ACI

Advancing the Consumer Interest

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AMERICAN COUNCIL ON CONSUMER INTERESTS

Established in 1953, ACCI is a non-partisan, non-profit, incorporated professional organization governed by elected officers and directors.

ACCI Committees work on issues in such areas as consumer education, consumer research and international consumer affairs. Student chapters are located at various colleges.

PUBLICATIONS

The Journal of Consumer Affairs, an interdisciplinary academic journal, is published twice a year.

Advancing the Consumer Interest, focuses on the application of knowledge and analysis of current consumer issues.

The *ACCI Newsletter*, published nine times a year, offers information on the latest developments in the consumer field.

Employment Opportunities, published as an insert in the *ACCI Newsletter*, provides information on professional positions in academia, business, government, and non profit organizations.

CONFERENCES

An Annual Conference is held each spring and features keynote speakers, papers, research findings, reports of consumer articles and education programs.

Upcoming conferences are:
1991: April 3-6, Cincinnati, OH
1992: Tucson, AZ
1993: Lexington, KY

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EDITORIAL POLICY STATEMENT

Advancing the Consumer Interest is designed to appeal to professionals working in the consumer field. This includes teachers in higher and secondary education, researchers, extension specialists, consumer affairs professionals in business and government, students in consumer science, and other practitioners in consumer affairs.

Manuscripts may address significant trends in consumer affairs and education, innovative consumer education programs in the private and public sector, reasoned essays on consumer policy, and applications of consumer research, theories, models, and concepts.

Suggested content may include but not necessarily be limited to:

1. Position papers on important issues in consumer affairs and education.

2. Description and analyses of exemplary education, extension, community, and other consumer programs.

3. Research reported at a level of technical sophistication applicable to practitioners as well as researchers. The emphasis of this research should be on its implications and applications for consumer education, policy, etc. The primary question of the reported research should be, "What does this research mean for practitioners?".

4. Application of theories, models, concepts, and/or research findings to problem solutions for target audiences.

5. Articles summarizing research in a given area and expanding on its implications for the target audience.

The *Guide For Submission of Manuscripts* may be obtained from the Editorial Office.

EDITORIAL STAFF

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EDITOR'S COMMENTARY

WHICH ARE "REPUTABLE BUSINESSES" ANYHOW?

There are a few benefits of being an unpaid journal editor. One is getting to list the honor on your vita—for whatever that's worth. Another is having people who've not had manuscripts rejected, buy you a drink at the annual conference. However, the greatest benefit is being able to print almost anything you want without getting approval from someone else. Past editorial commentaries have been devoted to thanks for assistance in getting *ACI* off the ground and encouragement to submit articles. In this issue, however, I'd like to exercise the editor's prerogative and discuss a consumer matter that has been bothering me for a long time, but seems especially on my mind more of late.

Consider a consumer maxim (or nonstatement) that I hear often and that is a source of bewilderment: "You should always shop at a reputable business." It seems whenever a representative of private or government consumer protection agencies make a presentation, the summary statement is an admonition to shop at "reputable businesses". I listen to such statements and wonder, *"Does anyone ever intentionally shop at a disreputable business?"*

When was the last time you looked in the Yellow Pages for a disreputable business to make a purchase? And I bet that if you called any business and asked if they were reputable, they would answer—"Of course!" One might say that a business must have been operating long enough to establish itself as reputable before you should patronize it. But if everyone did this, how would new businesses get started? There would be a monopoly among the established "reputable" businesses.

What is meant by the term "reputable" and secondly, how do we know if a firm is reputable? Let's assume that when we apply the term "reputable" to a business, we imply it has the reputation of operating within the law, and more importantly, ethically dealing with consumers. If this definition is appropriate, then the bigger question is, how does the consumer know that a firm is operating lawfully and ethically? You might identify some disreputable firms by your own or a friend's personal experience or by reading or hearing critiques in the media, but that doesn't help you at all in identifying which are the *reputable* firms. Do we consider any firm not proven reputable to be disreputable, or any firm not known to be disreputable to be reputable?

Since consumers have neither time nor resources to thoroughly check every firm, they often shortcut the process and assume that large well-known and well-established firms are reputable. Otherwise, how else would they remain in business? The fact is, many such national firms are often involved in less-than reputable activities.

What brings on this tirade over reputable businesses? First, I read 55 student papers responding to an assignment to relate and analyze their worst consumer experiences. In most cases, students had problems with either "reputable" local establishments, a local outlet of a national franchise, or with a product of a national firm. The plurality of students identified auto sales and repairs as their major consumer problem within the large franchised national auto repair chains as the source of many of the complaints. Then a personal experience tipped the balance—the purchase of a new Whirlpool refrigerator a year ago! Just ten months after the purchase I was urgently advised that my warranty had expired and that I needed a service contract to protect myself ($42.42 per year). Now if I were risk averse and an unsophisticated consumer, I might have jumped at this offer, but being an "expert", I know that service contracts are almost universally a bad investment. I dutifully checked my original warranty and found that the most important components of my refrigerator were covered for four more years. Most people would probably classify Whirlpool as a reputable company, even though such practices are deceptive, at best, and reprehensible at worst. Like most of us, I certainly hadn't intended shopping for products sold by a disreputable company.

Unfortunately, trial and error is often the only way to weed out disreputable operators—an especially frustrating process for a consumer educator! I do, however, try to instill in my students the notion that a firm's tenure, size, name recognition, and national market does not automatically guarantee its reputability. I do this by focusing on the worst consumer problems identified by students assignments. I also include in their reading packets, newspaper and magazine clippings and FTC news releases on the misdeeds of firms such as General Motors, Chrysler, Ralston, Ward's, Sears, Hertz, etc. I also enclose copies of *Consumer Reports*' "Selling It" page where deceptive practices of many large firms are identified. I may not, from the outside, be better able than the next consumer to spot disreputable businesses, but I do help my students over the assumption that all well-known firms are reputable in all their dealings with consumers. And be forewarned, the next time I am publicly admonished to buy only from a reputable firm, I will jump up and ask, "Which are *reputable businesses* anyhow?"

. . .

A problem with the setup of any magazine is what to do with the open spaces between articles. My design consultant, Timothy Sheppard, asked me to help him solve this by inserting short quotes in these spaces. When trying to think of a source of appropriate quotes, I remembered a book that I had read several years ago that had a profound influence on my entering consumer science—Dexter Masters, *The Intelligent Buyer's Guide to Sellers: A Moral Reader in Three Parts*. Masters, a former editor of *Consumer Reports*, included in his text, numerous quotes about the marketplace from philosophers, well-known writers, sellers, advertisers, and a variety of other persons. The quotes used as fillers in this issue, and possibly in future issues, are either from Masters himself or from the persons he quotes. I hope you will enjoy them.

. . .

"Let me have no lying: it becomes none but tradesmen."

SHAKESPEARE

CHALLENGE TO ACCI MEMBERSHIP

". . . individuals seeking to understand and advance the interests of consumers through research and education, policy formation and evaluation."

These words in the ACCI membership brochure capsulize what our professional organization promises active members.

Does it deliver? Yes, according to membership surveys of 1985 and 1989[1]. Both surveys indicated satisfaction with the organization, especially its publications. Those responding (371 returns or a 38 percent response rate in 1985; 271 returns or a 33 percent response rate in 1989) were primarily university faculty with advanced degrees and a sustained membership in ACCI.

On the surface, a recommendation for maintaining the status quo appears valid. After all, the membership mix appropriately blends practitioners and researchers. The publications (i.e., *ACCI Newsletter, Journal of Consumer Affairs, Advancing the Consumer Interest, ACCI Proceedings*) are far-reaching and of exceptionally high quality for a small organization. During the 1990 ACCI conference in New Orleans, the halls were buzzing with exemplary reviews of on-target programming. Overwhelming enthusiasm for the 1990 International Conference on Research in the Consumer Interest at Snowbird, Utah, forced planners to turn away far more papers than could be presented.

Yet, in an era of increasing competition among professional organizations for membership dollars and time, a look beyond the encouraging survey numbers is appropriate. This is the purpose of the following challenges to ACCI's membership from the 1989-1990 ACCI Future Directions Committee.

CHALLENGE #1: DEMAND A LARGER, MORE DIVERSE MEMBERSHIP.

Aside from a membership aligned with either consumer research or education, ACCI is a fairly homogeneous group. Aren't more educators and researchers in economics, business, law and consumer psychology interested in consumer welfare to the same extent as consumer economists? What about adding more policy analysts, consumer advocates, and consumers affairs professionals to the "yeasty mix"[2] needed to make ACCI an optimally effective organization? The organization also needs more representation from business and government agencies as well as more racial and ethnic diversity.

CHALLENGE #2: DEBATE CRITICAL ISSUES.

To advance the interests of consumers through policy formation and evaluation, members representing academia, industry, consumers and government must understand all sides of an issue. ACCI journals provide an opportunity for this debate. The newly established Esther Peterson Consumer Policy Forum will be another means for meeting this challenge for those who attend the annual conference.

CHALLENGE #3: ESCALATE EFFORTS TO RETAIN MEMBERSHIP.

Some members have expressed an eagerness to make a contribution to the organization but feel the leadership base is small with little turnover. As a result, the ACCI Board of Directors at its March 1990 meeting voted to publish annually a list of committees and vacancies to better communicate ACCI's needs to potential volunteers. Due to the limited number of vacancies each year, members have a responsibility to avoid taking on more than one assignment each year.

All members should recruit and pay special attention to new members, including students. Encourage a colleague to participate in the annual conference. Introduce them to leaders of the organization. Suggest sources of outside funding to partially cover participation at ACCI conferences by highly qualified members with limited or no travel budgets.

CHALLENGE #4: UNDERSTAND ACCI'S MISSION RELATED TO POLITICAL ACTIVISM.

Some members have expressed a strong interest in ACCI speaking out on consumer issues (e.g., access to health insurance, food labeling, auto insurance reforms, privacy issues, cable re-regulation). A review of ACCI purposes[3] as a nonpartisan, nonprofit, incorporated professional organization indicates no mission related to political activism. Clearly, our niche is academic as compared to the advocacy role of such groups as the Consumer Federation of America, with which ACCI maintains strong ties.

Other members note a void in ACCI's support of policies advancing consumer education and research. Could ACCI take a more activist stance in supporting funding at the federal level for consumer information programs, special earmarked consumer education funds (which once did exist) and Extension services[4]? What impact could ACCI have in making the annual Consumer's Week promotion by the U.S. Office of Consumer Affairs more meaningful? Such efforts would be congruous with the purposes of ACCI.

SUMMARY

Action, not rhetoric, strengthens organizations. Just as consumers have both rights and responsibilities, the right of ACCI membership—purchased with dues dollars—carries with it responsibilities. By contributing to both the recruitment and retention of a more diverse membership, by actively debating critical issues, and by clearly understanding the organization's latitude for political intervention, membership can continue ACCI's viability and vitality.

NOTES

[1]The membership surveys have been projects of the ACCI Future Directions Committee, which is appointed by the Board to recommend future goals and activities of ACCI. A summary of the 1989 ACCI Membership Survey appeared as an insert in the April 1990 *ACCI Newsletter*. A more detailed research article is being prepared for submission to this journal.

[2]W. Keith Bryant, past president of ACCI, describes the "yeasty mix" of ACCI membership in an *Advancing the Consumer Interest* commentary (Vol. 1, No. 2, p. 28). The mix includes consumer educators, researchers, policy analysts, consumer advocates and consumer affairs professionals in both government agencies and corporations.

[3]The ACCI purposes are to promote the interests of consumers in the American economy by providing information to the consumer, producer and government on utilization of economic resources available to them; to promote better consumer education; to contribute to a better understanding of the role of the consumers, producers and governments in the American economy; to identify and clarify the consumer interests with respect to issues, policies and developments in the marketplace, and in legislative and regulatory matters; to stimulate research and fact-finding on consumer issues and consumer related public policies and consumer education; and to disseminate research findings and other information on consumer problems, consumer education, consumer economics and the economics of consumption.

[4]Lee Richardson, 1989-90 ACCI representative to the Consumer Federation of America, made this suggestion in a March 1990 report to the ACCI Board of Directors.

Prepared by Jane Schuchardt, National Program Leader, Extension Service, U.S. Department of Agriculture; Sheila Mammen, Associate Professor, University of Massachusetts; and Barbara Heinzerling, Associate Professor, University of Akron, Ohio— members of the 1989-90 ACCI Future Directions Committee. The authors wish to express appreciation for review of this commentary by Judy Allen, also a member of the Future Directions Committee; Monroe Friedman, immediate past president; Lee Richardson, ACCI Representative to the Consumer Federation of America; and Anita Metzen, ACCI Executive Director.

RUSSEL M. DIXON AWARD

Papers published in *Advancing the Consumer Interest* will be automatically considered for the Russell M. Dixon Award. The second award will be given to the author(s) of a paper published in either the first or second issues of Volume 2. The award will be announced at the 1991 annual ACCI conference in Cincinatti in April.

The Guidelines for the Russel M. Dixon Award are as follows:

1. The Russel M. Dixon Award, in the amount of $200, is established for the best applied paper published in Advancing the Consumer Interest each year.

2. An award need not be given if no paper qualifies.

3. The *ACI* Editorial Board is responsible for selecting the recipient and announcing the winner at the annual conference and in *ACI*.

The Editorial Board Members who constitute the award committee are the associate editors:

- Robert Kroll, Rock Valley College, Award Committee Chair
- Rosella Bannister, Michigan Consumer Education Center
- Mary Carsky, University of Hartford

ELDERLY CONSUMERS IN THE HEALTH CARE MARKETPLACE

Low income elderly enrollees in an Health Maintenance Organization Subsidy Project were surveyed as a case study of HMO enrollment decisions, satisfaction and understanding.

The health care marketplace is becoming increasingly diverse, offering new forms of delivery, coverage and financing. In part, these developments reflect concerns about the cost, quality and accessibility of health care for the elderly. Policymakers are particularly concerned about rising Medicare expenditures for the increasing number of those over 65 in the U.S. Elderly consumers themselves are experiencing rising health care costs, gaps in Medicare coverage and fragmented health care services (U.S. Senate, 1988). The potential for high out-of-pocket costs for the elderly induces more than 70 percent of aged Medicare enrollees to purchase supplementary private insurance to cover these costs (Christensen, Long & Rogers, 1987).

