

CROSS-TABBED RELATIONSHIP OF COMPLAINING
PROCESS VARIABLES TO SATISFACTION

Satisfaction by Type of Complaint

		Satisfied	
Type of Complaint	Product	69%	(523)
	Product-Service	- 61%	(356)
	Service	- 41%	(309)
			59%

Satisfaction by Involvement in Complaint Resolution

		Satisfied	
Involvement	Yes	- 79%	(534)
	No	- 49%	(654)
			59%

Satisfaction by Type of Resolution

		Satisfied	
Type of Resolution	Refund/ Desired	- 84%	(463)
	Other	- 38%	(270)
	Referral	- 36%	(455)
			36%

Summary of Findings

The data from the WCCPA study revealed the following findings:

1. Only 45% of all complainers desired to become actively involved in the resolution of their complaints.
2. Only 39% of all complaint resolutions actually resulted in refunds, which must be the preferred resolution from both the consumers perspective as well as the legal perspective of putting the marketplace into the same position it was prior to "wrong" or injury.

3. Only 59% of all complainers stated that they were satisfied with the services of the WCCPA.
4. The service complainer was much less likely to achieve satisfaction (41%) than was the product complainer (69%).
5. Those who became actively involved in the resolution of their complaint were much more likely to be satisfied (79%) than those who were not (49%). (Here it is interesting to note that while demographics did not generally prove to be a fruitful line of inquiry, those who became involved in the resolution process and were satisfied were significantly better educated than the uninvolved dissatisfieds.)
6. Complainers who received refunds were much more likely to be satisfied (84%) than those who were referred (36%) or received one of the many other possible solutions (38%).

Consumer Protection Agency Implications

It can and should be argued vigorously that the public sector in general and the consumer protection agency in particular should be held accountable at least in part by a measure of effectiveness.

The same measure of effectiveness which increasingly is used in the private sector marketplace, namely, consumer satisfaction, should also be used in the public sector (consumer protection agency) marketplace.

Based on the acceptability of using complainer satisfaction as a key determinant of accountability and as a measure of consumer protection agency effectiveness, it is clear that there is substantial room for improvement. There were several variables which helped distinguish those who were satisfied from those who were not. While the education level of complainers is not within the control of the agency, most of the other results are. For example, the consumer satisfaction oriented agency would 1) encourage complainer involvement in the resolution process, 2) strive to obtain refunds wherever possible, 3) be quick in disposing of or closing complaints, and 4) work very hard at specifically improving the process of handling and resolving service complaints. In summary, consumer protection agencies must measure their effectiveness and particularly, in terms of consumer satisfaction. This means that they must also be concerned with increasing the satisfaction of their uses on a continuing basis.

FOOTNOTES

1. Warland, Herman, Willits, "Dissatisfied Consumers, Who Gets Upset and Who Takes Action," Journal of Consumer Affairs, IX (Winter 1975), 148.
2. Greyser and Diamond, "Probing Opinions," Harvard Business Review (Sept-Oct 1974).
3. Edgecombe and Wolfe, "Demographic Characteristics of Canadian Consumer Complainers" Journal of Consumer Affairs, IX (Summer 1975), 73.

CONSUMER EVALUATION OF LOCAL REDRESS ALTERNATIVES

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Two local consumer redress models were evaluated to determine their effectiveness. Consumer-users of both the Better Business Bureau and the Small Claims Court were surveyed to:

1. determine the respondents' evaluation of the outcome of the redress process.
2. evaluate the redress mechanism in terms of procedure, accessibility and quality.
3. determine selected characteristics of the respondents.

The judicial model of the Small Claims Court proved more effective than the mediation model of the Better Business Bureau.

The overall objective of this study is assessment of the effectiveness of the two major models of formal consumer redress available at the local level, the judicial model as represented by the small claims court and the mediation model as represented by the Better Business Bureau. The criteria used in the decision to focus the study on these models were that they both handle consumer complaints on an individual basis and that they are models widely available throughout the country. While there are other models for consumer redress such as the law enforcement model or the media action model, most of them do not handle individual consumer complaints on a case-by-case basis.

For the purposes of this study, discussion of the BBB will focus on the major complaint handling mechanism. While there appears to be no doubt that the BBB is the most visible and best known service to consumers, there is widespread concern about its effectiveness.

A typical Bureau complaint service including the one studied herein operates in the manner presented in Figure A. Each complaint received by the Bureau is screened and on a special form the complainant states the facts of the case and the settlement desired. This form is then sent to the company involved for its assessment of the complain. Redress occurs only if the merchant concurs with the consumers complaint and agrees to a settlement.

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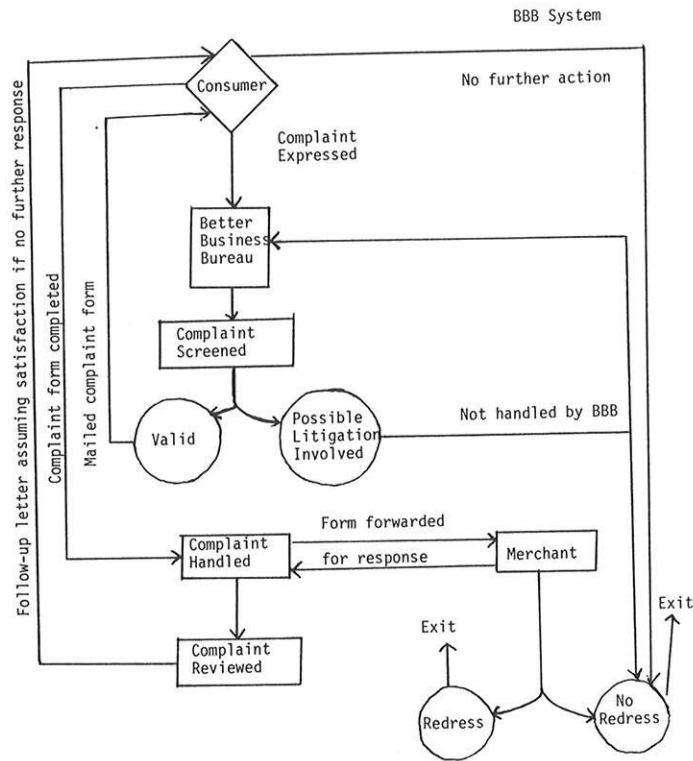


