

Table 3 (Continued)

Estimated Beta Coefficients for Selected Demographic Variables and Expenditure Ratios by Race

Variable	Fuel and Utilities		Household Operations		House Furnishings		Clothing	
	Black	White	Black	White	Black	White	Black	White
Income	-.16058**	-.13857**	-.03618**	-.05367**	.08348*	.11646**	-.02182	.13551**
Family size	.15275**	.15156**	-.04081	-.07014**	.05963	-.01420	.13453**	.01481
Age of head of consumer unit	.33721**	.30009**	.16583**	.13323**	-.09667*	-.10634**	-.15913**	-.12786**
Education of head of consumer unit	.05652	.08083**	-.18605**	-.05343**	-.01772	.01957	-.15077**	-.03986**
Some high school	omitted	omitted	omitted	omitted	omitted	omitted	omitted	omitted
High school graduate	-.02187	.02294	-.06327	.05557**	-.03498	.02061	.03849	.03306*
Some college	.00844	-.01716	-.04082	.10716**	.03968	.02384	-.05495	.03772*
College graduate								
Region of residence								
Northeast	-.07497	.12630**	.01313	-.03315*	-.00939	.00362	.15342**	.05453**
North Central	-.00512	.15474**	.00511	.02981*	.01351	.03098*	.03440	.00134
South	.00940	.13579**	-.02082	.03402*	.00488	.03852*	.14444*	.03061*
West	omitted	omitted	omitted	omitted	omitted	omitted	omitted	omitted
R ² =	.19147**	.16101**	.04983*	.04492**	.03110	.03014**	.08972**	.06258**

*Significant at .05 level.

**Significant at .01 level.

TABLE 3 (Continued)

Estimated Beta Coefficients for Selected Demographic Variables and Expenditure Ratios by Race

Variable	Transportation		Personal Care		Health Care		Recreation	
	Black	White	Black	White	Black	White	Black	White
Income	.24010**	.14652**	.10040*	.10384**	.08816*	-.08594**	.10675**	.21935**
Family size	-.04786	-.03367*	-.00260	-.07923**	-.06436	.04312**	-.07859*	-.11881**
Age of head of consumer unit	-.09614*	-.13767**	.10825**	.29598**	.29211**	.36007**	-.09564*	-.07638**
Education of head of consumer unit	.07140	-.00425	-.01298	-.04999**	-.06167	-.03212*	-.12150**	-.04614**
Some high school	omitted	omitted	omitted	omitted	omitted	omitted	omitted	omitted
High school graduate	.04804	-.02524	.04063	-.04339**	-.03877	.02682*	.08618*	.02479
Some college	.04736	-.09314**	-.08094*	-.06753**	-.03004	.01052	.10359**	.07842**
College graduate								
Region of residence								
Northeast	-.01503	-.00915	.05665	-.00497	-.05864	-.03725**	-.14711**	-.07874**
North Central	.07865	.01324	.01398	.08101**	.03334	.04976**	-.03313	-.01250
South	.06489	.02237	-.01396	.07370**	.09226	.07457**	-.14876**	-.07863**
West	omitted	omitted	omitted	omitted	omitted	omitted	omitted	omitted
R ² =	.07838**	.04031**	.02859	.10685**	.10916**	.13638**	.11041**	.08551**

*Significant at .05 level.
 **Significant at .01 level.

Table 3 (Continued)
 Estimated Beta Coefficients for Selected Demographic
 Variables and Expenditure Ratios by Race

Variable	Education	
	Black	White
Income	.16587**	.08561**
Family size	.05755	.11167**
Age of head of consumer unit	.10877**	.02994*
Education of head of consumer unit	-.10907**	-.06035**
Some high school High school graduate	omitted	omitted
Some college	-.02648	.05969**
College graduate	.09081*	.15037**
Region of residence		
Northeast	.01556	.03567*
North Central	-.00788	.02121
South	.04808	.01709
West	omitted	omitted
R ² =	.06554*	.06883**

*Significant at .05 level.

**Significant at .01 level.

Expenditure ratios for the college graduate group were negative and significant in relation to expenditure ratios for the high school group for tobacco and personal care for both races; and food, transportation, and alcoholic beverages for whites alone. The difference in expenditure ratios was positive and significant on recreation and education for both races; and shelter, household operations, and clothing for whites.