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Health maintenance organizations (HMOs) are increasingly viewed as a health care structure to potentially reduce Medicare and out-of-pocket costs for consumers while maintaining or even broadening coverage for older persons (Iglehart, 1985). A contractual responsibility is assumed in an HMO for delivery of services to an enrolled population, with fixed periodic payments independent of service use. HMOs have received increasing attention as a form of financing and delivery of health care for all age groups, and various HMO organizational models have developed. Studies have confirmed that HMO enrollees, both young and old, are attracted by and especially satisfied with comprehensive coverage, financial protection and availability of care that HMOs can offer (Harris & Associates, 1986; Luft, 1981; Ward, 1987; Ward & Bryant, 1986).

Through the 1970s, enrollment of consumers over 65 was very limited in HMOs even though enrollment of other age groups was expanding. During this period, various factors discouraged recruitment of the elderly. For example, HMOs focused on membership from places of employment, there were few financial incentives in the cost-based reimbursement system through Medicare and concerns about adverse selection existed (Polich, Iversen & Parker, 1985).

In the early 1980s, a series of federal government policy changes began to encourage enrollment of the elderly. The Health Care Financing Administration sponsored Medicare HMO demonstration projects to enroll Medicare beneficiaries, and the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 was revised to include provisions to stimulate HMO Medicare coverage. By 1985, nearly one-half of all HMOs offered coverage to Medicare enrollees, although the number of elderly in HMOs continues to be a small minority of the older population and of HMO members (Policy et al., 1985). Government reimbursements for Medicare enrollees have been considered inadequate by some HMOs and a refusal to recruit older members has occurred (Luciano, 1988). Disincentives for elderly consumers to enroll in an HMO and reasons for not being satisfied have included aspects of the patient/provider relationship (e.g., limited choice of provider, poor quality of care) and certain administrative aspects (e.g., limited travel coverage, referral processes, waiting for appointments) (AARP, 1986; Berki & Ashcraft,1980; Policy et al., 1985; Ward, 1987).

HMOs continue to be a relatively unfamiliar model of health care for most Americans. Harris and Associates (1986) found that only 41 percent of nonmembers were very or somewhat familiar with HMOs. When decisions to enroll in an HMO are based on incomplete or incorrect information about the potential economic as well as structural differences in HMOs and fee-for-service health care, expectations may not be met, and satisfaction among Medicare enrollees reduced.

Research on HMOs has primarily focused on economic or financial feasibility concerns and medical issues. Studies have included some description of enrollee characteristics and satisfaction levels, but almost exclusively on the population *under* age 65, so that much less is known about elderly consumer behavior and HMOs. As policy changes are considered, it seems appropriate to explore HMOs from the elderly consumer's perspective.

This case study contributes to an understanding of elderly HMO enrollees by assessing various aspects of enrollment decisions, satisfaction with HMOs and understanding of HMOs versus fee-for-service care. The specific research questions addressed in this study were: (1) What factors influenced low income elderly to enroll in the HMO Subsidy project?; (2) Are elderly consumers satisfied with HMOs as a health care delivery/financing option?; and (3) Do elderly consumers understand the differences in HMOs and fee-for-service care?

THE SETTING

This research involved a study of low income elderly HMO enrollees in a pilot project in the state of Wisconsin. In 1986, the Wisconsin HMO Elderly Subsidy Project was funded by the legislature to offer incentives to low income elderly consumers in selected Wisconsin counties to enroll in HMOs. The project involved negotiating with HMOs to offer coverage to Medicare beneficiaries and then focused on encouraging low income Medicare eligible people to join HMOs. The state's rationale for the pilot project was the potential of reducing the number of elderly who did not have sufficient health coverage and who become impoverished from medical expenses and therefore eligible for Medicaid (primarily a state-financed program). Specific incentives provided to low income elderly consumers to enroll in an HMO included: (1) a financial subsidy of half the monthly HMO enrollment fee or $20, whichever was less; and (2) increased education and awareness of HMOs as health care options.

The Department of Health and Human Services contracted with the Coalition of

Wisconsin Aging Groups to provide consumer education on HMOs. The Coalition provided group training sessions (nutrition sites, etc), the booklet *A Senior Citizen's Guide to HMOs in Wisconsin* one-to-one contact by phone, and for some, in-person visits by outreach workers. As a result of the educational outreach efforts and available subsidies, 613 low income elderly consumers signed up for an HMO subsidy for up to 12 months.

THE SAMPLE AND INSTRUMENTATION

The sample for this case study included all persons (613) who enrolled in the subsidy program. Four months after enrolling, each person was mailed a written questionnaire designed to gather information on standard sociodemographics, enrollment decisions, satisfaction levels and understanding of HMOs as a health care system.

Ward and Bryant's (1986) instruments from a study of Medicare enrollees in HMOs in New York state were initially used to assist in the survey development. Questions on enrollment decisions were designed to gather information about reasons for selecting HMO coverage and the influence of the subsidy in enrolling in an HMO. Respondents were asked to note their general level of satisfaction and to list specific likes or dislikes. Additional reviews of the literature and an understanding of the differences in fee-for-service and HMO health care approaches provided the basis for the 13-item HMO knowledge evaluation. Pilot testing of the evaluation occurred with 40 elderly consumers considering HMOs as a health care option.

Questionnaires were returned by 472 subsidy enrollees for a 77% response rate. This high rate increased the confidence that respondents were representative of enrollees for that time period. Results are presented based on N=472 unless both numbers and rates are presented.

RESULTS

CHARACTERISTICS OF HMO ENROLLEES. HMO enrollees responding were more likely to come from the older age groups when compared to the statewide elderly population in Wisconsin (WI Department of Health and Social Services, 1987). Eleven and one-half percent of the enrollees were 85 or older, compared to just 9.6% of the elderly population in the state; and 44.3% were 75 to 84 compared to just 31.8% of the elderly population. Those in the 65 to 74 age group made

up 44.2% of the respondents compared to 58.6% of the statewide elderly population. Approximately three fourths of the respondents were female (76%) and one-fourth (24%) male, distributions that approximate the gender distribution in the over-65 population statewide.

Eligibility requirements for participation included meeting established income limitations. Nearly all respondents (75.4%) had incomes between the federal poverty level and 140% of poverty. Twenty percent of the respondents had incomes below poverty with the remaining 4.5% above 140% of poverty and allowed to enroll due to declining incomes in 1987. The 1986 federal poverty income guidelines were used to establish income eligibility (i.e., $7,240 for a two member household and $5360 for a one member household) (WI Department of Health and Social Service, 1987). Slightly over one-third (40.1%) of the respondents did not go beyond eighth grade,

ELDERLY CONSUMER RESPONSE RATES TO HMO UNDERSTANDING EVALUATION.

Statements	Responses: Agree	Disagree	Not Sure	No Response
The choice of providers are limited	55.9	15.7	21.2	7.2
Filing of claims is eliminated in HMOs	80.3	4.9	10.2	4.6
An HMO is a good choice for those who spend winters in Florida	8.7	25.2	53.8	12.3
The more expensive the HMO, the better the benefits	14.9	40.0	38.1	7.0
Most HMOs will allow care from providers outside the HMO if a referral is made or in an emergency	77.8	1.5	17.4	3.3
As HMO member, I pay monthly premiums but do not have expensive deductions and co- payments	73.7	3.0	13.0	10.3
If I decide to leave the HMO, I may not be able to get the same insurance coverage and rates as before	54.7	4.7	34.3	6.3
HMO members should plan on seeing doctors and going to pharmacies connected with their HMO	84.1	3.4	6.6	5.9
I should carry a Medicare Supplement policy in addition to my HMO coverage	29.7	46.0	17.3	7.0
Many HMOs provide benefits which are in addition to Medicare covered services	35.7	13.4	40.6	10.3
As an HMO member, I submit Medicare claim forms and wait for reimbursement	16.9	58.9	12.5	11.7
My HMO costs will basically be the same whether I visit the doctor one or six times	82.4	1.1	9.3	7.2
HMOs allow for planned health costs due to fixed payments	43.5	5.7	42.4	8.4
	N= 472			

19.2% had some high school, 26.5% had completed high school, and 14.2% had gone beyond high school.

HMO enrollees consistently rated their own health poorer than the comparable general elderly population statewide. For example, 5.4% of the oldest enrollees (75 and older) rated their health excellent while 18.1% of the general elderly population 75 or older rate their health as excellent.

WHAT FACTORS INFLUENCE ENROLLMENT OF THE LOW INCOME ELDERLY IN AN HMO SUBSIDY PROGRAM?

Respondents were asked a series of questions to examine what factors influenced their decision to enroll in the HMO Subsidy program. When responding to a list of reasons for enrolling in an HMO, 47.6% (225) indicated the lack of paperwork, 47% (222) the additional benefits that the HMO would provide when compared to their Medicare supplement insurance, and 43.4% (205) the lack of deductibles, coinsurance or charges above Medicare. A smaller number of respondents indicated that reasons for selecting the HMO included coverage for prescriptions covered (13.2%), affiliation of their doctor with the HMO (3.9%), and the location of the HMO (3.4%).

It should be noted that almost one-third of those responding (31%) were already HMO enrollees before signing up for the subsidy. When all enrollees were asked directly about the role of the subsidy in their enrollment decision, only 8% replied that it was not important. In an additional question exploring reasons for enrolling, 63.9% indicated that the subsidy meant that they could now afford health insurance. Almost one-third (32.6%) did not have a Medicare Supplement policy. Respondents were asked in an open-ended question at the end of the questionnaire to add any comments about the subsidy program. A significant number (40.3%) stressed the need to aid those on limited incomes and the increased ability to afford Medicare Supplement coverage with the subsidy.

ARE ELDERLY CONSUMERS SATISFIED WITH HMOS AS A HEALTH CARE DELIVERY/FINANCING OPTION?

A majority of the respondents in this study were satisfied with the medical care at their HMO. When asked about their overall satisfaction with the HMO, 86.4% (368) were very satisfied, 13.4% (37) somewhat satisfied and only one respondent was not satisfied. Almost three-fourths (72.2%) agreed with the statement that the quality of care provided by HMOs equals or exceeds other health care options. When asked in an open-ended question to list specific likes about their HMO coverage, over half (54.4%) listed the lack of paperwork and the cash flow advantages of not having to file claims and be reimbursed. Additional positive aspects of the HMO included the affordability of the option given the coverage (12%) and good service (5.1%).

Respondents were also asked in an open-ended question to list their dislikes with the HMO coverage. Dislikes were not frequent, but a lack of prescription drug coverage was mentioned by 7.4%, having to change doctors when joining by 5.5%, and the referral process to other providers by 4.0%. Almost one-fourth (23.7%) noted that they had no dislikes at this time.

DO ELDERLY CONSUMERS UNDERSTAND THE DIFFERENCES BETWEEN HMOS AND FEE-FOR-SERVICE HEALTH CARE? Respondents were directly asked how well they felt they understood the benefits and coverage available to them in the HMO. A majority felt that they understood benefits and coverage fairly well 69.4% (310), and 22.6% (101) very well. The additional 8% (36) did not feel that they understood the benefits and coverage.

A 13-item evaluation was designed to more objectively determine if enrollees understood the differences in HMOs and fee-for-service types of care. Respondents were asked to respond to each statement whether they agreed, disagreed, or were not sure. As Table 1 indicates, more than two-thirds of the respondents recognized the following: (1) restriction to HMO doctors and pharmacies (84.1%), (2) cost being the same for 1 or 6 visits (82.4%), (3) elimination of filing claims (80.3%), (4) referral and emergency processes (77.8%), and (5) no deductibles or co-payments (73.7%). Non response rates are intentionally listed in Table 1 as an indication of which questions were perhaps more difficult or areas of less understanding.

Respondents had less understanding of some aspects of HMO coverage. For example, almost half of the survey respondents (47.1%) agreed with or were not sure if they should carry a Medicare Supplement policy in addition to their HMO coverage. HMO coverage plans typically provide a wide range of benefits beyond Medicare covered services but 54% disagreed or were not sure about this feature. Just over half (53.8%) were not sure about the limitations of coverage out of the area for those who travel or spend winters elsewhere.

CONCLUSIONS

ENROLLMENT DECISIONS AND SATISFACTION. Low income elderly who enrolled in the HMO Subsidy project had high expectations that enrollment would help stretch their limited resources. High levels of satisfaction suggest that those expectations are being fulfilled along with receiving quality medical care. For a majority of enrollees, limited financial resources were expanded by HMOs offering no more deductibles or coinsurance and expanded coverage and benefits. The subsidy also allowed elderly consumers without Medicare supplement to obtain needed financial protection from health risks. As in the HMO Demonstration projects, consumers in this case study appeared to be willing to trade some of the fee-for-service features, such as choice of physician, for additional financial protection offered in an HMO (Salisbury, Kuppersmith & Kodner, 1983).

In addition to helping stretch financial resources, HMO enrollees found time and energy resources being saved. Not having to manage the paperwork and coordination of benefits involved in health care protection was a major enrollment attraction and reason given for satisfaction. These results support McCall's (1986) suggestion that Medicare beneficiaries may enroll in an HMO partly to avoid the confusing Medicare procedures.

UNDERSTANDING OF HMOS. It appears that educational efforts as well as the experiences of enrollees in HMOs have increased levels of understanding about HMOs as a health care delivery and financing option. Educators involved in a variety of approaches, such as nutrition site programming, developing written materials and phone calls with those eligible, confirm that a majority of the elderly were not initially familiar with HMOs and were also very confused about Medicare coverage.

A majority of the respondents in the study, many with less than an eighth grade education, now appear to understand the most commonly misunderstood differences between HMOs and fee-for-service health care. While the results are encouraging, there is room for improvement. Respondents were more likely to be confused about how HMOs relate to the larger Medicare system than with understanding differences between HMOs and fee-for-service care. Such a lack of understanding about how HMOs relate to Medicare Supplement Policies and to Medicare coverage was also found by McCall (1986) and Titus (1982). Elderly consumers too often duplicate health care protection coverage and waste limited personal resources as a result of this lack of understanding.

IMPLICATIONS

If goals are to assist elderly consumers meet rising health care costs and reduce out-of-pocket expenses without reducing coverage, HMOs may offer an acceptable health care delivery and financing option from the consumer's perspective. Elderly consumers, just as younger ones, are attracted to HMOs by affordability, accessibility and quality of care features.

The Wisconsin HMO Subsidy project was able to offer financial incentives to low income consumers to explore HMOs as a Medicare Supplement. As a result, low income consumers who enrolled obtained Medicare Supplement protection with broad coverages and financial assistance in paying for needed health care protection. Although the subsidy pilot ended after one year, HMOs across the state had begun to actively market plans and

compete for the over 65 health care consumer market.