Fig. A: Model of the Better Business Bureau Complaint Handling Procedure

A major alternative to the Better Business Bureau for small actions is the Small Claims Court. An important key to insuring the accessibility of consumer redress mechanisms is a simple procedure and low cost. Figure B presents a systems diagram of the small claims court procedure.

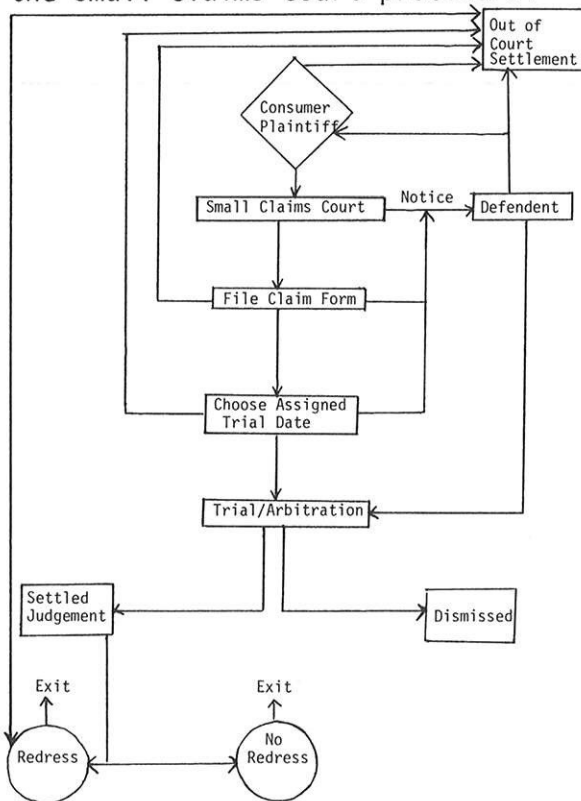


Fig. B: Small Claims Court System

The consumer/plaintiff files a formal complaint with the court who then assigns a trial date and notifies the merchant/defendant of the claim. The consumer can achieve redress either through an out of court settlement or through a favorable judgment from the court officer.

It is one matter for a consumer/plaintiff to receive a favorable judgment but it appears that it is frequently quite another to collect it from the defendant. Although many states require litigants to file satisfaction of judgment forms, both the National Institute for Consumer Justice and the author found that this function is seldom or sporadically completed.

Research Design

This study is designed to document the nature of formal third party consumer redress systems at the local level using empirical data from the two major complaint redress systems in Erie County (Buffalo) New York. More specifically the study is designed to determine whether significant differences exist between the complaint characteristics of the mediation model and the judicial model. The study examines two systems within the same county in order to control for variations in state and local laws that might alter the legal standing of a consumer case against a merchant. It also provides a control on many general marketplace conditions and media exposure.

The selection of the BBB as one of the two mechanisms studied was motivated partly by the scale of BBB complaint activities. During the year for which data (1974) was collected, the BBB handled more complaints than all other agencies put together in Erie County. A second motivation for selecting BBB data for analysis was due to a unique opportunity to examine data on complaints to a wide variety of agencies that were at that time participating in a complaint clearing house operated through the BBB. This cooperative arrangement (Consumer Affairs Clearing House) involved 27 public and private agencies and was terminated in July, 1975. The arrangement was accompanied by a widespread public education campaign.

BBB data is compared with data on handling of complaints in the Buffalo Small Claims Court. The BBB complaint data includes all 11,467 formal complaints filed in 1974 as coded and stored on tape by the National Council of Better Business Bureaus. The Small Claims Court (SCC) complaint data was obtained from the public records of the Buffalo City Court for the calendar year 1974 in order that it would be in the same time frame as the BBB data. The BBB coding scheme was used to classify the 1219 consumer complaints filed with SCC.

For both the SCC and BBB complaint data sets there are three independent variables: type of business, type of product, type of complaint; and a dependent variable resolution. For the SCC data set there are two additional independent variables: type

of hearing officer (judge or arbitrator) and dollar amount claimed; and one additional dependent variable, dollar amount awarded. Collection information was not on court records even though space was provided. Many records had incomplete information about both the hearing officer and the result of court action.

The focus of the study was a consumer evaluation of each of the two models. Consumer-users of both the Better Business Bureau and the Small Claims Court were surveyed in three areas: first, to determine the respondents' view of the actual outcome of the redress mechanism and to obtain the respondents' subjective evaluation of whether or not the procedure had a just outcome; second, to evaluate the redress mechanism in terms of procedure involved, accessibility, and quality; and third, to determine selected demographic characteristics of the respondents.

Mail questionnaires were used which included a cover letter and a postage paid return envelope. The objectives for the main portion of both questionnaires were identical so that comparisons could be made between the two user groups.