Regionally, expenditure ratios for consumer units residing of the Northeast differed negatively and significantly from the expenditure ratios of those units in the West on recreation for both racial groups; and alcoholic beverages and household operations for whites only. The difference in expenditure ratios was positive and significant on clothing for both races; and tobacco, fuel and utilities, food, and education for whites only.

Expenditure ratios for families residing in the North Central region were negative and statistically different from the ratios of the West region regarding shelter for both races; and alcoholic beverage for whites. A positive statistical difference was found for the ratios of tobacco, fuel and utilities, household operations, household furnishings, personal care, and health care for whites.

When compared with the omitted region, the Southern region was found to be negatively significantly different for blacks and white expenditure ratios on shelter, and recreation. The difference was positive and statistically significant for both races on tobacco, and clothing. The beta coefficients of the Southern region were negative and statistically significant from the West on alcoholic beverages for whites. The difference was positive for whites on fuel and utilities, personal care, health care, food, household operations, and house furnishings.

Regional variations in consumption expenditures may be due to differences in customs, costs of living, availability of certain goods and services, and effect of climate.

Income elasticity estimates indicated that blacks would allocate more of their additional dollars than whites to the categories of tobacco, fuel and utilities, household operations, house furnishings and equipment, health care, education, shelter, and transportation. Except for the first three, the above categories were all areas in which blacks had spent proportionately less than whites (Table 4).

Table 4. Estimated Expenditure-Income Elasticities by Race

(Dependent variable) Consumption category	Income Elasticity	
	Black	White
Food	.33	.43
Alcoholic beverages	.79	.81
Tobacco	.33	.31
Shelter	.42	.29
Fuel and utilities	.42	.37
Household operations	.54	.48
House furnishings and equipment	.31	.80
Clothing	.60	.70
Transportation	1.37	.39
Personal care	.77	.79
Health care	.75	.40
Recreation	.78	.89
Education	1.39	.87

Mean Income = \$9,043.32 \$12,713.18

Income elasticities for blacks were less than whites for food, alcoholic beverages, clothing, personal care, and recreation. The food and clothing categories were areas in which blacks had spent proportionately more than whites.

IMPLICATIONS

The findings of this study indicate that black and white consumers differ in their expenditure patterns. The consumption categories of food, clothing, recreation, health care, and transportation were found to have the largest black-white differences in expenditure ratios. The amount of variation on all of the consumption categories explained by the independent variables implies that further research which controls for psychological as well as sociodemographic variables is needed.

Private and public policymakers should find the estimates of income elasticities helpful. Those categories for which black estimates were higher than for whites indicate a more rapidly growing market for those goods and services among black as compared to white consumers. In relation to black consumers, the categories of education and transportation are particularly worthy of further study as they were found to be elastic.

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QUALITY OF CONSUMER SERVICES: ATTITUDES,
SATISFACTION, AND CHOICE CRITERIA

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A mail survey was conducted with 1000 randomly selected respondents from the Sacramento, California area concerning consumer attitudes and behavior towards services. Data were collected on opinions about cost, quality, satisfaction, information sources, government regulation, advertising, and the importance of twelve characteristics in choosing providers for a variety of services. The sixteen services surveyed were: physician; electrician; auto repair; dentist; TV repair; barber/beautician; plumber; building contractor; pest control; music instruction; health/fitness; real estate; lawyer; appliance repair; dry cleaner; house painter. Inquiry was also made for standard demographic information.

To improve response rate there were four mailings. First, a letter and questionnaire; second, a reminder postcard one week from the first mailing; third, a letter and questionnaire three weeks from the first mailing; and fourth, a certified letter and questionnaire six weeks from the first mailing. A 62% response rate was obtained of deliverable questionnaires (n = 536).

The sample was predominantly male (54%), married (68%), living in homes (76%), employed (54%), white (87%), better educated (74%, some college or more education), middle income (61% - \$20,000/year or more), and older (59% - 41 or older).