As previous studies had found, enrolling new people in HMOs was a difficult and costly part of the subsidy project. Other states considering such a project need to recognize that elderly people tend to be reluctant to try new health care options. Also important is recognizing that a lack of understanding of HMOs as well as Medicare and other supplemental insurance options limits the elderly's ability to make decisions. Working with and through the existing aging network in a state proved to be extremely valuable. County-based government benefit specialists, the Medigap Hotline and the Wisconsin Coalition of Aging Groups all provided valuable links to elderly consumers in this pilot project. Personal contacts made by outreach workers who could explain the complications of insurance coverage proved to be very successful in assisting the elderly in their decision making. The outreach efforts also had the benefit of uncovering those low income consumers who were paying for multiple supplemental insurance policies and those eligible for other assistance programs in the state.

The high levels of consumer satisfaction with HMOs that have been found need to be evaluated continually, given concerns about affordability and quality of care in the health care marketplace. The questionable financial stability of HMOs, increasing out-of-pocket costs and fees for consumers, and trading of quality of care for cost effectiveness are not to be ignored (Luciano, 1988; Stickney, 1985). If these concerns continue to develop what will happen to consumer satisfaction? Will the financial incentives for elderly consumer enrollment decrease?

The HMO approach to health care is being expanded beyond acute care needs to also address long term or chronic health and supportive service needs of the elderly. As a result, some elderly consumers are finding themselves attempting to understand and make enrollment decisions about this expanded version of the HMO, often referred to as a social HMO. Continuing research is needed to explore various models of HMOs, including the social HMO from an elderly consumer's perspective, especially in regard to reasons for enrollment, satisfaction with quality and implications for family financial risk protection.

Educators and policymakers need to help elderly consumers make informed choices about health care coverages that appropriately match needs and preferences and help set realistic expectations. The need to help consumers understand differences in HMOs and traditional fee-for-service health care, and how such coverage relates to the ever changing Medicare and long term care systems will be an ongoing challenge.

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ARE FINANCIAL MANAGEMENT PROGRAMS HELPING FAMILIES?

A national study examines the effectiveness of Cooperative Extension's educational effort in financial planning and management.

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The changing economy has increased the need for unbiased information in financial planning and management. The Cooperative Extension Service (CES), a publicly supported educational agency having outreach networks in all states, has responded to this need with an extensive offering of educational programs in its home economics, agriculture, and 4-H sections. As part of CES's National Accountability and Evaluation Program, a national study profiled the extent of CES's educational effort in financial planning and management (National Impact Study 1989). In addition, this study addressed the question of how effective these programs are in helping families improve their financial situations. This important question has implications for the welfare of families, design of educational efforts, and possibly for future funding of CES itself.

The 1989 national impact study was the first comprehensive evaluation of Extension Service financial planning and management programs; however, many previous studies had been done on individual programs. Prior studies are summarized in Slusher (1985); Rivera, Bennett, and Walker (1983); Kappa Systems Inc. I and II (1979); Science Management Corp. I and II (1979); and Ballute, Lawyer and Tankersley (1977).

This article reports on one part of the national impact study: focusing on home economics Extension programs on family financial management and their effectiveness in helping families. The results have implications for all consumer educators, whether working in an Extension setting or elsewhere.

STUDY DESIGN

Several family financial management Extension programs in home economics conducted in five states between 1980 and 1985 were selected for in-depth study. A key limiting factor in selecting the states and the specific programs was the availability of mailing lists of past participants in the programs. Therefore, the resulting sample cannot be considered representative of all Extension programs in family financial management; however, programs were selected to include as much diversity as possible.

While the general purpose of each program in the study was to enhance the financial well-being of families, the targeted audience, delivery method, and specific subject matter objectives varied across the programs. Some programs were directed toward low income clientele while others served clientele across the income spectrum. A variety of delivery methods was used, including group meetings, workshops, letter series, mass media, and one-on-one counseling. Program leaders were Extension professionals, trained volunteers, paraprofessionals, or specialists selected for subject matter expertise. The programs differed in emphasis within the general area of family financial management. Some focused broadly on goal setting and effective management of resources; others emphasized the effective use of credit; and the counseling programs focused on solving the participants' specific financial problems. One program focused on overall family life management with financial management as one of several dimensions addressed.

Data were collected in a one-time survey by mail questionnaire or personal interview. Past program participants self-reported on the perceived effectiveness of the program, degree and nature of their participation, and demographic characteristics of their households. Data for 756 individuals were collected in the summer of 1985. The overall response rate was 48%.[1]

SAMPLE CHARACTERISTICS

The respondents were primarily female (84%). They lived in urban (23%), suburban/small city (36%), and rural areas (41%). Their yearly household income ranged from less than $2,500 to greater than $75,000. Fifty percent had family income levels of $15,000 or less and 25% earned $30,000 or more. Educational levels ranged from college graduates (28%) to grade school or high school dropouts (25%). Respondent ages ranged from 15 to 84 years, with 26% being less than 30 years and 13% being more than 60 years old.

Many (34%) of the respondents said they participated in the Extension program because they needed help on a specific problem; however, most (51%) said they participated because the program sounded interesting and useful. A few (5%) said their participation was not of their own choice, but was required by a social service agency. Many (42%) respondents said they came to the program feeling that their finances were out of their control, often because they were experiencing health, family, or employment problems. For 72% of the respondents, this was a first involvement with an Extension program. Approximately a fourth of responding households had more than one adult participating in the program.

FINDINGS

GENERAL REACTIONS. Most respondents (68%) were very positive about the program while a few (9%) were negative. Others (23%) said the program was good, but it could not solve the basic causes of their financial problems, such as getting them a better job.

Nearly 80% of the respondents indicated a willingness to pay a fee for the program if it became necessary. The amount of fee they were willing to pay was highly correlated with family income ($r=.26$, $p<.0001$), the degree to which respondents felt their ability to manage their finances had improved ($r=.26$, $p<.0001$), the extent to which they had adopted the practices recommended in the program ($r=.25$, $p<.0001$), and the degree to which they felt their financial condition had improved as a result of the program ($r=.31$, $p<.0001$). That is, those with higher incomes were more willing to pay higher

TABLE 1. RESPONDENTS' FINANCIAL EXPERIENCES
Before and After Extension Program

	Before		After	
	Yes	No	Yes	No
Have money for needs at end of pay period	319 (45 %)	394 (55 %)	514 (75 %)	170 (25 %)
Utilities disconnected due to nonpayment	109 (15 %)	610 (85 %)	23 (3 %)	672 (97 %)
Unusual worry about money	454 (63 %)	263 (37 %)	271 (39 %)	418 (61 %)
Able to make major purchase with savings	239 (34 %)	474 (66 %)	325 (47 %)	367 (53 %)
Conflict with others about money	323 (45 %)	396 (55 %)	193 (28 %)	503 (72 %)

fees, as were those who had benefited most from the program. However, comments from respondents to unstructured questions indicated that a fee would have precluded the participation of many respondents, even though most felt that the program was worthwhile.

FINANCIAL KNOWLEDGE AND ABILITY TO MANAGE. When asked whether the Extension program had increased their ability to handle their financial situations, most respondents (79%) responded affirmatively. In fact, over a fourth said their ability level was greatly improved. This change in perceived ability level was positively correlated with the degree to which participants felt they had actively participated in the program ($r=.30$, $p<.0001$). Change in ability level was not significantly correlated with educational or income level. The Extension financial management programs were effective in improving ability level of both poorly and well educated participants.

A majority of respondents said they learned something about each of the topics covered in the various programs. The programs were most effective in teaching participants about setting goals and priorities, establishing a spending plan, keeping good records, and ways of saving money. Over 50% of respondents said they learned "much" about these topics. The programs were least effective in teaching legal credit rights and how to calculate finance charges. Even for these topics, more than 20% of the respondents said they learned much about the topic.

FINANCIAL MANAGEMENT PRACTICES. Three-fourths of the respondents said their financial management practices were better as a result of completing the program. Perceived change in financial management practices was positively correlated with the degree to which respondents felt they had participated in the program ($r=.27$, $p<.001$). Change in financial management practices was not correlated with income or educational level. However, there was a significant negative correlation with age ($r=-.14$, $p<.0002$): the older the respondent, the less change in management practices.

With respect to specific financial management practices introduced in the program, respondents indicated whether they had used a practice before the program, whether they started doing a practice after the program, or whether they still intend to use a practice. Among those who had not previously used a practice before the program, from two-thirds to one-third of respondents started the practice after the program. The programs were most effective in getting participants to keep records of money owed, read credit contracts, keep written spending plans, control the amount of income needed for paying debt, and talk with family members about financial goals. There was less success in getting participants to: discontinue using credit cards as revolving accounts, maintain an emergency fund, and deposit savings where higher returns are available. Clearly, the latter practices may be irrelevant or unrealistic for low-income families. Yet, these practices still represented a goal for most of those who had not yet been able to implement them. Most still planned to try.

FINANCIAL SITUATION. Sixty-two percent of the respondents felt their financial situation was better as a result of the program. Perception of change in overall condition was positively correlated with the degree to which respondents felt they had participated in the program ($r=.24$, $p<.0001$). It was not significantly correlated with education or income level.

There was improvement in respondents' experiences after participation in the Extension program (Table 1). For example, before the program 63% of the respondents said they had unusual money worries; this was reduced to 39% after participation in the program.

In comparing each respondent's before and after program experiences, the study found that 59% of the 394 respondents who had problems with spreading their income across their

pay periods before the program were able to eliminate this problem after attending the Extension program. Of the 109 respondents who had their utilities disconnected due to nonpayment of the bill before the program, 82% eliminated this problem. Forty percent of the 454 respondents who worried excessively about money matters before the program did not experience unusual worry after the program. Of the 474 respondents who could not make a major cash purchase before the program, 23% were able to do so after the program. Forty-one percent of the 323 respondents who experienced conflict with family members about money problems before the program reported no major conflicts after the program.[2]

Approximately half of all respondents were able to increase savings and reduce debt load after participating in the Extension program. Respondents increased their savings level, on average, by $34 per month and reduced their debt load, on average, by $56 per month. While it is unclear whether these changes merely resulted from passing time or were a result of effective credit management, it was apparent that participation in these financial management programs contributed to participants' felt need to save and control debt level. Even those with low incomes expressed the intention to save and control debt levels.

THE BOTTOM LINE—WERE FAMILIES HELPED?

The results of this study show that the home economics Extension programs on family financial management had substantial impacts on those who participated. Positive impact was found at four levels—general reaction of participants, change in knowledge and abilities, change in use of recommended practices, and improvement in financial situation. There was a positive correlation between the impacts at each of these levels. Those who improved their ability to manage were also more likely to change their practices ($r=.61$, $p<.0001$) and to see improvement in their financial situations ($r=.43$, $p<.0001$). Generally, those who participated in the programs were able to reduce their debt load and increase their savings level. But, because many respondents had very low incomes, the statistics on savings and debt level change do not adequately reflect the extent to which some respondents' financial situations were helped by the program. Respondent comments to unstructured questions indicate that some improved their situation, but they were still in dire condition. And, some improved their situation to the point where they could realize a major goal, such as buying a house or car, and as a result had increased their debt load.

The programs were most effective in helping those participants who were more actively involved in the program. Moreover, families of all income and educational levels became involved and were helped by these Extension programs. There was evidence that the programs were more effective in eliciting behavioral change in young participants; older participants evidently have well established financial practices which are more resistant to change. There was also evidence that change was more likely to occur when multiple family members participated in the program.

Overall, the programs were very effective in helping families improve their financial situations. In addition to providing information and guidance to participants, the programs were a source of psychological support, especially for those in crisis situations. Many respondents said that their participation in the program gave them courage to go on. Although not easily quantified, these testimonials are perhaps the greatest tribute to the effectiveness of these financial management programs.

IMPLICATIONS FOR THE DESIGN OF EFFECTIVE EDUCATIONAL PROGRAMS

Because the needs and situations of the American people are diverse, educational efforts that effectively meet these needs must also be diverse. The programs in this study reflected great diversity in targeted audience, delivery methods, and subject matter emphasis. It was perhaps this diversity and the appropriate fit between the needs of the targeted audience and the design of the programs that resulted in the overall positive assessment.

People of all educational and income levels can learn and change. However, it is better to reach people when they are young as it is harder to change well established habits. If habits are well established, it is advised that all relevant decision makers in living units be involved in the educational activities. Otherwise, the educational program may inform and motivate one family member, but there may be no implementation because other key decision makers remain uninformed or unconvinced of the need for change.

Some problems are more difficult than others, requiring more intense and personalized educational efforts. Low-income families with poor human capital resources have formidable financial problems. This study indicated that low-income families were best served by the one-on-one counseling programs, a more personalized delivery method. Of course, personalized educational programs are more expensive, raising the issue of efficiency. All educational efforts must resolve the tradeoff between effectiveness and efficiency in the use of available program resources. Often one has to be sacrificed for the other; however, program resources can sometimes be used more efficiently without great sacrifice of effectiveness. CES's use of trained volunteers and paraprofessionals in the delivery of personalized programs is a good example. Continued effort should be given to finding other ways of improving efficiency, but with the recognition that effectiveness is the main goal. There comes a time when program resource levels must be increased if educational efforts are to achieve their goals, especially when targeting the problems of low-income families.

Hopefully, the efficiency problem will not result in educational efforts being directed only toward less difficult problems where effectiveness is more readily "proven". Programs that help alleviate difficult financial problems should be judged using criteria which recognize the constraints on implementing financial management practices and changing one's financial situation. They should not be judged on hard, quantitative criteria alone. Perhaps the priority for public funds should be to tackle the difficult problems, those which the private sector generally avoids because there is no quantifiable gain.

Educators should realize that there are many levels of helping, with the ultimate being improvement of the human condition. Earlier levels—such as motivating, teaching skills and imparting knowledge, and facilitating behavioral change—must occur first however. Motivating may be the most important of these since self-motivation triggers higher levels of change. Educators must design program activities and teach subject matter that has personal relevance to their audience. When people see something in the educational program for themselves, they become motivated to strive for a new vision of themselves. With self-motivation, people are more likely to internalize information and develop the mental fortitude to change behavioral practices and overcome the many obstacles to desired changes.

Time is a key factor in the motivating, learning, implementing, and change process. It takes considerable time for each phase, often with reinforcement efforts necessary; thus, educators cannot see immediate improvement. Nor can educators easily measure and quantify in hard terms the long-term impacts of the educational effort since so many factors are involved.