Better Business Bureau records include complainant information but are organized by company and not by complaint. It was impossible to choose a random sample of 1974 complaints in order to interview the parties involved without the cooperation of the BBB. Such cooperation was not forthcoming because of the potential disruption and cost to the BBB to have records for such a sample pulled. Therefore, an alternate method was devised. All complainants filing with the BBB for a two week period in 1975 before the termination of CACH were surveyed by the author. When analyzed by type of complaint this 1975 sample is quite similar to the larger 1974 set of complaints. The response rate was 51% (N=116).

For the Small Claims Court consumer evaluation, all consumer-users in the 1974 court records were surveyed. The response rate was 55% (N=620). Because of the lack of demographic information in the complaint files, it is not possible to compare the respondents with the larger population of complainants. Of those responding to the survey of small claims court users 69% were successful in obtaining redress as compared to 61% in the actual court records. On the other hand, for the BBB consumer evaluation only 40% reported any settlement while BBB was reporting a 73% successful resolution rate.

Complaint Data Analysis

The consumer complaint data for both the BBB and small claims court are classified by type of product, type of business, nature of complaint and resolution. For the breakdown of complaints by product areas 13 broad categories and a total of 135 specific categories were used.

Table 1 includes a comparative breakdown of the distribution of complaints by product type as well as business type and complaint type. (Refer to Table 1) The top three complaint areas by product type for the Better Business Bureau are Automotive, Home Repair, and Home Furnishings. The first two product categories lead the annual list compiled by the U.S. Office of Consumer Affairs (OCA) from a survey of state and local government agencies.² Any further direct comparison with the national data is impossible because OCA mixes product type, business type, and complaint type categories together and they do not include small claims court data. In small claims court rental housing is the product involved in the largest number of complaints (25%) and automotive products constitutes the second largest category. Food, drugs, health and music products either have no complaints or very few.

Better Business Bureau has classified complaints into three general complaint types: advertising practices, selling practices and business performance. Eleven percent of the complaints relate to advertising practices and nine percent relate to selling practices. Business performance is the category into which the bulk of the complaints (80%) fall. BBB includes under business performance problems with delivery, unsatisfactory service, product quality, repair refunds, guarantees, unfulfilled contracts (including out of business), credit and billing. It is interesting that the category "unfulfilled contracts" which includes "business not locatable" represents less than 1% of the complaints (0.3%). Complaints about business performance involve 96% of the cases filed in small claims court. The two largest areas of complaints are unsatisfactory service (25%) and unsatisfactory repair (22%). Advertising practice was of concern in only one complaint and selling practices were of concern in less than 4% of the cases.

Types of business complaints were classified into seven general categories and 85 subcategories. The general categories include automotive, financial, food, health and personal improvement, home remodeling, construction, and maintenance, retail and services.

Using this classification, complaints about retail establishments including direct selling operations form the largest single category (41%). Complaints about services rank second (23%) and include complaints about airlines, drycleaners, appliance service, travel agencies and utilities. More specific categorization of the complaints by type of business for BBB data indicates the following ten specific types of business to be the most potentially problematic in terms of percentage of total complaints for types of business: Mail Order Companies (10%); Auto/Truck Dealers (8%); Home Furnishing Stores (6%); Department Stores (5%); Direct Selling Magazines (3%); Home Remodeling Contractors (3%); Insurance Companies (2%); Apparel and Accessory Shops (2%); Appliance Stores (2%); Travel Agencies (2%). Landlords are the largest single category of businesses sued in small claims court (25%). The

second largest is automotive (23%). Services, Retail Establishments and Home Remodeling each involve at least 10% of the complaints. Complaints against both food and health related businesses are negligible. A new category was introduced for small claims court data, "private party." Thirty-six complaints (3%) involved consumers suing a private party usually over a second-hand good.

Comparative Complaint Resolution Rates

Chi square analysis has been done to determine if significant relationships exist between the three complaint classifications and complaint resolutions. Such relationships could be of use in policy decisions concerning allocation of consumer protection resources. Table 2 presents chi square results for selected pairs of variables.

Table 2

Chi Square Values, Degrees of Freedom and Significance Level of the Relationship between Resolution and Selected Complaint Classification Variables for BBB and Small Claims Court Data.

Selected Variable Relationships	N	Chi Square	Degrees of Freedom	Level of Significance
<u>Better Business Bureau*</u>				
Resolution by Type of Product	2,286	24.5	13	.0272
Resolution by Type of Business	2,279	60.3	8	.0000
Resolution by Type of Complaint	2,221	76.3	9	.0000
<u>Small Claims Court</u>				
Resolution by Type of Product	726	24.8	12	.0160
Resolution by Type of Business	728	17.6	7	.0138
Resolution by Type of Complaint	728	16.9	9	.0503

There appears to be a significant relationship between resolution rate and each of the variables: type of product, type of business, and type of complaint for both the BBB data and the small claims court data.

If for a 20% sample of the BBB complaints one looks at complaint resolution by Type of Business (Refer to Table 3) it is apparent that the BBB redress rate varies widely. Its highest success rate is with food complaints and with complaints involving Manufacturers/Producers (83%). The worst resolution rate is with service establishments (63%), complaints in the areas of health and personal improvement (67%), and complaints against the home remodeling industry (68%). In these categories, as well as in the "Not Elsewhere Classified" group, approximately two-thirds of the consumer complaints were satisfactorily resolved. In the case of small claims court, at least 80% of the complaints were resolved in the consumer's favor for food businesses, home remodelings, and retail establishments. Only 65% of the automotive complaints and 71% of the financial complaints including landlords are resolved satisfactorily for the consumer.