The overall quality of consumer services was viewed as "very good" or "good" by 36% of the respondents, while 50% reported that the quality of services has decreased over the last ten years. Cost of services is considered "high" or "extremely high" by 91% of those surveyed.

34% believe there should be less government regulation of service providers advertising, 25% less government regulation of qualifications, and 39% less regulation of pricing.

87% agree that there is a high risk associated with poor choice of services, 73% agree that there is too little information available to make good choices, 89% that competence varies among service providers, 23% that they feel uneasy complaining about problems to service providers, 68% that more experienced providers give better quality service, 87% want more useful information in advertising, 56% think that consumers have difficulty recognizing

the type of services they need, 85% believe that consumers don't realize a service providers lack of ability, 60% don't feel competent that they have chosen a competent providers, 85% like to keep the same service provider as long as possible, 60% find it difficult to find new service providers when they move.

Respondents were most satisfied with dentists, dry cleaners, and barber/beauticians (94, 93, 93% satisfied, respectively) and least satisfied with building contractors, real estate, and auto repair (69,69,66% satisfied, respectively). Quality of services was rated highest for dentists and barbers/beauticians and lowest for pest control, and building contractors.

Family and friends was the major source of information for service providers with a high of 79% for physicians to a low of 22% for appliance repair.

For the question on choice criteria, dry cleaners had the highest importance level for "location", auto repair for "range of services", physicians for "ease of obtaining services", dentists for "promptness", health/fitness for "office/equipment", lawyers for "friendly", lawyers for "reputation", building contractors for "price", plumbers for "previous experience", physicians for "qualifications", building contractors for "credit", and lawyers for "complaint handling".

When bivariate crosstabs were calculated between question responses and demographics, sex was the most frequent significant characteristic related to answers, followed by education, income, and then age. Typically, females were more satisfied and had higher importance levels for choice criteria and higher education was also usually associated with higher importance for choice criteria.

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The Consumer Movement and the Civil Rights Movement

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Abstract

This paper shows a comparison and offers contrasts between the Consumer and Civil Rights Movements. It addresses these issues from four common perspectives. The perspectives being: goal definition; scope and breadth; dynamics and constituencies; focus and impetus and future of these movements. This paper demonstrates clearly that both movements have proceeded along a lengthy continuum. During specified periods on these continuums each movement has experienced accelerated activity which resulted in a plethora of significant achievements for their respective constituents. Acknowledging this fact, this paper points out that both movements are in dire need of a revival of those principles and techniques which have given rise to past successes and achievements. Finally, this paper addresses the future of the Consumer Movement by providing an quintessential prescription for curing the ills of the movement.

Introduction

I am very proud of the opportunity to speak to you today about the relationship between two of the most important movements for justice that have ever been undertaken in this country, the Civil Rights Movement and the Consumer Movement. These two movements have had an influence on the lives of every American - particularly during the last three decades.

Let me for the record, make it crystal clear at the onset that I am here as Herbert Simmons, Jr., the Consumer Advocate and not in the capacity of my official role with the D.C. Government. Views that I will express are mine alone and are not to be construed as the opinions of the Mayor, the City Council or of any resident of the District of Columbia except myself.

I am particularly pleased with this opportunity, because having been born black, I have been involved in the Civil Rights Movement for all of my active life. Having been born into a socio-economic poverty that is endemic to much of rural Louisiana, I have chosen to spend all of my professional life in the Consumer Movement with an emphasis on the plight of low-income consumers. My zeal for the achievement of civil rights is indistinguishable from my zeal for the achievement of consumer rights. Therefore, I feel as comfortable discussing one movement as I do the other. Still, I am fully aware that there are differences between the two movements. Some of these differences are quite obvious and unmistakable. However, there are others that are deceptively subtle. I steadfastly maintain that it is all but impossible for a non-Black to identify with the very essence of the Civil Rights Movement because that essence is the crystallization of Black experiences, attitudes, social values and

ultimate aspirations into an indomitable "spiritual set" that cannot be surmised. There is no way to internalize a spiritual legacy of suffering, denial and dehumanization that stems from over 240 years of slavery, except of course, through social heredity.

I suspect that it would be wise to establish a perspective for this discussion. A perspective that will have clearly defined reference points which we can all understand and follow.