Given the time lag and the multiple obstacles to change that are beyond the educator's control, is it fair to judge the effectiveness of educational efforts by using only hard measures of improvement? This is a very rigorous test. Therefore, it is especially impressive when programs pass this test—as the family management Extension programs did.

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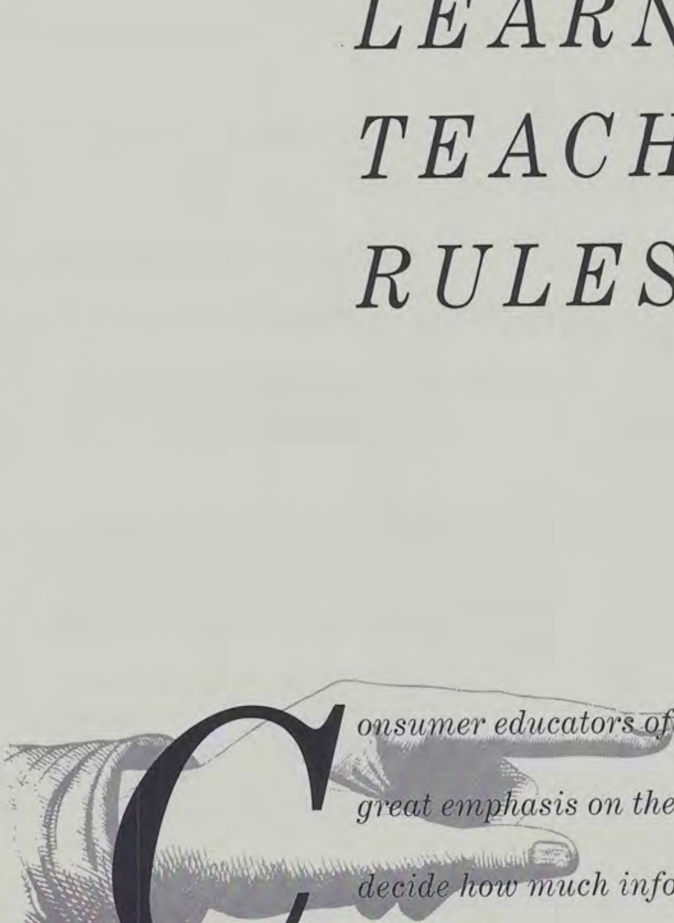
FOOTNOTES

1 For a complete description of the research methodology and specific findings, contact the author for a detailed study report.

2 All of the above changes are statistically significant at the .001 level, using the McNemar test for the significance of changes. (See Siegel, 1956.)

STUDENTS LEARN BY DOING: TEACHING ABOUT RULES OF THUMB



Consumer educators often advocate comparison shopping, usually placing great emphasis on the potential payoffs. Yet theory tells us that consumers decide how much information to acquire based not only on the projected benefits but also on the projected costs of searching for additional information (Stigler 1961; Nelson 1970). As a result, consumers often substitute general guidelines, or "rules of thumb," for researched information. For example, consumers may decide to use the rule that a larger size is usually less expensive and forego unit pricing. Or, they may decide to buy the same brand again rather than read Consumer Reports, *since the previous experience with that brand was good.*

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Indeed, a consumer's analysis of the costs and benefits may indicate a number of situations in which use of a rule is more efficient than a choice based on information. A student's consumer education is thus incomplete if it does not include some discussion of the use of rules of thumb as substitutes for information.

Therefore, the purposes of this article are to:

(1) Identify the situations in which consumers are most likely to substitute rules of thumb for additional information search;

(2) Review rules of thumb often used as substitutes for information about quality and/or price; and

(3) Identify classroom teaching activities that can be used to help college or senior-level high school students learn when substitution of rules is appropriate and how to compare the likely outcomes of use of a decision rule versus acquiring information.

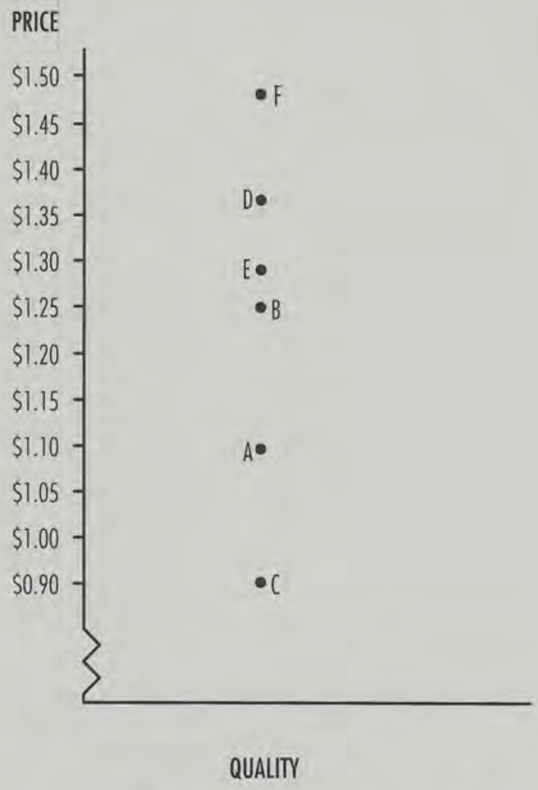

FIGURE 1. A PERFECT INFORMATION FRONTIER FOR A QUALITY CONSTANT PRODUCT

WHEN CONSUMERS USE RULES OF THUMB

"ONCE EXCELLENT, ALWAYS EXCELLENT. BUY A KNOWN BRAND." ONCE CONSUMERS HAVE FOUND A BRAND NAME THEY BELIEVE DELIVERS QUALITY, THEY CONTINUE TO SELECT THAT BRAND NAME WITH LITTLE OR NO COMPARISON BEFORE PURCHASING.

Consumers are likely to substitute rules of thumb for information search if they believe that the costs of using a rule are low and/or the benefits are high compared to the costs and benefits of searching for information. For example, if a consumer is planning to purchase an appliance about which he/she knows little, the costs of search would seem to be high. If the only sources of information that could be located seem technical and not very useful, the benefits of additional search would appear to be low. In either situation, a rule of thumb is a more efficient choice than researching additional information.

Consumers may also choose to use rules of thumb to avoid information overload (Jacoby, Speller & Berning 1974; Keller & Staelin 1987). They may learn that there is a great deal of information available but have no means of sorting or evaluating it. The consumer seeks a rule of thumb not because there is too little information, but rather to avoid the high cost of processing too much information.

The rules consumers use can generally be divided into two categories: rules that substitute for information about quality and those that substitute for information about price. Because there are many more rules about product quality than about price, the discussion will begin with quality rules.

RULES OF THUMB ABOUT PRODUCT QUALITY

Consumers may use a variety of rules as substitutes for objective information about the quality of products. Brand name, amount of advertising, product warranties, seals of approval, and price have all been identified in the literature as cues that consumers use as substitutes for objective information about a product's quality.

Four quality rules are discussed in the following section, including an explanation of the rule, research evidence that indicates how consumers use the rule and/or the validity of the rule, and learning activities for students.

BUY A KNOWN BRAND. The rule. Maynes (1976) has described this rule as, "Once excellent, always excellent. Buy a known brand." Once consumers have found a brand name they believe delivers quality, they continue to select that brand name with little or no comparison before purchasing.

The evidence. Mazursky and Jacoby (1985) found that consumers selected brand names more frequently than any other information in forming impressions about the quality of merchandise. Research by Morris (1971b) and Cude (1988) has, however, demonstrated that past performance of a brand is a poor predictor of future quality. Both researchers computed quality scores for models marketed by major firms and rated in *Consumer Reports*. In both studies, wide year-to-year variations in firms' annual quality scores were common, suggest-

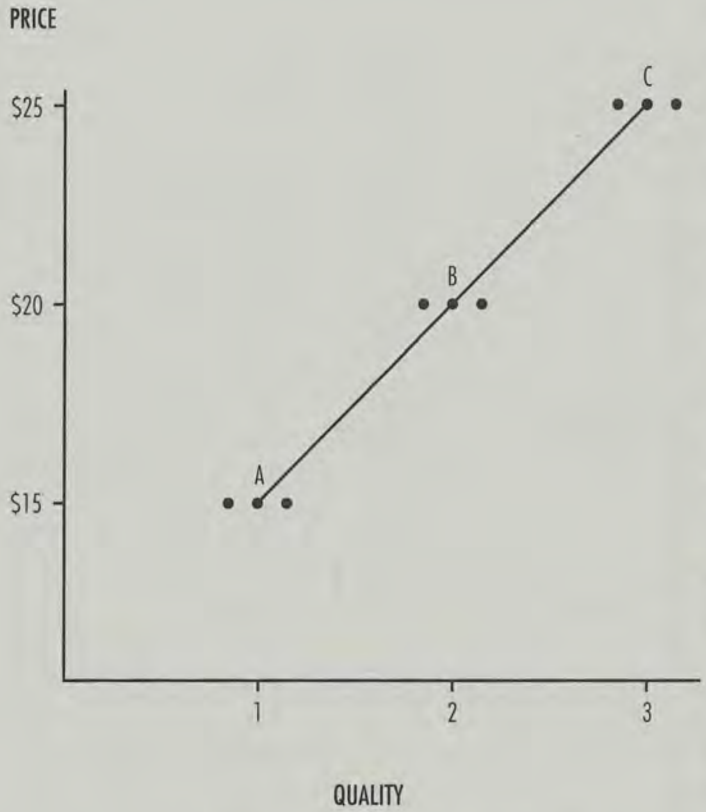

FIGURE 2. AN INFORMATIONALLY PERFECT MARKET

ing that reliance on past experience with brand names may lead consumers astray in the search for product quality.

Learning activities. Have students select one or more products that *Consumer Reports* regularly rates and three or four manufacturers. (Check the indexes of several issues of *Consumer Reports' Annual Buying Guides* to identify products that are rated repeatedly.) Ideally, products chosen are ones rated at least three or four times during the past 20 years. For the product(s) and manufacturers selected, students list and compare the rankings of each of the selected manufacturers' models and then compare the rankings of the selected manufacturers over time. Discussion should focus on why a manufacturer's quality rating might vary from one product test to another.

"SEALS OF APPROVAL" (THIRD-PARTY CERTIFICATION MARKS) INDICATE QUALITY. The rule. Consumers may look for "seals" that indicate approval as substitutes for information about product quality or certain aspects of quality such as safety. Examples include Underwriters Laboratories, *Good Housekeeping*, *Parents' Magazine*, and the American Gas Association seals of approval.

The evidence. Laric and Sarel (1981) found that most consumers believed that products with the *Good Housekeeping* seal are of better quality than products without the seal. Few understood that the "seal" is actually a limited refund or replacement policy. Similar misunderstandings among consumers about the meaning of other third-party certification marks are likely.

Learning activities. Have students brainstorm to generate a list of "seals of approval" and other third-party certification marks found on products. Assign one student to investigate the actual meaning of each seal and the types of products on which it is found. Other students participate by finding brands that actually carry each seal and comparing the *Consumer Reports'* product ratings of those brands to other brands that do not have the seal.

CONSUMERS MAY LOOK FOR "SEALS" THAT INDICATE APPROVAL AS SUBSTITUTES FOR INFORMATION ABOUT PRODUCT QUALITY OR CERTAIN ASPECTS OF QUALITY SUCH AS SAFETY.

BUY THE TOP OF THE LINE. The rule. Many appliances and other durables are marketed in product lines. The bottom of the line is usually a basic or "no frills" model. With each step up the line, more features are added and the price increases. Consumers may assume that the top-of-the-line model not only has more features but also is of higher quality.

The evidence. Morris' (1971a) research indicated that with big jumps up the product line, product quality did improve. However, consumers who purchase top-of-the-line models may pay for features they do not want or need.

Learning activities. Have students select two or three products, such as major appliances or electronic equipment, that are marketed in product lines. For each manufacturer, the students compare the *Consumer Reports'* product ratings, prices, and features of models at the top and bottom of the product line. If, for example, students chose stereo receivers, they would first list all brands included in a product test. Next, they decide where each model of those brands fits within a product line, based on the features available. Finally, they compare the quality ranking of each model with the ranking of other models in that product line. A follow-up discussion might focus on the prices and whether the additional features usually found on products nearer the top of the line warrant the higher prices.

PRICE INDICATES QUALITY. The rule. The marketing and consumer economics literature has given much attention to consumers' use of the rule that price indicates quality.

The evidence. Research has shown that consumers do believe there is a positive relationship between price and quality. Rao and Monroe (1988) suggest that novice or unfamiliar buyers may not be the only consumers to use the price-quality rule. While the novice buyer may use the rule as a substitute for information about quality, knowledgeable consumers may use it because they have information or experience that leads them to believe that, for some product classes, prices are reliable predictors of product quality.

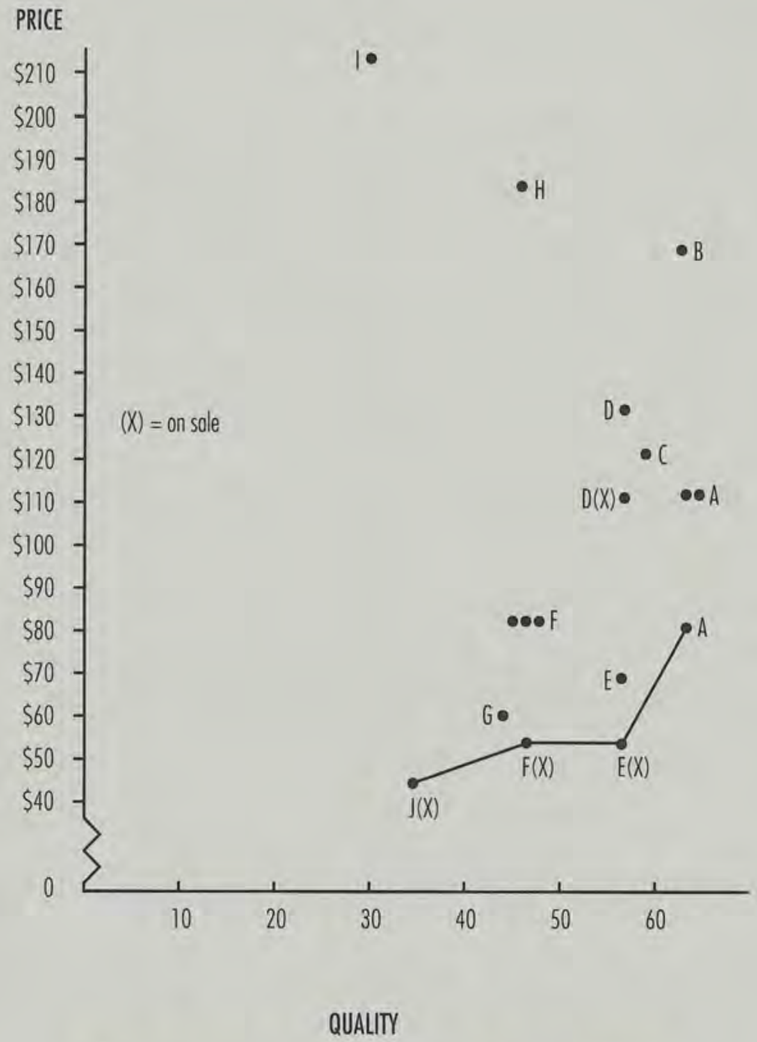

FIGURE 3. PRICE AND QUALITY IN A LOCAL MARKET: PERSONAL STEREOS

Several studies have demonstrated a poor price–quality correlation, however; some studies have even identified negative relationships—higher prices associated with lower quality. [See Geistfeld (1988) for a review of the price–quality literature.] Researchers have also been unsuccessful in identifying factors that should lead to stronger price–quality relationships. One might expect stronger price– quality relationships among frequently purchased items, since consumers should be better judges of the value of those items than of items bought rarely. However, the price–quality relationships of frequently purchased items in Gerstner's (1985) research were *weaker* than those of infrequently purchased items. Curry and Riesz (1988) suggested that price–quality relationships should be fairly weak for relatively new products but improve over time as consumers learn more about how to judge the products' value. However, in the Curry–Riesz research price-quality relationships in 65% of the cases weakened over the 20 year period studied. While it seems logical to assume that consumers may be better judges of the value of higher-priced items, research by Bodell et al. (1986) did not support that assumption.