Table 3
Comparison of BBB and Small Claims Court Resolution Rates
For Selected Complaint Characteristics

Complaint Characteristic	BBB Reported Satisfactory Resolution Rate	Small Claims Court Reported Resolution Rate
Type of Business		
Automotive	70%	65%
Financial	76	71
Food	92	88
Health	67	60
Home Improvement	68	83
Retail	80	81
Services	53	69
Type of Product		
Automotive	72	67
Recreational Vehicle	77	43
Appliances	65	82
Home Furnishings	75	89
Building Supplies	68	82
Food	85	83
Drugs	80	
Health	88	75
Insurance	73	94
Apparel	79	66
Floor Covering	72	75
Televisions	68	58
Music	100	77
Landlord	-0-	67
Nature of Complaint		
Advertising practices	83	-0-
Selling practices	80	62
Business performance		
Delivery	75	79
Repair	56	68
Guarantee	69	78
Product quality	77	79
Refunds	77	80
Business not locatable	10	85
Unsatisfactory service	67	70
Credit/Billing	80	65

The complaint resolution analyzed by Type of Complaint presents even more striking differences. A BBB strength seems to be in resolving advertising complaints (83%). They also have a relatively high resolution rate for complaints involving selling practices and complaints (80%) and credit and billing practices (80%). Their worst results are for unfulfilled contracts (10%), but this category represents only a small number of complaints. BBB resolution of repair complaints is also surprisingly low (56%).

Eighty percent of the small claims court actions involving unfulfilled contracts, refunds and product quality were resolved satisfactorily. The least satisfactory resolution rates appear to be for complaints involving selling practices and credit and billing problems; for these complaint areas, approximately two-thirds are resolved satisfactorily for the consumer.

Resolution of all consumer complaints handled by each also varies quite widely by product type. Food and Health products have a high percentage of satisfactory resolution (80+%) as do apparel complaints (79%). Product areas in which close to a third of the complaints are not satisfactorily resolved include appliances (65%), building materials and supplies (68%), and television (68%). A comparison was made of the resolution rates for small claims court actions by type of product. Insurance claims (94%) and home furnishings (89%) had the highest percentage of satisfactorily resolved claims, while television (58%) had the lowest percentage. Seventy percent of rental housing complaints

were resolved satisfactorily, but only two-thirds of both automotive (67%) and apparel complaints (66%) were resolved in favor of the consumer.

Dollar Amounts Claimed and Awarded in Small Claims Court

Data on the dollar amount of the claim and award were only available for the small claims court complaints as BBB does not request or record such information. Analysis of the small claims court data revealed (Table 4) that there is a bimodal distribution for both "amount claimed" and "amount awarded."

Table 4
Frequency Distributions of Dollar Amount Claimed
by and Awarded to Consumer Plaintiffs in
Small Claims Court (N=1219)

<u>Dollar Amount</u>	<u>Claim Relative Frequency</u>	<u>Award Relative Frequency</u>
\$ 1-50	16%	10%
51-100	19	11
101-150	14	7
151-200	12	4
201-250	8	3
251-300	6	2
301-350	3	2
351-400	3	1
401-450	2	1
451-500*	16	3
No amount indicated	1	39
Plaintiff lost	-	15
Other action	-	1
	100%	100%

*At the time of the study, the ceiling for small claims in New York State was \$500.

One mode (the larger one) is in the \$51-100 range and the other mode is in the \$451-500 range. This second peak is most likely due to clustering of high value claims resulting from the \$500 upper limit imposed by small claims court. Sixteen percent of the claims are in that range although it represents only 6% of the awards. There is an obvious gap between claim and award at all levels, but the gap between claim and award is most severe among the highest claims. With the exception of the anomaly at the high end, the gap between claim and award narrows in the higher claim ranges. The clustering of claims at the \$500 limit suggests that the New York State law raising the small claims ceiling to \$1,000 in 1975 was useful to consumers.

Generally, there was a wide spread between amount claimed and the lower amount awarded. Only 18% of those claims in the higher range are given an award in that range. One explanation for this spread might be that sophisticated consumers are using the high initial claim as a negotiation device and in order to insure that the business defendant gives proper attention to the claim. No amount was indicated on the records of close to 40% of the cases, so no definitive conclusions can be drawn about the relationships between award and claim.

The clustering of claims at the \$500 limit suggests that many higher value claims are being reduced to \$500 in order to use the small claims court mechanism. The clustering of claims at the limit also suggests that an increase in the limit would be useful to consumers. If it is true that many higher value claims are being reduced to the limit, as is indicated, then an increase in the limit will not necessarily result in a great increase in case load.

Consumer Evaluation Findings

The consumer view of complaint resolution by the BBB system appears to be quite different from the 73% resolution rate reported by the Bureau. Only 39% of the respondents reported any type of settlement.

Table 5
Result of BBB Mediation Process as Reported
by Consumer Users (N=116)

<u>Category Label</u>	<u>Relative Frequency (Percent)</u>
Business Offered to Settle Full-Accepted	31%
Business Offered to Settle Partial-Accepted	8%
Business Offered to Settle Partial-Not Accepted	5%
Other	14%
Couldn't Locate Company No Response	13%
No Settlement Pending	27%
Don't Know or No Response	2%
Total	100%

Table 5 presents consumer survey results which indicate that less than one-third (31%) had their complaint fully settled, an additional 8% reported a partial settlement.

Small claims court users responding to the questionnaire indicated that 69% were successful in the sample of small claims court records (Table 6), the consumer success rate was 61%.

Table 6
Result of Small Claims Court Action as
Reported by Consumer Users (N=620)

<u>Result</u>	<u>Relative Frequency (Percent)</u>
Settled out of Court	21%
Won in Court	18%
Won in Court by Default	30%
Lost in Court	17%
Moved to Higher Court	1%
Other	11%
Don't Know	1%
Total	100%

It may be that successful plaintiffs were more likely to respond than unsuccessful plaintiffs contributing a bias to the evaluation, or the discrepancy between the consumer survey and court records may be attributable to the incomplete court records. Of those cases that were actually heard in court 42% were heard by a judge and 58% by an arbitrator.