Let me begin by stating that I differ with historians to a degree. In their eagerness to write "history" some historians have distorted the perception of the civil rights and the consumer movements in the minds of many people. You see, historians like to use such terms as; "era of;" "the age of;" "pre" this and "post" that. These terms are all delineators and tend to restrict. Historians have taken two loci and a continuum of civil rights activity and labeled the space in between; "the age of the civil rights movement." Some of them even disagree on which locus heralds the beginning and which locus signals the end of that age. Webster Unabridged New Universal Dictionary of the English Language defines movement as: "A series of organized activities by people working concertedly toward some goal, often called the movement by those involved in it." Freedom and the constitutional rights of life, liberty and property have been the common goal of every black person who has inhabited this great land. When we apply the definition of movement to this goal quest, then it becomes quite apparent that the Black man's struggle for civil rights began simultaneously with the enactment of the 13th, 14th and 15th Amendments to the Constitution of the United States. These earliest activities initiated a continuum of activities. These same activities are proceeding even as I speak to you today. While the major goal is the same, the tactics have been modified into systematic approaches that are consistent with the progress made by the movement over a long period of time.

If we employ the same genre of facts and apply the same definition to the struggle for consumer rights in America, we can trace it backwards in time to 1794. The first consumer law was passed that year in Massachusetts. It was a food law. Therefore, the first known consumer protection movement was in the form of food law enactment. These laws date back to early Mosaic and Egyptian history, prior to 200 B.C. This means that the consumer movement also has proceeded along an extended continuum.

With this brief history as a basis we can now select a period from the latter years of progress for the consumer movement and the civil rights movement. For the sake of brevity, I will hereafter sometimes refer to the Consumer Movement as CM and the Civil Rights Movement as CRM.

For the purpose of our discussion, I have chosen to compare and contrast the movements by four standards. These standards will reflect each movement's: goals, scope and breadth; constituency; focus and impetus and futures.

In my opinion, the CRM has had a more varied and a far more difficult struggle for existence than CM. For this reason, it will precede CM in my comparisons and contrast.

Goal Definition

In terms of goals, the goals were determined by each movement's immediate needs. The CRM had unrestrained freedom as its goal. While the CM had pure food and honest measurements as its goal.

To look at the two movements today, one might say that the CRM is a social movement with strong economic and political goals, while the CM might be considered an economic movement, with strong social and political goals. Also, there is a striking difference in the goal modification of both movements. The CRM seems to have moved from the general to the specific, while the CM has diversified and moved from the specific to the general.

The "spiritual set" which I mentioned before, would not be denied in CRM goal definitions. Blacks in the CRM carefully selected goals that were specific and achievable. The entire race had developed a value system contrary to its common stereotype. This value system gave Black solidarity to the acceptance and unrelenting quest for goal achievement. The chosen goals were the rights to:

- .. quality education;
- .. voting rights;
- .. equal employment opportunities;
- .. open housing; and
- .. public accommodation.

The Consumer Movement has had a more charmed existence. There have been more contrasts than similarities during its middle years. For example, its goals have undergone tremendous expansion. From the original goal of insuring pure and equitable food sales, the movement now tries to address all issues relating to the purchase and use of consumer goods and services. Naturally these enormous expansions of the movements goal have caused some issues to be addressed more vigorously than others.

Scope and Breadth of the Movements

Both movements were originally limited in the scope and breadth of their activities. CRM activities were conducted primarily in the northern and border states for obvious reasons. There existed a climate of repression and intimidation in the south which was exacerbated by the activities of such organizations as the KKK, American Nazis, etc. The CM activities on the other hand were limited to areas where there was favorable federal and local legislative activity. Another facet of the CRM's scope is that while the movement was in

mortal and open conflict with the de jure inequities in the south, it was at the same time battling the de facto inequities of the north. The north was affected by what I call the "peel effect." As the flagrant discrimination of the south was gradually "peeled away", it revealed a more sinister replication of itself thriving in the north.

The CM has found that there were also hidden consumer inequities that were not readily discernable. As the movement increased its efforts to monitor the processing and measurements of foodstuffs, it was discovered that many other consumer products were equally as inferior and unsafe.