Learning activities. Have students identify products of interest to them that are either quality constant or that have been rated recently by *Consumer Reports*. Examples of quality–constant products include flour, sugar, five–grain regular aspirin tablets, and unleaded regular gasoline. Some electronic equipment, or at least a subset of some models of electronic equipment, might also be considered quality constant. For example, in *Consumer Reports'* recent ratings of single-play CD players, the quality scores of 12 models were within eight points; *Consumer Reports* considers an eight-point difference insignificant. Eight models of stereo receivers had scores considered similar, as did 11 models of video cassette recorders.

Once the products have been chosen, students then identify all sellers of the selected products in the local community or in a subset of the community. They could then work in groups to collect price data on all available items of the selected products at the sellers identified.

One way of presenting the data visually to show the price-quality relationship is to construct a perfect information frontier. The frontier is a graphical representation of the prices at which the various quality levels of an individual product sold in a given market.

Consider Figure 1, which represents a hypothetical case of six varieties (A through F) of a product are sold in a market. A variety is a specific brand/model combination, i.e., Brand X, Model 123. In this example, all varieties are the same level of quality. Some varieties are sold by more than one seller in the market. Price is measured on the vertical axis and ranges from $.95 to $1.50.

In this example, the perfect *information frontier* is the single point C. If consumers had perfect information, they would all buy Variety C at $.95, since quality is the same for all choices and $.95 is the lowest price.

Figure 2 represents an example in which quality (measured on the horizontal axis) varies. Variety A is lowest in quality while Variety C is the highest. Each variety is sold by three sellers in the local market, indicated by the three dots next to letters A, B, and C.

Price is shown on the vertical axis. In this example, each of the three stores sells the highest quality variety (C) of the product at $25. Similarly, each of the two lower quality varieties is sold at the same lower price by each of the sellers.

The market illustrated in Figure 2 is informationally perfect since price and quality are perfectly correlated; each increase in price is accompanied by a corresponding increase in quality. Additionally, since a single price is charged by all sellers for the same quality, all prices lie on the perfect information frontier (line ABC). In this example, the perfect information frontier is the positively sloped line segment connecting the points representing the lowest price charged in a market for each level of quality. Obviously, in such a market, there are no payoffs to consumers who search, since each seller charges the same price for a given quality level. The consumer's only decision is whether a higher quality product merits the additional cost.

In an informationally imperfect market, however, price and quality are not perfectly correlated; higher prices do not necessarily indicate higher quality. Different prices are charged for products of the same quality. Figure 3 illustrates an informationally imperfect market.

Figure 3 presents prices collected for 10 varieties (A through J) of personal stereos at 7 different retailers in a local market. Quality is measured on the horizontal axis according to the quality scores assigned to each variety by *Consumer Reports* in the product tests. The perfect information frontier is line JFEA. In this example, many prices are above the frontier.

These data can be used in several ways to illustrate the payoffs for not relying on price as an indicator of quality for this product. For example:

1. Variety I, at $210, is approximately the same quality as Variety J at $45, a price difference of $165.

2. Variety H at $180 is approximately the same quality as Variety G at $60, a price difference of $120.

3. A consumer could pay $169 for Variety B or obtain the same quality by purchasing Variety A—at either $110 or $79. The consumer who finds Variety A at $79 would obtain the same quality at less than half the price of Variety B.

4. Variety F could be purchased for $80 at three retailers or at a sale price of $59 (indicated by "(X)" in Figure 3) from a fourth retailer.

Additional discussion might focus on reasons why there are prices above the perfect information frontier. For example, one explanation might be that the seller's services and some important product characteristics are not captured in the quality measures. Another explanation is consumer ignorance. [See Cude (1985) and Maynes (1976) for additional suggestions for discussion as well as guidance in product selection and construction of a perfect information frontier.]

THE MARKETING AND CONSUMER ECONOMICS LITERATURE HAS GIVEN MUCH ATTENTION TO CONSUMERS' USE OF THE RULE THAT PRICE INDICATES QUALITY.

RULES OF THUMB ABOUT PRICE

The consumer education literature [see, for example, Lee and Zelenak (1982); and Wish, Steeley, and Tritten (1978)] offers numerous rules that consumers might substitute for information about the relative price of a product. Examples include rules relating greater convenience to higher price and those advocating sales purchases. However, consumer educators have given the greatest attention to one rule—larger sizes are better buys.

LARGER SIZES ARE BETTER BUYS.

The rule. The larger size rule is generally used as a substitute for information about the unit prices of packaged goods. The consumer simply assumes that one of the larger sizes of a product will be less expensive than one of the smaller sizes and avoids the time-intensive task of comparing (and in some cases calculating) the unit prices.

The evidence. In studies by Granger and Billson (1972) and Nason and Bitta (1983), approximately 80% of consumers believed that smaller sizes were more expensive per unit than larger sizes. However, much research has demonstrated that the larger size rule is frequently invalid. Widrick (1979a, 1979b), Walker and Cude (1984), and Nason and Bitta (1983) all identified instances in which quantity surcharges existed; the price of a larger size of a brand actually was higher per unit than that of a smaller size. The researchers identified incidences of quantity surcharges of about 18%, 25%, and nearly 30%. Generally, surcharges occurred more often when numerous brand sizes were offered and non-integer package size comparisons (a 7 and a 10 ounce comparison, for example) were required. Also, personal care products had a lower incidence of surcharges than food and laundry products (Walker & Cude 1984; Widrick 1979a; Widrick 1979b).

However, Cude and Walker (1984) demonstrated that using the larger size rule even when quantity surcharges exist may not mean higher monetary costs for consumers. Quantity discounts occurred more commonly than quantity surcharges and were larger in amount. For each of the products investigated except one, consumers could expect that the total costs after repeated purchases of a larger size would be lower than if two or more smaller sizes had been chosen, even if some quantity surcharges were present. The exception was canned tuna fish; purchasing the larger size repeatedly would mean higher total costs than if two or more smaller sizes were selected. Cude and Walker concluded that when both the time savings from use of the rule and the low likelihood of a monetary loss are considered, use of the larger size rule may be a good choice.

Learning activities. Have students select packaged goods for price comparisons. Products frequently identified as having quantity surcharges in research studies include canned tuna fish, laundry detergent, and canned pork and beans. Assign each group of students to a product and/or a supermarket. Students collect information about all brands, sizes, and prices of the assigned product available in each store. Once the data are collected, students then calculate the unit price of each size for comparison to the other sizes available. Students need to define what they consider to be a "larger size" of each product. The data could also be used to discuss the difference in the amount of time needed to use the larger size rule versus unit pricing. [See Cude and Walker (1985) for additional activity suggestions.]

FINAL SUGGESTIONS FOR TEACHERS

To introduce a unit about the use of rules of thumb in decision making and to stimulate interest, several activities might be used. For example, one activity could ask students to individually or as a group list all of the rules of thumb they use in purchase decisions. The list will very likely include a wide variety of rules. Students might next discuss why they believe those rules to be valid and situations in which they are most likely to use each rule. They could also survey other students and adults about the rules of thumb they use in purchase decisions and why they believe those rules are valid.

Students may also need greater knowledge about marketplace conditions and economic factors before undertaking some of the suggested projects. Such information may help students to decide which rules may be valid substitutes for information and under what conditions. For example, knowing the factors that explain why different sizes of a brand are priced differently can help students judge when the larger size rule is likely to be appropriate. Thus, an interview with a local retailer about how pricing decisions are made could be a good introductory or supplemental activity for the unit.

Two other factors are essential for an effective educational program on decision rules. One is to avoid the assumption that because the rules are "common sense," all consumers know how to implement them. Students may need to be taught how to recognize and effectively use the rules that have demonstrated validity.

The second important factor is that time costs are a primary influence in the consumer's decision to substitute a rule for information search. If use of a rule is presented as an involved, time-consuming process, students will be less likely to apply that rule. Similarly, if consumers who use rules are universally labeled as ineffective consumers, students may be dissuaded from learning potentially useful rules.

In summary, a discussion of the use of rules of thumb must be included in any unit on comparison shopping if that unit is to reflect actual consumer practices. Rather than ignoring rules as conventional wisdom, consumer educators can teach which rules are valid and how best to apply them. Shaklee and Fischoff (1982) suggest that consumers often are not inclined to look for evidence that a rule they may use frequently is invalid. Thus, educators can and should help students to recognize the rules they use and encourage them to question whether their use of a rule is based on knowledge or is merely habit.

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EDUCATION

THE BENEFITS OF CONSUMER EDUCATION

Early in 1983 when the consumer movement was reeling from one setback after another, there was nevertheless a substantial amount of support for consumer education in this country, coming sometimes from surprising quarters. For example, President Ronald Reagan proclaimed that "consumer and economic education can contribute immeasurably to our competence as consumers and citizens. It should be started in the schools at the earliest possible time." (Knauer, 1983) Others also demonstrated their support for consumer education. In the words of an enthusiastic practitioner, "It's exciting, it's interesting, it's needed, it's relevant, and I might add that the general public has an overwhelming desire for it."(Zelenak, 1983, p. 84)

More recently during the three-hour TV special shown this year during National Consumers Week on CNBC cable, one person after another told host David Horowitz how important consumer education is to consumer survival. Some of the endorsements, undoubtedly, were made with the potential if not the actual accomplishments of consumer education in mind, but just as education is sometimes viewed as a vehicle for freeing and enlightening whole populations, so consumer education is seen as having the potential for improving the quality of people's lives

Why is consumer education so widely endorsed? What are its strengths, its benefits? One way of answering this question is to see what researchers have written about the topic. Unfortunately, the specific subject of benefits has rarely been explored, although some researchers have written on the effectiveness of consumer education.

The results of these investigations, however, have been mixed. On the one hand, Langrehr and Mason (1977), in a review of scholarship, cited research showing that students who took a consumer education course did not increase their knowledge. But a later study by Bloom and Ford (1979) reported that students who viewed a consumer education TV program showed increased knowledge levels and information-seeking behavior. And in subsequent research, Langrehr found that students who took consumer education could "significantly increase their consumer economic competency."(1979, p. 47). A factor contributing to these conflicting results may be the difficulty of finding appropriate evaluative measures. And, of course, none of the research was exclusively concerned with determining benefits.

An alternative approach to discovering the benefits of consumer education is finding out what consumer education professionals think about it. What are their ideas and impressions. To determine these opinions, an open-ended survey was devised at the Michigan Consumer Education Center. In early 1990 it was sent to a select group of consumer education leaders across the nation, persons with distinction in either academic or applied specializations. Included were authors of consumer education textbooks, administrators of government consumer affairs programs, corporate executives responsible for consumer education, and elementary and secondary teachers recognized for developing outstanding programs.

In all, 18 experts on consumer education responded. Although the sample is not large, it represents the opinions of acknowledged experts in the field. The survey consisted of essay questions that sought to identify the benefits of consumer education manifested in a variety of settings and affecting both individuals and society. Respondents were also asked to distinguish between consumer education and information, and to describe the costs as well as the benefits occasioned by consumer education. The following paper is in part a summary and consolidation of the survey responses, but, of course, responsibility for the text belongs solely to the author.

Before proceeding, a definitional issue needs to be addressed. In any discussion of consumer education, it's helpful to indicate who is doing the educating or by what means the students are becoming educated? In this paper *consumer education* refers to activities practiced not only in classrooms, but also in the community, through the media, and via government and industry information and programs.

GAINS FOR INDIVIDUALS.
One way of categorizing benefits is to ask who is benefited. First of all, individuals who learn the lessons of consumer education can look forward to a number of benefits:

1. *Consumer education encourages critical thinking that helps the consumer function more efficiently in the marketplace.* It teaches a person to question time-honored precepts such as "getting what you pay for," which consumer research has proven wrong (Riesz, 1979). The problem-solving skills required to see through advertising, hearsay and clever brand names lead to a healthy skepticism and an understanding of the difference between appearance and reality. Thus, the choices an educated consumer makes will be preceded by questioning, analysis and a search for alternatives.

2. *Consumer education provides consumer life skills that contribute to success in everyday living.* One of the competencies learned is the careful use of scarce resources with a focus on informed rather than haphazard purchasing. Consumers who start the buying process by distinguishing between needs and wants, and who proceed to

take advantage of shopping tips, product and service evaluations, and other relevant consumer information will save money. Research by Cude (1987) shows that informed buying decisions can bring about dramatic gains for consumers, especially with low-cost, repetitive purchases.

Another life skill is the proficiency with which financial resources are managed. Concerns such as budgeting, saving, investing and credit are important to all consumers, but especially to young persons who are the most inexperienced buyers. Twenty years ago, Robert Herrmann (1970), describing consumer behavior in young adults aged 18 to 24, noted that they were ill-prepared to assume adult money management roles, not well informed about consumer credit, and badly in need of guidance in managing their finances. Would anyone argue that today's youth don't have similar needs? For example, when education officials in North Carolina saw a rise in high school dropout rates, they traced it to former students working full time to pay for their first car. The need for usable information—in this case, a lesson on the cost of installment credit for autos—could be met by training in consumer life skills that are practical, relevant and have a short-term payoff.