Consumers were asked whether they thought justice had been served in their case and whether they were satisfied with the procedure. Of the BBB consumer-users responding to the question, substantially less than half (43%) reported that justice had been served while a majority (56%) of the small claims court users agreed that justice has been served.

One possible indication of consumer satisfaction with a service might be either repeated use of the service or an expressed intention to use the service again in the future. A third (33%) of the BBB user respondents reported that they had used that service before while 27% of small claims court users had used that court procedure before. When the respondents were asked whether they would use the complaint service again, 81% of the BBB users responded affirmatively as compared to 75% of the small claims court users. While there appears to be a possible discrepancy in the respondents' answers regarding justice and satisfaction with procedure this may be due to the respondents' perception of very limited alternatives (Table 7).

Table 7
Distribution of Positive Consumer Responses Related to
Accessibility and Quality of Small Claims Court (N=620)
and The Better Business Bureau (N=116)

	Small Claims Court	Better Business Bureau
1. Justice. All in all, would you say justice was done in your case?	YES 56%	YES 43%
2. Procedure. Were you satisfied with the procedure for settling consumer complaints?	46%	52%
3. Have you used procedure more than once?	27%	33%
4. Would you use procedure again?	75%	81%

Among the dissatisfied BBB consumers the major reason for concern was an unfavorable resolution (78%) and a second reason given for dissatisfaction was the length of time for processing the complaint (16%). The main reason that small claims court consumers were not satisfied with the procedure was again the length of time involved to process a claim (23%). The second major complaint was that the judge or arbitrator was uncooperative (20%) and the third was that the award was not satisfactory (18%).

Accessibility is the major asset of the Better Business Bureau. The entire complaint procedure can be handled by phone and through the mail. In the case of small claims court, however, consumers must make at least one trip to court during court hours to file a claim and probably another trip a month later on their hearing date. Close to 57% of the small claims court respondents reported

that the court was not near where they lived or work. The Buffalo City Court is located in the very center of downtown Buffalo but many County residents neither work nor live in the vicinity and thus would find it inconvenient to make a special trip both to file a claim and attend a hearing. Two-thirds of the respondents reported that court was not open at convenient times. At the time of the study there was a choice of Wednesday afternoon or evening hours.

The BBB procedure is free of charge so that monetary charges are not at issue in the evaluation. There is a charge of \$3.21 for filing a small claims action. Eighty-seven percent of the respondents reported that they could afford the small claims court fee and 9% reported they could not afford it. Further, many of the consumers that could not afford small claims court noted that their costs included "loss of work to go to Court" a substantial cost increase especially for the hourly wage earner. Table 8 presents the results of selected Chi square analyses.

Table 8
Selected Chi-Square Analyses of
Consumer Small Claims Evaluation

<u>Variables</u>	<u>N.</u>	<u>Chi Square</u>	<u>Degrees of Freedom</u>	<u>Levels of Significance</u>
Race by Afford	383	16.72279	2	0.0002
Race by Location	390	9.49351	2	0.0088
Income by Afford	362	24.35194	4	0.0001
Income by Again	359	13.86462	4	0.0077
Income by Satisfied	363	2.05350	4	0.7259
Income by Justice	358	7.19399	4	0.1260

The null hypothesis that there is no relationship between race and ability to afford small claims court and the hypothesis that there is no relationship between income and ability to afford, are both rejected at the .01 level of significance.

Three quarters (74%) of the small claims respondents did not have assistance with their claims, but 89% felt that they were adequately prepared to present their case. Only 7% responded that they were not well prepared. Of those who had assistance, 75% used a lawyer, 6% used State University of New York at Buffalo Legal Aid; and the remainder (19%) relied on relatives and friends.

Table 9 presents consumer BBB quality ratings. Close to one-third

Table 9
Consumer Evaluation of the Quality of
the Better Business Bureau (N=116) and
the Small Claims Court (N=620)

<u>Quality Rating</u>	<u>BBB</u>		<u>SCC</u>	
	<u>Relative Frequency</u>	<u>Cumulative Frequency</u>	<u>Relative Frequency</u>	<u>Cumulative Frequency</u>
Excellent	<u>32%</u>	32%	<u>18%</u>	18%
Good	<u>34%</u>	66%	<u>36%</u>	54%
Fair	<u>15%</u>	81%	<u>19%</u>	73%
Poor	<u>18%</u>	99%	<u>21%</u>	94%
Don't know	<u>1%</u>	100%	<u>7%</u>	100%

of BBB users rated that service as "Excellent" and another third rated it as "Good." Thus the BBB service appears to have a fairly strong quality rating with two out of three consumer users rating it good or better. Chi square analysis was used to determine if there was any significant relationship between the respondents' answers regarding such variables as "justice," "satisfaction," and "quality." Table 10 shows the results of the Chi square tests that were run.

Table 10
Results of Selected Chi Square Analysis
for Consumer Evaluation of Better Business Bureau

<u>Variables</u>	<u>Level of Significance</u>	<u>Chi Square Value</u>	<u>Degrees of Freedom</u>	<u>N.</u>
Happened by Justice	0.0000*	58.67944	5	107
Happened by Satisfied	0.0000*	41.70631	5	109
Happened by Again	0.0020*	18.87131	5	104
Happened by Quality	0.0000*	60.47687	15	112
Justice by Satisfied	0.0000*	41.30995	1	107
Justice by Again	0.0001*	14.40008	1	100
Justice by Quality	0.0000*	42.93439	3	108
Justice Before	0.0083*	6.95761	1	108
Satisfied by Again	0.0000*	25.42502	1	101
Satisfied by Quality	0.0000*	65.35281	3	111
Satisfied by Quality	0.0000*	4.31499	1	109

*Significant at least at the .05 level.