Comparison of Movements by Dynamics and Constituencies

In terms of dynamics, the two movements were quite different. The CRM was caused by the denial of a people to privileges indigenous to the most rudimentary exercises of human existence. While on the otherhand, the CM was caused by a dissatisfaction with the quality of foodstuffs that were being offered for sale in the market-places. In spite of this difference, both movements lacked a common and essential facet to their dynamics. That facet was leadership. In 1956 when Ms. Rosa Parks refused to relinquish her seat on a bus in Montgomery, Alabama, her treatment by local authorities catalyzed the hasty resolution of the CRM's leadership crisis. Dr. Martin Luther King, Jr. was chosen to fill the movement's leadership void. A student of the Gandhi philosophy of non-violent protest, Dr. King implemented a new strategy for the movement. A strategy of non-violent, direct action. The Montgomery bus boycott was the first CRM victory achieved by this strategy. For 381 days, blacks boycotted the public busses. That strategy would have failed had it not been for the Black Church. The Church as always been the source of spiritual power for an otherwise powerless people. Unfortunately, this made them the targets of dynamiters and fire bombers during the 50's and 60's thro-throughout the the south.

The Black Church became command posts throughout the south. This facilitated two important features of the civil rights movement. First, it provided for a greater involvement of more people by being located in every town and village and second, it infused a moral fiber to the movement that was later to be woven into a fabric of coalition and cooperation. The cooperation was of a nature that has seldom been seen before or since on such a large scale.

People of all colors, religious persuasions and socio-economic statuses were drawn to these churches to receive the inspiration which made "non-violent direct action" an effective weapon for social change.

Churches in the south were not the only ones to aid the civil rights struggle. Churches all over the nation provided not only a financial support base, but also a dedicated constituency for the movement. Black organizations, such as SNCC, NAACP,

CORE, The National Urban League, some of which had traditionally disagreed on issues of strategy and tactics, joined the legions. Grassroots organizations, business and professional groups, and trade unions, all worked assiduously together. This was vividly demonstrated when in 1963 over 200,000 peaceful demonstrators appeared in Washington, D.C. to petition for the passage of a civil rights bill.

The dynamics of the CM centered around one specific strategy - regulation of the marketplace. This strategy has been successful because law makers themselves are consumers. The issues that they have supported are issues that affect them as much as anyone else. As a result the movement has been successful in achieving regulations on a variety of fronts.

In 1938 the Wheeler Amendment was passed to protect the consumers against "unfair or deceptive acts or practices in commerce." Also in 1938 a new and stricter food, drug and cosmetics act was passed and there are many more. The greatest flurry of activity yielding the greatest benefits has occurred since 1960. This activity has been greatly aided by the articulation of a Consumer Bill of Rights, announced by President John F. Kennedy on March 15, 1962, which are: The right to safety, the right to be informed, the right to choose, and the right to be heard. The increased consumer rights activity has led to the passage of no less than a dozen significant pieces of legislation in the past two decades.

Involvement and support for the Consumer Movement has been, perhaps, its most unique quality. Although all 200 plus millions of Americans are consumers, the Consumer Movement has no identifiable constituency. That is to say that if the movement were called upon today to marshal all of its forces against a single issue, it would hardly know where to turn. The greatest fragmentation of the movement is found in this area. There are groups, organizations and factions of every description championing individual causes under the banner of Consumerism. The net result is that there are lots of "Consumer Groups" claiming to represent everybody but few groups who in actuality really represent anybody. I have long spoken out against those that I call "Consumer Carpetbaggers." Those who appear at conferences and funding sessions but who flee in the face of austerity and the necessity to work on a grass roots level. These groups have usurped much of the movement's power and momentum. Since the 60's, grass roots people have become more active in the movement than ever before. However, there has been no laudable cohesion between the myriad consumer agencies and organizations that have emerged. The movement has suffered severely by a spate of organizational cannibalism that has considerably reduced the number of viable groups that could serve as a nucleus for the development of consumer solidarity.