3. *Consumer education leads to self-confidence and independence.* Knowing how to cope with a complex, technical marketplace gives consumers the feeling that they're in control. Moreover, when consumers believe that their financial resources are being well-managed through their own efforts, they feel more competent to participate fully in the marketplace. This is especially valuable to young people learning to become buyers. Likewise, an awareness of consumer rights and a familiarity with basic consumer laws can instill confidence in a buyer who is attempting to obtain redress. Consumer education is a tool for empowerment.

4. *Consumer education fosters solid values.* Although some may think that consumer education is just a matter of teaching students how to get the most for their money, reality is quite different. For one thing, the scope of consumer education has broadened well beyond the concerns of buymanship to include instruction in consumer rights and responsibilities, participation in the economic and political systems, and the costs and benefits of consumer decisions.

Then too, one of consumer education's principal admonitions is that because resources are finite, wisdom dictates their careful use. Furthermore, consider the values implicit in the following consumer education topics: Distinguishing between needs and wants (self-awareness), paying one's bills (responsibility), saving one's money (frugality), choosing best buys (prudence), budgeting one's money (purposefulness), etc. Although the list of values emphasized by consumer education would not include every virtue, those it does endorse are commendable.

5. *Consumer education improves the quality of life.* Although the time given over to one's role as a consumer does not account for all of life, it's a major part of it. Energy and thought as well as money are expended in exercising that function. Thus, when consumer education students are taught to make decisions that save money or other financial resources, they are improving their lot. This becomes apparent when viewed over time. Beyond that, however, are considerations of health and safety. Being an informed buyer of food means understanding not only prices but nutrition and health. Being an informed auto buyer means considering not only sticker prices but safety features. The degree to which educated consumers choose safe and healthful products rather than dubious ones will also measure advancements in the quality of life.

BENEFITS TO SOCIETY.

One interpretation of the societal benefits resulting from consumer education depends on the perception that as more and more individual consumers experience such benefits, society will also gain from their collective improvement. An alternative view holds that individuals may not be able to perceive the small cumulative benefits derived from increased knowledge. However, these benefits are important from a societal perspective. If consumer marketing performance is improved, gross national satisfaction will be improved and the negative economic effects of inefficient and uneducated consumption will decrease[1].

Since both views acknowledge societal gains from consumer education, it's appropriate to list the benefits that accrue to society from a nation of knowledgeable consumers who have the skills and information to use the market to their collective advantage.

For one thing, consumer education contributes to more active, better informed citizens who are able to make their voices heard in public policy debates. A large body of skilled, well-informed, empowered consumer-citizens, similar to the public citizen conceived of by Ralph Nader, could urge greater recognition of the consumer point of view from government at all levels. In short, widespread consumer education may be a tonic for the kind of public apathy that often results in victimization.

Another effect of consumer education on society can be seen when there is unequal distribution of goods and services in the economy. The disadvantaged segments of society will feel frustration in their consumer role. The perception that the system has repeatedly taken advantage of them causes smoldering resentment that can turn to social alienation. When entire segments of the population are affected, societal tension increases. Insofar as consumer education is a preventive measure that does not merely postpone social turmoil, but changes conditions so there is a more equal balance between producers and consumers, it minimizes social ferment. If students of consumer education can be taught to make the marketplace work in their favor, social disturbances ranging from family instability to bankruptcy can be mitigated.

Along this line, there is evidence showing that consumer education programs have the "potential for increasing society's satisfaction with the present economic system." (Langrehr, 1979, p. 50) In a study comparing the attitudes of high school students toward business, those who took consumer education developed more favorable attitudes than did students who completed a course in principles of economics. Insofar as consumer education helps people use the marketplace to satisfy their needs, the study concluded, their satisfaction will carry over to their feelings about the economic system.

BENEFITS TO BUSINESS. For many years corporations have recognized the advantages of dealing with well-informed customers. The slogan "An educated consumer is our best customer" has been around for a long time. More recently, business itself has taken steps to educate consumers. Corporate participation in a wide spectrum of consumer education projects is probably at an all-time high. For example, Avon Corporation and Household International continue to support the publication of high quality consumer information that meets SOCAP guidelines for objectivity. Likewise, the establishment of a one million dollar Credit Education Fund underwritten by AT&T and managed by the National Coalition For Consumer Education is a notable commitment.

In considering the benefits to business from consumer education, two perspectives must be taken into account—benefits that come from dealing with an educated consumer and benefits that occur when a corporation uses its resources to initiate an aggressive consumer education program.

Regarding the first, retail establishments welcome an informed consumer in the expectation that such a buyer will become a satisfied customer. To business, the advantages of customer satisfaction are manifold. For one thing, satisfied customers tell their friends and acquaintances; this word-of-mouth publicity has great value for the corporation, but costs nothing. Then too, satisfied customers have more confidence in the manufacturer and seller, thereby increasing customer loyalty. They become repeat customers. Finally, consumers who make good use of product evaluations before they buy will have more realistic expectations of the product. It's likely that they'll be satisfied with their choice. Fewer consumer problems or complaints arise when customers are satisfied, and the company liability is lessened along with its obligation to provide service.

A second type of benefit is possible when a company spends money to initiate consumer education programs. Typically, the hard question that top management asks is whether sponsorship of educational materials and projects will make a contribution to corporate profitability.

Although research in this area is slight, the experience of the Coca-Cola company suggests a positive answer. In the early 1980s, the corporation developed a booklet called "How To Talk To A Company and Get Action," which it launched with a massive publicity campaign. The response was surprising; well over 120,000 copies were requested by consumers. The key question, however, was whether the booklet's popularity could increase sales figures. A study was commissioned from TARP (Technical Assistance Research Programs Inc.) which found that 15% of the booklet's recipients said they intended to increase their purchases of Coca-Cola products, a significant jump from a marketing standpoint. The corporation considered the consumer education expenditures justified by the result. According to a Coke official, "Consumer education is not just a corporate nicety but an inexpensive and effective way to build customer brand loyalty." (Nunley, 1984, p. 22)

Since the capacity to affect the corporate bottom line is so vital, this advantage should be noted. In the past, corporate consumer affairs directors, when asked to justify their activities, had to fall back on the truism that consumer education improves the company's image. Now they cite the Coke study. Further research, however, is much needed, for as TARP's John Goodman observes, "The cost to the company of uneducated customers has not been established." (1984, p. 20)

FINAL CONSIDERATIONS. Although the framework by which consumer education benefits are classified according to their effect on individuals, society or business may be useful in bringing order to an elusive topic, it misses some considerations that don't fit into the pattern.

A case in point is the skill of improved information processing that helps consumers evaluate the volumes of information facing them. In a time when consumer information is more technical and more demanding as well as more prevalent and more necessary for wise decision making, consumers need to know how to make evaluative distinctions between the significant and the irrelevant. Without this assistance, individuals can easily be overwhelmed by too much consumer information and react to their peril by disregarding all of it or by developing information anxiety, defined by R. S. Wurman as the gap between what we understand and what we think we should understand. Improved information processing, a goal of consumer education, can keep information from getting the upper hand.

Finally, if all the consumer education benefits considered in this paper prevailed absolutely, creating a society where rational consumption dominated and relevant consumer information lay at hand, there would still be one advantage that has not yet been touched upon—the pleasure people take in becoming educated consumers. When consumer education helps people ferret out a bargain, avoid a costly misstep, or select an expensive product that's cheaper in the long run; when people stand up for their consumer rights because they know those rights; when consumers benefit from managing their money or planning for their future, they experience a definite exhilaration similar to the delight felt by game players who pull off a good move. Part of this may be explained by the satisfaction consumers feel in controlling their own economic destiny, in knowing how to make the system work to their advantage. But from whatever cause, the fun of being an educated consumer, though undocumented by research, must be included among of the benefits of consumer education.

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FOOTNOTES

[1] Langrehr and Mason (1977), p. 72. This is a summary of an argument made by Uhl, J. N. (1970). The purdue consumer education study: Some findings and implications. *The Journal of Consumer Affairs, 4*(2), 124-134.

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EDUCATION

CONSUMER JUDGING CONTESTS TEACH DECISION MAKING

Today's children and teenagers have more money to spend, more financial responsibilities and more influence on family purchases than did children in the past (Stipp, 1988). Approximately half of all teenage girls purchase groceries weekly for their families (Graham, 1988). In addition, children directly influence the spending behavior of their parents (McNeal, 1987). Teenagers have a tremendous amount of influence on family purchases such as breakfast cereals, VCRs, TVs, computers, boats and houses (Graham, 1988; Turner, 1988).

Childhood is a time when much consumer learning takes place (Moschis, Prahasto, & Mitchell, 1985; Berey & Pollay, 1968). Attention should be given to educating youth to be more effective consumers, since experiences during childhood influence adult consumer behavior.

Marketers realize the increased purchasing power of youth, and target many advertisements to this market segment (Turner, 1988). However, children may not have the knowledge or experience to distinguish informative advertisements from misleading ones. Children and teens may also be influenced by certain appeals used by advertisers. Youth typically do not engage in comparison shopping and tend to buy brand name items (McNeal, 1987). A challenge exists for parents, teachers and other educators to increase the knowledge, skills and abilities of young consumers. To meet this specific challenge, the Georgia Cooperative Extension Service conducts a yearly consumer education competition called "Consumer Judging" that focuses on decision-making skills.

CONSUMER JUDGING CONTEST

Using hypothetical situations, Consumer Judging teaches 4-H'ers how to evaluate goods and services to meet the needs and wants of different consumers. The project has four specific objectives to help teenagers (1) make knowledgeable, rational decisions when purchasing goods and services; (2) select, use, maintain and dispose of goods and services in ways that maximize their resources; (3) obtain goods and services to meet needs and reflect lifestyles, personal values and goals, and; (4) act as responsible consumer-citizens with an understanding of the rights and responsibilities of consumers, businesses and government (Blackburn & Hall, 1988).

County Extension agents train all 4-H'ers interested in the Consumer Judging contest. Consumer education lessons and a training packet are prepared by Extension specialists. Lessons focus on how to become a rational consumer, analyze advertisements, make informed purchasing decisions and resolve consumer complaints. Specifically, the lessons help 4-H'ers become aware of factors that affect consumer decisions such as tastes, preferences and characteristics of a product or service. Students learn to make informed purchase decisions based on individual needs and preferences. Students also learn to recognize various types of advertising and ways advertisements influence consumer behavior. They learn how to resolve consumer problems by writing effective complaint letters and by complaining in person. Training packets contain subject matter information on products to be judged.

Area contests are conducted by state specialists of the Georgia Cooperative Extension Service. County agents, program assistants and volunteers from the Society of Consumer Affairs Professionals (SOCAP) provide assistance by supervising various aspects of the contest. The contest is funded by donations from local businesses and professional consumer organizations. Money is used to purchase items to be judged and prizes for the winners. Several contests are conducted in shopping malls and are highly visible to the public. The contest also is publicized by newspapers and radio stations throughout the state.

County teams compete against one another within the same geographical area. Each county can have 10 junior and 10 senior team members participate in an area contest with each winning member receiving a certificate and prize. The top two senior teams in each area compete in the State 4-H Consumer Judging contest. Prizes are awarded to each member of the state winning team.

Area contest participants judge five different classes of items with each class containing four different brands or styles of the same good or service. Examples of items students judge include food items (cereal, pizza, salad bars, etc.), financial services, small appliances, insurance, sports equipment, health services, travel services, cameras and videotapes. Within each class, participants must select the best product or service, given a particular situation. Items and situations vary from year to year. The situation describes a consumer's needs and wants along with other factors that may affect the choice, such as available resources (time and money), length of use and features desired. Situations require participants to weigh many characteristics of the products or services. The following is an example of a hypothetical situation used in the contest.

SITUATION. Yvette is a recent college graduate and has been hired to be an Extension agent. She will travel at night to do programs and wants to avoid carrying cash, so she decides to get a credit card. She also feels that using a credit card to make purchases will help her keep track of her spending. She will pay the balance in full each month. Which credit card should Yvette choose?

Contest participants are given four credit card choices. Each choice provides information on the credit limit, annual percentage rate (APR), grace period, annual fee, and other fees and discounts. Given a situation, the 4-H'ers examine and compare each of the choices and decide which is the first choice for that consumer. They then rank the other items second, third and fourth based on how well they meet the consumer's needs and wants. The 4-H'ers follow this procedure for each of the five classes. They are given a total of six minutes to judge each class.

After judging all the classes, 4-H'ers are given 10 minutes to prepare oral presentations telling why they ranked the items the way they did. Giving reasons requires participants to explain why one item is better than the other for the consumer in the situation. Reasons should be accurate, clear, concise and presented in an organized manner. Senior 4-H'ers give reasons for two classes of products and junior 4-H'ers give reasons for one. Each participant has a two-minute time limit to present reasons for each class.

The Consumer Judging contest is one of many judging contests the Georgia Cooperative Extension Service implements with 4-H'ers annually. Approximately 1,000 students participated in consumer judging contests in 1989, exceeding all other judging contests last year. Evaluations of the contest demonstrate that participants feel the contest is educational and worthwhile. It is evident, from the high contest scores, that contestants learned to make wise consumer decisions. Comments of participants and Extension agents indicate that many of the youth involved have become more efficient consumers. The following quotes by participants demonstrate that the contest has made a difference.

"Consumer judging has helped me to look out for bargains and to cut down on spending."

"Before I just looked at the style and bought it. But now I look at how much I'll get out of it."

"Now I check things out before I buy them. I read about it and look at it more carefully."

Even County Agents learn from the contest as evidence by the following quote:

"My biggest eye-opener was the savings accounts category. I had always gone where my family banked. As an adult, I had never shopped for savings accounts."

This contest is unique to Georgia, but 11 other states (Kentucky,Florida, Virginia Idaho, Alabama, Kansas, Ohio, New Mexico, Wyoming, Pennsylvania, Texas) have similar contests.

Training packets, lesson plans and additional information can be obtained by writing the authors:

Cooperative Extension Service, Hoke Smith Annex, University of Georgia Athens, Georgia 30602.

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McNeal, J. U. (1987). *Children as consumers: Insights and implications.* Lexington, MA: D. C. Heath and Company.

