the prices of products I buy for cash does not really disturb me. Just who do you think pays the cost for the destruction of meaningful credit ratings achieved by the truth-in-lending legislation? If you think its the users, guess again. Anyway I only regret that it has freed the consumerist to dream up some other regulations that might hurt me more.

What does the consumer today really want? I have not the wisdom to answer that question but judging by the consumer's actions in the market place I draw these inferences:

1. The consumer wants more services built into her food products. She has money and she wants to spend it wisely. She is in a bigger hurry than she was yesterday. She places an increasing value on her leisure time. Having satisfied her basic food needs she now turns her search to products that are easier and more convenient to prepare. This is not consistent with the contention of the consumerists who de-emphasize marketing services in their identity of good buys.
2. She wants adventure and change in the products and services she buys. Package style changes intrigue her. She likes both the colorful packages and adjectives. She even likes the stamps and games which the consumerists says she should not have for they are deceptive to her.
3. She insists that the food industry must give her meaningful and reliable brands for she is growing weary of inconsistent quality. Government grades and standards of identity will never be adequate to serve this need. Universal standards are the very antithesis of what she seeks. The consumerist disagrees...does not recognize that all people are not alike, that different people seek different values from the market place.
4. She demands greater variety and seeks out products having a sophisticated look, taste, and flavor. She seeks and gets a greater selection of price ranges, package sizes, flavors, and brands. Proliferation of product in the market place will continue to frustrate the consumerist but do nothing but delight the housewife.
5. She seeks out prestige products and services that will set her apart from her neighbor. She wants products that permit her to apply her initiative. She does not want the universal, standardized product prescribed by the consumerist.
6. She expects to be disappointed once in a while or even misled. She knows that mistakes are part of the price we pay for progress, development and improvement. In a very real sense she values and enjoys her right to make a mistake...a right the consumerist would deny her.

7. She responds more to appeals of pleasure and enjoyment and less to health and nutrition. The latter she takes for granted. The consumerist wants to turn this around.

8. She and her family eat more meals outside the home -- experiences that introduce her to and broaden and expedite her demands for speciality and unique foods. I don't know what the consumerist has to say about this but I can guess.

9. She has no fear of food analogs or substitutes. Her only requirement is that she must like them. The very meaning of the word "imitation" will gradually take on a meaning of superior quality if the consumerist continues to force such identity on the many new and improved foods found on the market.

10. She wants her neighbor to have the benefits of an increasing amount of protection from the evils of big business and in this and only this are her wants really consistent with those of the consumerist. But as for her own interests she knows that she has her own built-in protective device in her power to vote "no" in the market place. She knows this all powerful miracle of the free market...the miracle the consumerist, who attempts to legislate and regulate her economic values, refuses to recognize.

I would like to add a post script. In 1931 our good friend, Prof. Stanley Warren, was in Nanking, China, and having nothing better to do he took this clipping from the New Yorker magazine. He tells me it's the only time he ever read this scientific journal but I'm glad he brought this clipping home for it gives us opportunity to poke a little fun at our socialistic asininity. In a time of economic stress, it is entitled "Advice to Consumers." In summary it says this:

"Never buy advertised dentifrice, which is invariably (a) expensive, (b) likely to turn teeth black. It's cheaper in the long run to use sand, which may be purchased by the ton, wholesale, and stored in the basement.

"There is nothing to be gained by buying prepared breakfast foods. Get wheat, wholesale, at the nearest elevator and puff it, not in an oven which is expensive but with a couple of hot stones, which may be obtained at your neighborhood quarry.

"Aspirin in its commercial form, while effective, is ridiculously high in price. Informed purchasers will find it a real economy to buy acetylsalicylic acid direct from the nearest chemist. This also amuses the chemist.

"Investigation by the American Medical Association reveals that all canned peaches are really pears with the sharp ends cut off. Pears really cost the canners more than peaches, but the canners put them in just to be annoying. The only way to be sure of canned peaches is to raise them yourself.

"The wholesale price of flour is a penny a pound. Bread costs twelve cents a loaf. What do you think of that?"

"Three-fourths of the men's suits costing twenty dollars or less contain shoddy (a kind of wood pulp). Suits costing more than twenty dollars each are overpriced. The average family will find it a real economy to raise sheep. Investigation discloses a marked discrepancy between the price of sheep, wholesale, and the cost of clothes.

"The service has analyzed fifty-seven varieties of dill pickle. Only one of them contained dill.

"The Consumers' Research has analyzed Santa Claus. There isn't any!"