No doubt, it is for these reasons that the consumer movement has never had an indisputable leader. For example, its history shows a

succession of eminent persons who have become inflamed by a particular issue and pursued it with the benefits to most consumers being mainly a by-product. Dr. Harvey Wiley, Chief Chemist for the Department of Agriculture, was joined by such luminaries as Upton Sinclair whose book, The Jungle exposed the filthy conditions under which was slaughtered and processed, Esther Peterson, the first Presidential Assistant for Consumer Affairs, Rexford G. Tugwell who was the consumer champion in the 20's and 30's who fought for a stricter food and drug law and regulation of the cosmetics industry and of course Ralph Nader who was the most visible leader during the 60's. But no individual has emerged with the strength and credibility to lead the entire movement while representing all factions.

Focus and Impetus

The civil rights movement focused entirely upon the conditions of a deprived people who were singularly powerless. However, collectively they represented a driving force which maintained a high level of impetus for the CRM. This is true mainly because the original goals have not changed essentially. The quest for quality education, voting rights, equal employment opportunities, and decent housing are as much a driving force today as they were at the onset of the CRM. Therefore, getting people involved has constituted no major problem.

It is my view that the task of getting people involved in the CM has been more difficult because of the varied personal interests that are often the determinants of whether a person or group of persons will participate in an effort. For instance, it would hardly be likely for poor consumers who are interested in survival to be enthralled at the prospect of participating in a regulate the prime interest rates. The CM has been able to live with this situation because unlike the CRM which employed a huge army of the powerless and near powerless, the CM has had a small cadre of powerful and influential supporters plus a modicum of rank and file. These have been largely middle class people who range from both extremes, from the President and the Congress on one extreme to a few die hard low income consumer advocates on the other extreme.

The Future of the Movements

While both movements have enjoyed much success in the past, their futures are in a state of virtual limbo. The CRM has removed many of the barriers which denied equal opportunities to employment, it has restored the precious franchise. It has exorcised many oppressed people from dilapidated housing, and it has removed many of the obstacles to quality education. The Consumer Movement has made indisputably more progress in the last two decades than in all of its history combined. The legislative scoreboard is replete with consumer advances and victories. In fact, many of the goals and principles articulated and espoused by each of the movements are now institutionalized. The guarantees afforded by certain consumer and civil

rights laws such as; the right to equal credit opportunities, to fair and open housing, to product safety recalls, and to consumer protection at the state and local levels are now carefully rooted in the American way of life.

Notwithstanding these institutional gains, there is an ominous cloud of uncertainty enveloping both movements. The challenge now is not only to simply protect these invaluable gains, but our mission must be to provide the climate, nourishment, and the wherewithal for these gains to continue to sprout and flourish while serving the purposes for which they were originally conceived. The two movements must re-examine themselves in light of the prevailing socio-political ramifications and economic realities. This must be done with a resolve to buttress their strong points, and strengthen their weak points. Your efforts must be undergirded by a recrudescence of the human spirit, that ubiquitous spirit which sustained the CRM throughout its darkest and most desperate days. We must establish networks and linkages which will insure that neither movement is restricted to special interest, nor confined by regional or other fragmenting exercises.

I offer you my prescription for treating the maladies which plague the movements today. My prescription includes the following:

- .. A Cause -
a cause that gives the movement a legitimate raison d'etre
- .. Goals -
goals that are realistic and achievable
- .. Values -
values that form a common system of values which makes the goals and objectives acceptable to the majority
- .. Leadership -
leadership that is competent, effective and evolutionary
- .. A Strategy -
strategy that is carefully planned and fully executed
- .. Involvement -
involvement that includes the majority of those who are to benefit directly from the movements as well as significant numbers of supporters from allied movements and individuals
- .. A Scope -
scope that will transcend whatever boundaries that tend to restrict or inhibit the movements total fulfillment
- .. Exposure -
exposure that will bring the issues to the attention of as many people as possible, especially those who would not otherwise be affected by current events

- .. Regeneration -
a regeneration that will enable it to rejuvenate and sustain itself.