There is a significant relationship at least the .05 level of significance between the variable "happened" and the variables "justice," "satisfied," "again" (whether or not the consumer would use BBB again) and "quality." The results also show that there is a significant relationship between the consumer respondents' view of whether justice was achieved and the variables "satisfied," "quality," "again" and "before" (whether or not the consumer has used BBB before). "Satisfied" also showed a significant relationship with "again" and "quality."

Small claims court respondents were much more conservative than BBB respondents in their quality ratings. Only 18% of small claims court users rated the Court quality as excellent. However, more than half (54%) did rate small claims court as at least good or excellent.

Some of the concerns that colored the consumer respondents' view of small claims court quality were strictly procedural. Delays in the start of the Court session seemed to be one problem. In the words of one consumer, "the judge was 45 minutes late and the proceedings were delayed for all concerned." Another consumer reported, "our only complaint was our case was to be

heard at 1:00 p.m. I took off from work. No one (judge) came into court until after 3:00 p.m. I lost two hours pay just waiting." Another concern was for the overworked court staff: "the personnel is overworked. If more personnel were involved in handling the cases, the process would be, in my opinion, excellent." Another procedural flaw from the consumer viewpoint was a widespread belief that it was the arbitrator's responsibility to defend the consumer: "The arbitrator didn't seem to defend me." Many consumers didn't seem to realize that the arbitrators were supposed to be impartial. The other major concern of the consumer respondents was that the cases were fixed.

Collection has been reported to be an impediment to a viable small claims court procedure in some parts of the country. Of the respondents in the study who won their cases, 71% collected their awards. This is compared to a 50% for all small claims, so it appears that consumer claimants have much higher than average rate of collection. Of those who had not collected, major reasons seemed to be that the defendant couldn't afford to pay or that the sheriff couldn't find the defendant.

Consumer Respondents' Demographic Characteristics

Some limited demographic data on the consumers using both the Better Business Bureau and the Small Claims Court was obtained from the consumer surveys and the complaint form analysis. Table 11 presents the income breakdown for the consumer respondents.

Table 11
Distribution of Better Business Bureau User and
Small Claims Court User Respondents Reported Annual
Family Income (1974) as Compared to Annual Family Income
Distribution for Erie County (1970)

Income*	Erie County Population*	BBB (N=116)	SCC (N=620)		
	Relative Frequency	Adjusted Frequency	Cumulative Frequency	Adjusted Frequency	Cumulative Frequency
\$ 0-4,999	14%	15%	15%	19%	19%
5,000-9,999	32%	20%	35%	23%	42%
10,000-14,999	32%	32%	67%	29%	71%
15,000-19,999	9%	21%	88%	12%	83%
20,000 or over	13%	12%	100%	17%	100%

*Source: U.S. Bureau of Census, Census of Population and Housing: 1970,
Tracts Final Report.
PHC (1)-35, Buffalo, New York SMSA

Sixty-seven percent of the BBB consumer respondents and 71% of the small claims court consumer respondents earn under \$15,000 a year. Fifteen percent of the BBB consumers and nineteen percent of the small claims court consumers reported under \$5,000 income while another 12% of BBB consumer and 17% of small claims court consumers reported \$20,000 or over in income. Among BBB respondents lower middle income families (\$5,000-9,999) a year seem to be under represented by 12% while upper middle income families are over represented by the same percentage. For

small claims court both the lowest and the highest income families use the small claims court disproportionately in comparison with their proportion in the County population at large.

Ninety-three percent of the BBB respondents indicated their race as white and close to 4% indicated their race as black. Thus blacks are not represented in proportion to their numbers as BBB users, despite a special BBB office in the inner city. Of those small claims court consumers responding to the question, 10% indicated their race as black, 88% as white, and 2% as other. This data suggests that blacks are more than proportionately represented among small claims court users than in the general population and indicates that blacks have little reticence toward filing a claim with the court. The alienation from the court that some have hypothesized does not appear to exist in Buffalo.

The study findings indicate that there are major differences between the models. An immediately obvious difference is the volume of complaints handled by the two systems. The Better Business Bureau handled nine times as many consumer complaints as did Small Claims Court in 1974. The other differences include complaint characteristics, complaint resolution rates, consumer satisfaction, and the demographic characteristics of the complainants.

It is very difficult to compare the resolution rates of the two models because the two different classification systems are not easy to reconcile. Further, there is a marked discrepancy in the case of the BBB system between the reported resolution rate of the system and the reported resolution rate of the consumer-user sample. Consumer-users of the BBB system reported satisfactory settlement in only 40% of the cases as compared to 73% reported by the BBB. Thus it would appear that BBB records overestimate consumer satisfaction with complaint resolution by 33%. This is due to a gross deficiency in the complaint classification system used by BBB's throughout the country under the auspices of the National Council of Better Business Bureaus. Small Claims Court respondents, on the other hand, reported satisfactory resolution in 65% of the cases while the court records indicate a satisfaction rate of at least 62%. Table 3 presents a summary of the relative frequency of resolution for both BBB and Small Claims Court. (Refer to Table 3)

Consumer satisfaction for both BBB and Small Claims Court was judged by consumer-user perceptions of the acceptability, accessibility, quality and justice of the procedure. Only half of the BBB respondents and 41% of the Small Claims respondents found their respective procedures to be acceptable. However, at the same time 89% of the BBB users and 84% of the Small Claims Court users found the procedure to be easy to use. In the case of the Small Claims Court the major procedural problems were related to the location of the court and the response time of the system while in the case of the Better Business Bureau the prime consumer concern was response time alone.