Moschis, G. P., Prahasto, A. E., & Mitchell, L. G. (1985). Family communication influences on development of consumer behavior: Some additional findings. *Advances in Consumer Research, 13*, 365-369.

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SOFTWARE REVIEW

FINANCIAL PLANNING SOFTWARE

Many consumers are interested in receiving expert advice on financial planning issues and help in translating financial advice into appropriate financial practices. Consumers who own personal computers have access to varied financial management computer programs available for both MacIntosh and IBM pc and compatible users. These programs are designed to help individuals make budgeting and investing decisions, with some programs focusing on specific objectives and others taking an integrated approach to multiple financial decisions[1].

Software packages, even though overlapping in certain respects, typically fit in one of five major categories: (a) financial planning and record keeping, (b) tax planning and tax preparation, (c) investment analysis, (d) integrated programs, and (e) data bases. Readers interested in an overview of software would find the article by Jordan Goodman and June Brevdy (Money, Nov. 1984, pp. 230-246) very useful. The article reviewed 25 top personal finance programs on the market, and even though the data is six years old, it provides a comprehensive review that includes complete information about purchasing programs and release updates.

This review focuses on the new, comprehensive and multipurpose financial planning software *Wealth Builder*, introduced by *Money* magazine in collaboration with Reality Technologies Inc. of Philadelphia. Wealth Builder is software that asks users who they are, how much they have, and what they want. Then it plans a personal financial strategy and recommends specific mutual funds, stocks and bonds for purchase. The program includes more than 600 pages of hypertext tutorials as well. A brief review appeared *Money* June 1989 issue, p. 4.

This powerful analytical tool is, a complete financial planning system that enables users to take snapshot of their investment portfolio and net worth, review how their portfolio has grown, and look into future to see if their goals are within reach. Wealth Builder takes into account the investor's personal financial profile, objectives and tolerance for risk, and automatically searches the best investment product available to fulfill the objectives.

Wealth Builder can transfer data from two other top financial programs, Andrew Tobias' Managing Your Money, and Intuit's Quicken. It runs on the IBM-PC/XT/AT and PS/2 lines and needs DOS 2.0 or higher, at least 512 K RAM and a hard disk. An Apple MacIntosh version requires a minimum of 512 K RAM and a hard disk, and is available as of Sept 1990. A preview disk ($9.95) or full program ($249.95) can be ordered by calling 800-346-2024.

The program is easy to use and does not require a deep understanding of finance or computers. Wealth Builder is designed to meet various financial planning needs associated with building wealth: retirement, second home purchase, child's education fund, insurance needs evaluation and analyzing liabilities to lower expenses and improve savings. The program has specific modules in each of these areas into which the user enters personal data for analysis.

Once the user's objectives are clearly defined and assets and liabilities analyzed, the program allows them to activate the asset allocation modules and produce a graph of the new mix of portfolio assets that exactly match the desired risk and return. The asset allocation module uses up to 60 years of historical performance data on foreign stocks, bonds, commodities, inflation, interest rates and economic growth to help design a personalized and diversified investment approach. Information on mutual funds includes quarterly, one year, five year, and 10 year performance, funds investment philosophy and sales charges. The program employs "what if" analysis to allow the users to change any information, allowing them to see the immediate impact of variable factors on the financial situation.

The investor's financial strategy is fine-tuned through Wealth Builder's performance graphs that compare the investor's plan to other approaches and historical indices, such as the S&P 500 and Dow Jones Industrial Average. One can also subscribe to Wealth Builder's update service, a quarterly disk that contains the most current mutual fund and economic performance data. It enables the investor to monitor the performance of various asset categories and measure the investor's portfolio performance against them.

Wealth Builder has all the desired characteristics of a good teaching tool. It is comprehensive and sophisticated and yet easy to use. Educators involved in teaching college courses and developing Extension programs in financial planning areas will find this program very appropriate for many of their needs. Students also can use the program to apply the financial planning concepts to their own household finances and to develop financial strategies appropriate for their personal situation. Extension educators can use the program to demonstrate various financial planning strategies suitable for clients with differing needs and resources. The program also is effective in demonstrating how changes in the economic environment requires changes in asset allocation for specific goals.

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BOOK REVIEW

CONSUMERS MAKE ECONOMIC DECISIONS

Joseph G. Bonnice and Rosella Bannister (1990). *Consumers Make Economic Decisions.* (2nd edition). South-Western Publishing Co.

This junior-high school textbook covers a wide spectrum of topics in its three sections. Section 1, Living In Today's World, gives a broad overview through chapters on consumer decision making, the economic system and factors affecting quality of life. Section 2, Managing Your Money, covers employment, budgeting, banking services, credit, investments, insurance and taxes. Section 3, Making Consumer Choices, includes chapters on comparison shopping, food, clothing, transportation and housing decisions. Section 4, taking action, emphasizes consumer rights and responsibilities.

The book is attractive with many color photos and abundant white space. Important terms in the text are highlighted in blue. Discussion questions appear in the margins throughout the chapters. Each of the four sections begins with a list of statements designed to challenge students' attitudes about the topics discussed in that section. Each chapter ends with a consumer vocabulary exercise matching terms and definitions, questions about the reading and suggested consumer activities. The activities are diverse, such as list-making, reading the newspaper for specific information and interviewing a parent or another adult.

Chapters in the first two sections emphasize vocabulary and are not especially oriented to a teen audience. With the exception of Chapters 3 and 12, the content in Sections 1 and 2 is at best uneven. Chapter 3, Consumers and the Quality of Life, is well-written and a nice addition to the book. The chapter discusses social and economic trends such as two-earner households and the aging population as well as trends in American lifestyles and the impact of technology on consumers. Chapter 12, Taxes, provides a good overview and does an excellent job of linking services received to taxes paid.

The emphasis in the other chapters often seems oddly misplaced. Chapter 4, Obtaining Income, discusses only market conditions that affect income with no mention of the impact of employee characteristics. Nearly one-quarter of the chapter is a list of types of retirement income. Chapter 6, Financial Services, gives scant attention to service charges and does not mention credit unions or savings and loan associations. Chapter 7, Credit, is a value-free discussion but never mentions annual percentage rate (APR). Chapter 10, Auto and Property Insurance, includes only a few sentences about why young people pay higher auto insurance rates, but explains in detail the need to insure property at 80% of replacement value.

In contrast to the first sections, chapters 13 to 23 in Section 3 are broader in scope, more oriented to teens, and introduce issues or use a questioning approach rather than emphasizing definitions. For example, Chapter 15, Food, discusses caloric content and junk foods, mentions anorexia nervosa and bulima, and introduces the issue of world hunger. In addition, it provides practical advise about comparison shopping and the desire for convenience as an influence on food habits.

Chapter 19, Housing, includes a section on setting up a home study center. Chapter 18, Leisure-Time Activities, encourages students to critically evaluate their use of both time and money for leisure activities. The concluding chapters on consumer assertiveness, rights and responsibilities, consumer protection, and the consumer movement are generally well written and give students a good overview of these issues.

The student activity guide and the teacher's manual provide important supplementary materials. For each chapter, the student activity guide includes a set of attitude statements, 10 true/false questions, and a vocabulary exercise requiring students to write sentences using the identified words and activities. Many of the activities are similar to the ones suggested in the textbook, while most sections also include activities requiring application of knowledge. The teacher's manual includes suggested audio visuals for each chapter as well as teaching suggestions, answers to questions in the text and student activity guide, and transparency masters.

The book is comprehensive and would be useful with a youth audience. Some of the information may need to be supplemented with discussion that makes it more interesting and relevant, however.

BRENDA CUDE
Associate Professor and Extension Specialist, University of Illinois

. . .

The intelligent buyer must always be at pains to distinguish the seller who wholly invents a value from the seller who only inflates it.

DEXTER MASTERS
The Intelligent Buyer's Guide to Sellers

BOOK REVIEW

THE BUSINESS OF BUSINESS

Horowitz, David and Dana Schilling, *The Business of Business: How 100 Businesses Really Work*, New York: Harper and Row, Publishers, 1989, 450 pgs., $10.95.

This book offers a synopsis of business operations and practices of 100 general types of businesses that provide products and services to consumers. A diversity of businesses are covered, such as department stores, banks, credit card issuers, real estate brokers, liquor stores, bars, furriers, hardware stores, auto repair services, hotels, cable T.V., movie theaters, sports teams, health care services, lawyers a nd financial services (and 84 general categories—obviously a fairly exhaustive listing). Each of the businesses is covered in three to four pages synopsis with some longer and others shorter. The book's premise is that knowing something about how these consumer-oriented businesses actually do business will help consumers shop better and make better choices. The book helps us know how the system works, why businesses operate as they do, what typical business practices are, how prices are set, and what special problems confront some businesses (e.g., the problem with savings and loans).

The book presents a variety of interesting statistics on each business area, such as how many businesses or establishments operate in the United States, how many people are employed, and the business's income and profits. Most statistics are from the early to mid-1980s and are dated, yet they still give us a perspective on the size and breadth of each area. The book also includes "Retail Raps"—short, elementary interpretations of what we should know about how to start a business, how to do elementary financial analysis of a business, and different types of retail stores and their marketing strategies. These also include easy explanations of some common financial concepts like profitability (earnings per share, price-earnings ratios, return on investment) and store inventory (stock turnovers, markups and markdowns).

The book also offers "Consumer Tips", familiar advice on varied subjects ranging from secret warranties of auto manufacturers and dealing with real estate agents to the "grin test" for carpet quality and the expected payoffs on slot machines in Nevada (not very good). Even considering these occasional tips, it should be emphasized that this is not a "consumer advice" book or a "buymanship" guide. Nevertheless, my perspective is that this book does help us become more aware of our buying and the occasional tips can be helpful to the less experienced consumer.

A typical review of a business gives a short history of how the business used to function (perhaps a decade or more ago), followed by some current business practices and other comments on how this business operates in the late 1980s. These are generally interesting, key facets of the businesses. People who are very knowledgeable on a wide range of businesses will find much familiar material, yet nearly everyone will learn something, and sometimes a lot. At the very least you will be entertained by the familiar Horowitz-wit and lampoons of certain business practices (e.g., on investment banking: "When one investment banker describes another as 'lacking in total greed,' that is a deadly insult;" page 34). The major limitation is that the necessarily brief discussions of each business may leave you wanting more depth. Unfortunately, there are no recommendations for further reading, although a list of trade associations and trade journals at the end of the book provides a starting place to seek more information.

What is the audience for this book? This is a trade book, written for general audiences. It could be of interest to some college student audiences (including faculty), but appears equally relevant to high school users. It could be useful for supplemental reading in high school or introductory college courses in consumer education, marketing education, business education, economics education and home economics education. Practitioners including consumer affairs professionals in business and extension professionals would find this interesting and useful reading as well. Thus, the audience for this book is broad, as was the intent of the authors. The superficiality in treatment of each business does limit the overall utility, particularly to business-wise readers, but this is an unusual book with no real peers in recent publications. If you have an interest in learning how a wide range of consumer-oriented businesses operate, this book deserves a look. It is interesting, entertaining and factually informative.

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BOOK REVIEW

MORE ACTION FOR A CHANGE

Griffin, Kelley (1987).
[Ralph Nader Presents]
More Action for a Change.
New York: Dembner Books. $8.95

Public Interest Research Groups, or PIRGs, are Nader-inspired student organizations on college campuses that work toward social change. *More Action for A Change* chronicles the efforts and accomplishments of these groups.

According to Griffin, PIRGs have a record of extraordinary and unquestioned success. The back cover alone lists nine impressive accomplishments, including "shorter bank-clearing procedures in Missouri, improved energy conservation and antipollution regulations in Minnesota, the nation's first truth-in-testing law in New York, and fairer beef-pricing and selling practices in California." The book is an enthusiastic endorsement of PIRGs and what they do. Griffin asserts that the PIRGs' goals were correct and the accomplishments therefore praiseworthy.

Based on this book, I cannot join Griffin's unwavering praise for PIRGs because she does not provide a basis for an independent, balanced evaluation of the operation or accomplishments described.

I wonder, for example, whether other lobbying forces can legitimately claim at least partial credit for some of the accomplishments Griffin attributes to PIRGs.

Only the immediate target of PIRG action is discussed while byproducts of the proposed reform are ignored. Regulations usually impose costs on someone. Unlike the PIRGs, apparently, I have a healthy respect for market forces. I therefore expect the incentive-altering effects of regulations to have ripple effects. These, in turn, need to be analyzed before the initial proposal can be properly judged. This book does not provide the basis for this evaluation.

One example: The PIRG at George Washington University in Washington, D.C., worked for rent control. The book concludes that "the DCPIRG work saved millions of dollars in averted rent increases to District residents." Maybe so, but I wonder about other consequences. There is no discussion of how rent controls diminish landlords' incentives to repair apartments and to build new units. Without more information, I cannot sign on to the view that rent control, viewed on balance and over a period of years, clearly benefitted District residents.

Another example: The New York PIRG worked to require a doctor's prescription for a hearing aid. According to Griffin, "Since many aids were sold unnecessarily, the requirement of a prescription helped consumers avoid the cost of an aid they did not need." That's surely a benefit. But what about the people who really did need a hearing aid and now are forced to pay for the doctor's examination? Helping one group seems to have imposed some costs on the other. I see no acknowledgement of the cost impact of the target regulation. Whether, on balance, the regulation benefitted consumers depends on the proportion of sales that were fraudulent, whether people interested in hearing aids would be willing to pay more to be more certain of their need, and many other factors not considered in this book.

While this book cannot be viewed as an objective evaluation of PIRGs, it may be useful for another purpose: recruiting students into PIRG activism. The book paints a bright and very positive picture of what a student's experience could be. PIRGs might be well advised to give a copy to every student considering joining.

As a description of PIRGs as an opportunity for students, then, the book is useful. As Nader intended. PIRGs direct students' energies towards "research and advocacy of workable solutions to problems, training lifelong 'public citizens'." In describing one PIRG project, Griffin reports that students "learned to speak on behalf of [a] bill before various organizations, and they learned how vital getting the support of those organizations is to successful promotion of a proposal. They learned how to investigate a large corporation, and they saw first hand how important it is to have their case well documented. Students held press conferences and met with reporters and editors; from that they learned about the power of the media and how to present their case to ensure the best coverage." Griffin speaks also of the drama, excitement and passion that propels PIRG participants.

If I were teaching a course in consumer economics, I might suggest this book to my students as a source of the history and essence of PIRGs, since the book portrays PIRG participation as exciting, demanding, instructive and satisfying. At the same time, I would offer two cautions. First, I would suggest they keep in mind the possibility that the book is primarily a public relations effort. Second, I would warn them not to treat this book as a good model for an analytical term paper for my class.