Let me use these final minutes to address the problems of the Consumer Movement as I see them today. The Consumer Movement must find a way to not only address the concerns of all consumers, but also to involve all consumers in the process. This need has never been as grave as it is today. Support for the movement is receding in the halls of Congress. The current tide of conservatism is more perilous to the Consumer Movement than it is to the Civil Rights Movement for two reasons: (1) the Consumer Movement has been almost totally dependent upon government to help it achieve its goal and there are fewer Benjamin Rosenthals and Warren Magnusons today than there were a decade ago, and (2) because of the schism and fissures within the movements structure which makes it vulnerable to exploitation.

The time is now for the Consumer Movement to seize the movement and come to the aid of all Consumers. The Sentry Insurance Company published a booklet called, Consumerism at the Cross Roads, in 1977, in which it drew the conclusion that "The Consumer Movement is here to stay and, in fact, is growing stronger." But it further concluded that "no particular group speaks for consumers, but non-government consumer activist are seen as most in touch with consumers and senior business managers are at least in touch." The challenge that I bring to you today as "non government consumer activists" is to assume a leadership role. Business managers are beginning to take a commanding advantage in the field of consumerism. On March 16th, I attended and participated in a most unique conference held in Washington, D.C. It was sponsored by the Direct Selling Association and was concerned with identifying the major consumer issues of the next decade. The agenda did not stop there, they set about to prioritize the issues and develop strategies to address them. This, mind you, was a business initiative.

Interestingly, the number one consumer issue for the 80's as seen by the conference at the Direct Selling Consumers Congress was Consumer Education. The Consumer Movement must do more to increase the availability of Consumer Education to all consumers. I have always been a staunch supporter of this position, and I'm proud to say that we are well underway in our efforts to have Consumer Education entered into the D.C. Public School Curriculum as a separate discipline.

As we look to the future, one thing is quite clear. The life and success of the Consumer Movement rests with you. You must plot a new course of action for consumer advocates and the rank and file consumers alike. I leave you with two important things to consider: (1) You must redefine and work towards the total realization of central goal and (2) You must develop a new strategy.

Your first great challenge will be to set a new goal. Your new goal must be that of increasing the quality of life for all Americans through good

consumerism. At this point, James Fortune of the Black Economic Research Center sums it up this way: "Our society has a disturbing tendency to replace goals and objectives rather than fulfill them. Before policymakers had a chance to make much progress in coping with the "urban crisis," they replaced it with the "environmental crisis," and now they are highlighting the "energy crisis." None of these crisis is likely to be solved if we continue to replace goals rather than fulfill them." You must be steadfast in your commitment to the full accomplishment of your goal.

You must join forces with CRM and other people oriented movements to fill the ever increasing void left by a withdrawal of government support to programs for people. You will have to devise creative means to protect the rights of those consumers who will be left defenseless by the elimination of such programs as legal aid assistance for the poor.

This movement must lead the nation, it is necessary in the dismemberment of a system that transgresses against humanity not only in the marketplace but in every day life.

Your second great challenge for the future will be to develop a new set of strategies. As I've pointed out before, CRM has depended on government regulations to achieve its objectives. The effectiveness of this strategy will be greatly diminished in the future. The present administration is opposed to government regulations and vows to return most regulatory powers to the states. As a veteran of many CRM battles, I see this as a step backward. Don't misunderstand me, I am not opposed to states rights and I do believe in the sovereignty of state legislatures. However, I am also a pragmatist of sorts. Throughout history, the most significant and enduring gains achieved by the CRM were those that transcended state or local boundaries. They were the ones with the greatest probability of uniform application. You, as consumer advocates must use a better coordination and a stronger organization of the movement to see that your gains are uniform and equitably beneficial to consumers everywhere. This will not only mean that you must involve more people, but the movement must become process oriented rather than just issue oriented. You must install and improve those consumer skills that, when applied in concert with thousands of other consumers, will constitute an undefeatable force. With a resolute goal of improving the quality of life through consumerism and a sound strategy of adaptability which you will impart to the masses, the consumer movement will grow and prosper, and in time will occupy a commanding position on the continuum of the American way of life.

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HOW INFORMATION INFLUENCES EFFICIENT CONSUMER PERFORMANCE

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Abstract

This paper reviews theoretical foundations for the concept of consumer efficiency, operational measures of efficiency, and recent research examining informational impacts on efficiency. Efficient or optimal consumer performance has been measured using various subjective and objective criteria. Research indicates information moves consumers toward more efficient choices, but most studies show incomplete use of information and less than perfectly optimal performance by consumers.