Three-fourths of the Small Claims Court respondents would use the mechanism again as compared to 81% of the BBB respondents. While these rates may seem high in comparison with the resolution rate especially for the Better Business Bureau, they should be considered in the context that the majority of these consumers did not know of any other alternatives for consumer redress. Further, in the case of many Small Claims Court respondents there was no other alternative for redress.

Consumer quality ratings for the two models were very different. In the case of Small Claims Court, 57% of the respondents rated the system as good to excellent and an equal percentage agreed that justice had been served. In the case of the BBB system, however, while 67% rated it good to excellent in quality, only 41% considered that justice had been served. This would seem to indicate that many of the BBB users did not view the BBB as impartial in the process of adjusting their claim or were disappointed with the BBB's lack of "clout." While in contrast, most Small Claims Court users found that they had been treated fairly in court.

The discrepancy between the very high resolution rate for Small Claims Court complaints and the lower "justice rating" can be attributed in large part to consumer dissatisfaction with the size of the award made. In many cases while consumers did have the case resolved in their favor, they did not consider the amount awarded close enough to their claim to be considered "just."

There are striking differences between the demographic characteristics of both groups of consumer respondents. The major difference observed are in the categories of race and income. Consumer-users of the BBB system were more than proportionately white and middle income. The percentage of black consumers using BBB services was significantly lower than their proportion in the Erie County population. However, the percentage of minority consumers using Small Claims Court was equal to their proportion in the community. Consumer-users of Small Claims Court were more than proportionately from the highest income group and the lowest income group.

Conclusion

Small Claims Court is currently the most viable redress mechanism available to Buffalo consumers at the local level. It offers consumers more satisfactory results more frequently than does the Better Business Bureau. Small Claims Court is more acceptable to both low income and minority consumers than the Better Business Bureau. This is important because disadvantaged consumers are much more vulnerable to consumer fraud.

There are significant changes that can be made in the organization and activities of local consumer protection agencies that would significantly improve the prospects for consumer redress

with little or no additional cost to the taxpayer. The major obstacles to such reform seem to be apathy on the part of leading government officials and the consumer's lack of a political base that could be used to organize consumers to lobby for such changes. However, around the country as in Western New York where the Niagara Frontier Consumer Association has just been organized as an affiliate of the Consumer Federation of America, increased numbers of local consumer organizations are forming with a major purpose being to work for better consumer protection at the local level. As these groups strengthen, more active and effective local consumer protection agencies should develop.

FOOTNOTES

1. David S. Gould, Staff Studies Prepared for the National Institute for Consumer Justice on Small Claims Court, Washington, D.C.: National Institute for Consumer Justice, (1972).
2. Office of Consumer Affairs, DHEW, Summary of State Consumer Action, Washington, D.C.: Department of Health, Education and Welfare, (1976).

CONSUMERISM AT THE CROSSROADS

Ms. Anne Rossmeier*

"Consumerism at the Crossroads," a national opinion survey funded by Sentry Insurance, set out to evaluate the impacts of the consumer movement over the past decade, to evaluate the strength of the movement now, and to gain insights into its future directions. The findings indicate that the consumer movement is here to stay, and in fact, is growing stonger. The study showed that no particular group speaks for the consumers, but non-government consumer activists are seen as most in touch with consumers, and senior business managers are least in touch. It found the failings of the regulatory system are widely recognized and neither the public, nor business, nor consumer activists, nor even the regulators themselves, are very happy with the status quo.

"Consumerism at the Crossroads" the fourth in a series of major opinion research studies Sentry has commissioned over the last four years. The first three were:

1. What the consumer expected from his fire, casualty and life insurance industry and how business measured up to these expectations in 1974.
2. What the American businessman expected from the insurance industry and again, how the companies measured up in 1975.
3. What the British consumer expected of the major insurance industry in 1976.

For "Consumerism at the Crossroads" a total of 2,032 in-person interviews were conducted between November 27 and December 7, 1976. Then between January 24 and February 10, 1977, six leadership groups, over 500 representatives, were interviewed. The marketing science institute of the Harvard Business School was responsible for planning the substantive content areas of the study. Questionnaire and field work were carried out by Lou Harris and Associates.

The following are selected observations from "Consumerism at the Crossroads":

1. The consumer movement emerges from this survey with widespread support. There is a deep and broad consensus, even among business management, that the consumer movement has done more good than harm, and that it has made a positive contribution toward helping consumers.

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2. Americans are gravely concerned about many different kinds of consumer problems. They are worried about poor quality, dangerous products, misleading advertising and labeling, and the apparent lack of concern shown by companies for legitimate consumer interests.
3. Most consumers have serious problems with some products or services they buy, and many millions of consumers are not prepared to accept such problems without voicing their complaints.
4. Although consumers are perfectly prepared to admit their own fallibility, they are not satisfied with what business or regulators are doing to protect them. The existing form and style of regulation is not regarded as a success, and changes are necessary to satisfy both the public and activist leaders that regulation is fair and effective.
5. Consumer activists who call for more government regulation and businessmen who call for less are both sharply out of tune with the public. Which would not be satisfied by either an increase or decrease in regulation, but only by some new course which is both more effective in controlling business abuses and less of a harassment to legitimate business.
6. There is widespread recognition that the regulation of business is not satisfactory and needs reform... there is a widespread desire to involve people outside the federal government--consumer activists, individual consumers and business itself--in the process.
7. The difference between the views of consumer activists and those of consumers are often only a matter of degree--the activists are more extreme in their criticism of business and in their demands--something which is understandable in an advocate. The gulf between the perceptions and attitudes of senior business executives and those of the public is greater and more serious, and must be a cause of real concern to the more thoughtful managers who are anxious to improve the public standing of business.
8. The differences between consumerists and business are about means rather than ends, and result from their very different perceptions of the marketplace as it is today.