ALISON MASSON
Economist, Federal Trade Commission

(Her views are her own and do not necessarily reflect those of the FTC.)

...

"...For the dealer will gain nothing except by profuse lying and nothing is more disgraceful than untruthful huckstering."

CICERO

CONSUMER AFFAIRS

MARKETABLE CONSUMER AFFAIRS CURRICULUM FOR BUSINESS

Not enough is known about how relevant the academic training of university graduates from consumer science programs is to gaining employment in consumer affairs business positions. While some attempt was made to determine and evaluate the course offerings in academic programs in the late 70s and early 80s (Burton, 1979; Green, 1978; Nolf, 1981; Burton & Bowers, 1980; Scott, Walsh & Stampfl, 1984) no recently published research has been identified.

These earlier studies showed that curricula vary substantially from campus to campus with no standardization for degree requirements. Burton (1979) found that the most apparent commonality among various schools offering consumer science programs is that many are based in home economics. With the exception of core courses recommended by the American Home Economics Association (AHEA) for accreditation of university home economics programs, few common requirements were identified from one campus to another.

CORPORATE CONSUMER AFFAIRS AND ACADEMIC MAJORS

The Society of Consumer Affairs Professionals in Business (SOCAP) national membership has steadily increased since its creation in 1973. It now exceeds 2,500, reflecting business' growing interest in consumer affairs.

When consumer affairs professionals employed in business were asked to identify the educational major most advantageous for consumer affairs professionals of the future, they listed the following disciplines (SOCAP, 1990, 1988, 1986, 1983, see Table 1):

Burton's 1979 study of academic offerings in consumer affairs showed most were based in home economics departments. Yet, it seems likely the AHEA core requirements may provide only minimal marketable value to consumer economics graduates seeking business positions. In fact, traditional home economics programs may actually serve as a hindrance to employment unless graduates seek employment in a corporate consumer affairs department where a housing, child development, family relations, nutrition or clothing/textiles/merchandising background is sought. In declining order, consumer affairs professionals in business reported they were employed in the following industries: food and beverage, manufacturing, public utility, health care and insurance, banking and finance, retail, cosmetics and pharmaceuticals, automotive and entertainment/travel (SOCAP, 1990).

Although numerous authors have long proposed a move to an interdisciplinary academic program (Burton, 1979; Burton & Bowers, 1980; Collier, 1978; Fritzche & Ferrell, 1980; Goldsmith & Collier, 1981; Scott, Walsh & Stampfl, 1984), little movement has been made in the academic arena to reflect this preference.

Burton (1979) noted that "the better programs appear to be truly interdisciplinary, that is, they have a conceptual framework in which the consumer and other related courses are combined into a pattern that meets the objectives and philosophy of the program. However, some programs seem to be merely multidisciplinary, that is, they appear to contain courses from other academic areas in order to provide a sufficient number of courses to constitute a program. It often appears that these other courses were randomly chosen rather than purposefully as no conceptual framework holds them together or offers a focus for synthesis."

Burton and Bowers (1980) made the following recommendations to educators in consumer economics: determine the academic core of consumer science, agree upon a definition for course and program titles, and routinely update information on career opportunities in consumer affairs.

If consumer affairs graduates are to be competitive, and if academic programs are to gain the respect of business employers, changes must be made. The purpose of this article is to urge a better alignment between consumer affairs curricula and marketable consumer affairs skills for business positions so graduates will be preferred above internally promoted corporate employees (many of whom have no formal training in consumer affairs).

MAJORS SEEN AS ADVANTAGEOUS FOR BUSINESS CONSUMER AFFAIRS

	1990	1988	1986	1983
Communications	46%	46%	44%	—
Business Administration	27	29	32	53
Marketing	24	26	30	—
Behavioral Sciences	23	24	24	33
Economics	16	4	4	12
Home Economics	10	9	9	12
Law	9	11	13	20
Other	6	5	6	13
No answer	3	2	8	2

Source: SOCAP (Multiple answers were accepted so figures do not total 100%.

The 1983 survey did not provide the communications or marketing choices.)

Table 1

CORPORATE CONSUMER AFFAIRS FUNCTIONS

To determine marketable skills for business consumer affairs departments, it is first necessary to determine what activities consumer affairs professionals in business perform.

About 20 years ago, the Conference Board reported the following activities as appropriate for business consumer affairs units: handling, resolution and analysis of customer complaints and inquiries; developing and disseminating to consumers better information on the purchase and use of products or services sold by the company; serving as an internal consumer ombudsman and consultant on consumer matters within the company; and providing liaison with consumer interest organizations outside the company (McGuire, 1973). Today, these same activities seem to be somewhat reflective of business programs (Collier-Vogel, 1988).

Consumer affairs professionals in business report the following "percent of personal time devoted to the following consumer affairs functions" (SOCAP, 1990, 1988, 1986, 1983, See Table 2).

Each year SOCAP consumer affairs professionals in business recognize outstanding corporate programs developed by their peers. These awards tell a great deal about consumer affairs within most companies and may suggest academic course content changes that could affect marketability of graduates. Briefly, the awards are categorized as:

CUSTOMER SERVICE TRAINING: Motivating front-line representatives, recognizing outstanding employees, enhancing the ability of these employees to provide quality customer service.

CONSUMER RESPONSE TECHNIQUES: Administering programs that increase consumer satisfaction or improve corporate responsiveness to consumer issues, improving procedures for complaint handling, issue or data tracking,and improving corporate responsiveness to consumer needs.

COMMUNITY SERVICE OR PUBLIC RESPONSIBILITY: Improving the quality of life in the community where the company conducts business. Supporting local efforts in the areas of environmental safety, education, employment opportunities and public health.

CONSUMER INFORMATION OR EDUCATION PROGRAMS: Informing or educating customers regarding company services, programs, consumer protection, consumer rights and responsibilities, customer options, etc.

CONSUMER ISSUE FORUMS: Facilitating communication and problem solving on current public and consumer issues. Gaining balanced representation from many stakeholders. Coordinating consumer panels, customer forums or other feedback mechanisms.

A MORE POWERFUL ROLE FOR CONSUMER AFFAIRS

Consumer affairs programs in business are not without criticism. Mayer (1989) notes that many consumer advocates are critical of the relatively powerless roles of most company consumer affairs managers in shaping corporate policy. It is safe to say that no consumer activist group and no vocal consumer advocates commend companies or consumer affairs department for solely "handling complaints." To gain the respect of external watch dog groups and internal corporate executives, consumer affairs professionals must constantly be aware of emerging trends and develop corporate activities to address the expectations of various publics. The role of highly trained, degreed professionals to lead this effort cannot be underestimated, thus making it incumbent on universities to train individuals who can help corporations achieve consumer affairs objectives.

To gain and maintain the confidence of various publics or constituents who believe they have an interest, or "stake," in the way the company conducts business, consumer affairs must redefine its role in a much broader way. To provide a major contribution to business objectives, corporate consumer affairs departments must go beyond simply facilitating the complaint handling process. In fact, consumer affairs departments have the opportunity to be a change agent on the societal boundary between corporate decision makers and various constituent "stakeholders." The corporate consumer affairs manager should work with executives and other departments to (Vogel, 1990; Vogel & Murray, 1990):

Assess and monitor changing trends in the socio-political environment of the firm for strategic strengths, weaknesses, opportunities and threats to corporate decision making.

Monitor stakeholder societal concerns about company operations and address them before they become major problems.

Transform emerging social trends into corporate opportunities for joint partnerships or liaison with key stakeholders.

Facilitate a corporate-wide decision-making process for anticipating and resolving stakeholder concerns.

Monitor corporate social performance and the opinions and values held by key publics that may affect corporate operations.

Develop and implement codes of corporate social accountability to meet stakeholder expectations.

Establish internal performance standards and incentives for social responsibility among all company employees.

Readjust corporate goals and operating policies according to public opinion.

Identify, prioritize and analyze those stakeholder issues of greatest operational, financial and political significance to the organization.

Create two-way communication and problem-solving processes on stakeholder issues important to key publics in order to bring corporate behavior in line with stakeholder expectations.

Corporate consumer affairs programs should be developed and managed so the company gains public support and maintains the freedom to operate with integrity among stakeholders that believe they have a vested interest or stake in company decision making. The consumer affairs department should attempt to minimize surprises which accompany socio-political change by serving as an early warning system for potential societal threats and opportunities. Consumer affairs should define its internal corporate role as the coordinating unit for determining, implementing and evaluating the firm's ability to anticipate, respond to and manage socio-political trends. The department should determine the social consequences of company actions impacting stakeholders, and enable management to anticipate, respond to and manage dynamically evolving stakeholder claims and expectations (Vogel, 1990).

CONSUMER AFFAIRS CURRICULUM FOR THE 1990'S

To gain credibility in the corporate consumer affairs arena, students must tailor their individual programs to meet the expectations of their desired employer. Geographic employment opportunities and personal interests surely play a part in selecting specific industries. Position availability should also be considered.

The authors believe the strongest employment opportunities and ongoing career development will be available to students who supplement their academic training by participating in spring and fall SOCAP national conferences, enrolling in quarterly SOCAP professional development seminars and participating in student chapters of

PERCENTAGE OF TIME SPENT IN ACTIVITIES

	1990	1988	1986	1983
Complaint processing/resolution	26%	26%	30%	22%
Complaint interpretation, analysis, reporting	18	19	18	14
Consultation with management on consumer issues	14	13	14	11
Informing company personnel about consumer issues	12	11	10	9
Consumer education/information programs	15	17	19	16
External liaison	12	12	11	11
General administrative duties (budget, staff training)	20	18	20	16
Compliance with consumer laws and regulations	8	10	9	8
Liaison with consumer groups	8	10	9	8
Other	29	26	21	16

Source: SOCAP

Table 2

SOCAP. Students who know about career options in consumer affairs (Garman, 1990) and have taken the time to network with consumer affairs professionals are most likely to be able to position themselves for available jobs.

Students should be guided to acquire an interdisciplinary academic background with a strong emphasis on industry internships. At both undergraduate and graduate levels, the following subjects are recommended: verbal and written communications courses, business administration, marketing courses in consumer behavior and strategic planning, behavioral sciences including psychology and sociology, micro-economics, marketing research, statistics, computer information systems data base management and word processing, business ethics and corporate social responsibility, issues management, public policy analysis, consumer economics, organizational behavior, conflict management, dispute resolution, personal or family finance, mediation/arbitration/negotiation techniques, and consumer/business/international law.

Increasing familiarity with consumer advocate interests should be emphasized through reading of publications including *Public Citizen*, the *Consumer Federation of America News* and SOCAP's *MOBIUS*. Individual studies, practicums, research projects, internships and other tailored activities should be emphasized to develop marketable skills directed to available regional employment and national trends in consumer issues.

SUMMARY

If graduates are to be recognized as credible and marketable in the corporate consumer affairs arena a multidisciplinary task force composed of academic and business professionals (ACCI and SOCAP) should develop further recommendations on appropriate curriculum requirements. Without significant curriculum changes (and appropriate publicity in the corporate community) businesses will continue to draw more on internal promotions than on degreed consumer affairs professionals to manage and direct their corporate consumer affairs programs. And without the strong leadership and national consensus among academic and corporate consumer affairs professionals about the needed skills and functions of consumer affairs departments, companies will not realize the full benefit of corporate consumer affairs. They will, instead, continue to concentrate on reactive complaint-handling rather than proactive, stakeholder involvement in corporate decision-making processes.

Academic advisers and department heads with responsibility for the consumer affairs curriculum should work together to develop a national data base administered through the American Council on Consumer Interests (ACCI) to provide information about universities offering undergraduate or graduate degrees in consumer affairs. Post-graduation surveys and business surveys should monitor the applicability of academic courses.

The 1990s offer the promise of opportunities for expanded partnerships between consumer affairs professionals in academic and business settings that will strengthen the profession and make corporations more responsive to public expectations. The upcoming decade will either be a time of dramatic professional growth for consumer affairs or one in which it is relegated to a position of complaint-handling that is vulnerable to staff and budget cutbacks with little growth potential. It is time to cut across turf boundaries to build partnerships and consensus in academic consumer affairs offerings that fill a marketable need in the corporate sector.

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Collier, C. (1978). *Consumer affairs professionals in business.* Unpublished master's thesis, New Mexico State University, Las Cruces.

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ONE MILLION DOLLARS FOR CONSUMER CREDIT EDUCATION

The National Coalition for Consumer Education (NCCE) and AT&T Universal Card Services Corp. have announced the creation of the NCCE/AT&T Consumer Credit Education Fund, a grants program to fund consumer credit education projects.

AT&T Universal Card Services is committing $1 million over a four-year period to launch the fund, which is designed to foster better-educated consumers who can make more informed decisions about the uses of credit. NCCE/AT&T Consumer Credit Education Fund grants will be awarded to educate consumers of all ages and backgrounds in schools and communities.

The fund will be administered through a 12-member advisory board consisting of experienced professionals from consumer organizations, education, government and business. Advisory Board members include Stephen Brobeck, Consumer Federation of America, Juan Correa, Puerto Rico Legal Services; Marlene Futterman, Direct Selling Education Foundation; Hayden Green, Illinois classroom teacher; Karen Heath, Ohio Department of Education; Eileen Hemphill, Washington, D.C., Consumer Affairs; Janet Koehler, AT&T; Jane McNamara, Credit Counseling Centers; Joan Ryan, community college instructor; Jane Schuchardt, Cooperative Extension Services; James Thompson, American Association of Retired Persons; and Dianne S. Ward, Better Business Bureaus.

AT&T and NCCE have jointly established objectives for the Fund. AT&T will provide one member to the advisory board. NCCE will provide administrative support and core membership of the advisory board from its own board of directors. The advisory board will make decisions about the distribution of grants including the development of guidelines and grant review procedures.

The National Coalition for Consumer Education (NCCE) is not-for-profit 501 (C) (3) organization formed in 1981 to promote consumer education programs in schools and communities across the country. NCCE consists of a network of volunteer coordinators who represent a combination of business, education, government and consumer advocates.

Grant applications must be postmarked on or before January 10, 1991, to be considered by the Advisory Board.

Organizations or individuals interested in obtaining grant applications or other information can write to:
Million Dollar
PO Box 5345 F.D.R. Station
New York, New York 10150-5345

37TH ANNUAL ACCI CONFERENCE

April 4-6, 1991 Cincinnati, Ohio

Program Chair: Claudia Peck, University of Kentucky

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