There were wide discrepancies between consumer activists, the total public, and senior business managers as each viewed some of the survey questions. For example, their respective evaluation of targets for the consumer movement were different. The five big targets--those offending the public the most--are in order, Food Manufacturers, Hospitals, The Medical Profession, The Oil Industry and Car Manufacturers. The activists see the top five in a different order. Electric utility companies far and away offend them the most. Then comes the Oil Industry, Food Manufacturers, The Advertising Industry and Nuclear Power Plants.

A comparison of the total public and activists on specific subjects is quite interesting in this area of offensive industries:

Banks--10% of public; 41% of activists
Nuclear Power Plants--19% of public; 61% of activists
Electric Utility Companies--37% of public; 73% of activists

As Lou Harris noted: "Not only are the perceptions of the business group consistently at odds with those of the public and activists, but the gap between their perceptions is often alarmingly wide."

What consumers seem to be saying is "We want a fairer deal in the marketplace." How are they saying it? Let's look at some specific survey findings:

1. 50% of those surveyed believe they are getting a worse deal in the marketplace today than they did a decade ago.
2. 61% believe the quality of most products has deteriorated over the last 10 years.
3. 63% have wanted to complain about a product in the previous year--and 47% have done so. The public also believes--by 37% to 35%--that companies have gotten worse in handling consumer complaints.
4. 57% believe most guarantees and warranties are still not adequate, 46% believe they are written for the benefit of the manufacturers, and 59% feel they are not understandable.
5. Moreover, 44% of Americans say they would support the goals of a consumer boycott and 13% say they would actively participate in a boycott. (The 13%, although a relatively small percentage, still represents millions of customers).
6. Most people characterize today's marketplace as tilted toward "buyer beware." They see it heading toward a more balanced marketplace, and a considerable minority think that the ideal marketplace is one which is "seller beware."

The public's outlook for the next ten years is mixed. While Americans anticipate continued improvements in product safety and labeling, they believe three kinds of consumer problems will get worse:

1. 55% believe product life will continue to diminish.
2. An equal number believe it will be more difficult to get things repaired.
3. And, by a 46% to 26% plurality, they expect the difference between manufacturers' claims and actual product performance to increase.

In some instances, the public was found to be more militant than the consumer activists. For example, 78% of the public endorse what the study called the "radical notion" that a company responsible for advertising that has been proven false or misleading should be banned from advertising that product or service for a period of time thereafter. Only 59% of the activists agree such a stringent measure should be taken.

After all this outward criticism of marketplace forces, the consumers enhanced their own credibility by turning highly self-critical. Some of the specific findings are:

1. The public agrees (2 to 1) that "There is generally enough information available for consumers to make sensible buying decisions."
2. By 4 to 1 that "Most consumers don't use the information available about different products in order to decide to buy one of them."
3. They agree 4 to 1 that "Many of the mistakes consumers make are the result of their own carelessness."
4. By 5 to 1 consumers agree that "If people are careful and use good judgement they still get good values for their money today."

Therefore, a dichotomy exists. As the Harris Organization notes, over the past decade consumers feel they have been hit from the blind side by a whole litany of violations of their and the public's interest. The consumer activists more than agree. But consumers and activists are poles apart in favoring redress.

The violations most mentioned include soaring prices of products in short supply, such as meat, sugar, energy; questionable products with even more questionable quality and safety; alleged false claims in advertising; misleading packaging and labeling; woefully inadequate service of new products and shoddy repairs; lack of avenues

to handle their complaints; warranties and guarantees filled with gobbledygook words and empty promises; and extreme difficulties in receiving common justice in the marketplace.

On the question of redress and regulation of business, none of the leadership groups is in agreement with the public. Quite obviously, consumer activists who call for more regulation and businessmen who call for less are both sharply out of tune with the public. Consumer activists by 61%--13%, favor more regulation. Senior business leaders--4% wanting more regulation, 76% less. Meanwhile the public is split 31%--27% with 30% requesting no more no less. The public would have more confidence in a system of regulation which relied less on the federal government and more on consumer activists and on customers individually. There is little confidence that business can do an adequate job of self-regulation, and some skepticism as to whether individual consumers can be effective. The existing form and style of regulation is not regarded as a success, and that changes are necessary to satisfy both the public and leaders that regulation is fair and effective.

The report continues that "only some new cause which is both more effective in controlling business abuses and less of a harrassment to legitimate business will succeed." Some of these initiatives were proposed in the study. Of those new and already in practice, here is a sample response from consumers:

1. 72% would endorse the concept of a major convention, to be held every four or five years, to work out long-term policies in the consumer field.
2. 79% would favor creation of a new independent testing center for evaluating the safety of potentially dangerous products.
3. 92% would support compulsory consumer affairs education on the high school level.
4. 65% would want all large companies to have a public or consumer representative on the Board of Directors.
5. 77% believe it should be a requirement that all large companies employ a senior officer solely to look after consumers' interests.

The final section of this study looked at issues important to the insurance industry. We found that the insurance industry's performance in its dealings with the public is considered to be in about the middle of the industries rated. There are minorities who believe the industry is doing a poor job and there are large numbers of people who are worried about not being able to afford health