Among the articles of faith in the theory of consumption are those surrounding consumers' search for information about alternative choices in the market, rationality in the decision-making process, and resulting optimality of choices. Much of the theory focuses on the propositions that when making a consumption decision, consumers search for some optimal amount of information with perfect information as the ideal and attempt to maximize utility or satisfaction obtained from the choice which is ultimately made.

This paper reviews theory and recent research assessing these topics. First the theory of optimal or efficient choice is outlined, and examples of research-based measures of efficiency are identified. This is followed by a summary of recent research showing the degree to which information has actually been found to influence optimal or efficient decision-making.

Concepts of Optimal and Efficient Consumer Performance

Our first task is to outline the theory of optimal or efficient consumer performance. This theory contains the alternative concepts of maximizing, satisficing and efficient consumer choices.

Maximization and Rationality

The classic principle of maximization holds that individuals and/or households maximize their overall utility or satisfaction with the total package of goods and services consumed, within a specific resource constraint. The major constraint is, of course, income (budget), but time and effort or energy applied to the decision are frequently given serious consideration as well. To achieve the maximum consumption, consumers theoretically follow the utility-maximizing rule of "balancing at the margin," or assuring the last dollar spent on each good or service consumed offers the same added utility.

Going hand-in-hand with maximization is the principle of rationality of consumer behavior,

To the pure theoretical economist rationality simply means behavior consistent with a system of preferences (e.g., Green, 1976). A broadened view of rationality proposes that the rational consumer obtains perfect knowledge (information) on the prices and qualities of all alternatives in the market. This further implies that consumers engage in systematic, purposeful search of markets to gather all knowledge relevant to decision-making. Furthermore, to the theoretical economist even though certain consumers may behave irrationally (e.g. not become fully informed), the aggregate behavior of a large market of individuals may be assumed to be essentially rational since different "irrational" behaviors cancel each other out (Green, 1976).

Satisficing and Bounded Rationality

We have probably known all along that maximization is both an unattainable and perhaps unmeasurable goal, at least to the individual decision-maker. Herbert Simon suggests we consider the more realistic concepts of satisficing and bounded rationality (Simon, 1957 and 1978). Unlike the maximizer who always seeks the best, the satisficer seeks the alternative which is "good enough," or one meeting his or her minimum aspiration level (Simon, 1957). For example, the satisficing consumer can simply choose the first alternative found which exceeds the aspiration level. Further, that aspiration level may be adjusted up or down as market experience indicates (e.g. surprises or disappointments with choices).

The concept of satisficing immediately calls for a revised view of rationality, or "bounded rationality". Following the notion of bounded rationality (or "procedural rationality" as recently termed by Simon, 1978 and "selective rationality" by Leibenstein, 1976), the individual simplifies the decision process by creating approximation procedures and heuristics to govern the search and choice. For instance, a specific number of stores to shop, characteristics to consider, or time to spend may be chosen for application to the decision, no more or less. Such procedures may, to the consumer, make the decision-making process appear both "rational" and manageable.

The Concept of Consumer Efficiency

The foregoing leads to a major topic of this paper, the concept of consumer efficiency, a concept which I believe is emerging into the center of consumer economics and consumer behavior. It is a concept which derives from economics and thus has its following there, but has a growing and significant following among contemporary consumer

educators, consumer economists, behavioral scientists and marketers (business). There are streams of thought and research among these applied consumer disciplines which are converging on a conception of consumer efficiency or accuracy of consumers' assessment of alternatives and choice in the market.

The concept of consumer efficiency focuses on identifying levels of efficient consumer performance in choosing between alternative brands or product varieties available in the market. The efficient consumer is defined as one who correctly identifies the relative qualities of a feasible set of alternative choices, and makes the best choice given constraints of resources, valuations of the ideal product, and personal values or priorities. Consumer efficiency differs from the concept of maximization in that it focuses attention strictly to making the best of a specific purchase made at a specific point in time. In studying consumer efficiency at the individual purchase level no assumptions are made that the consumer's decision to allocate X dollars to the specific purchase is or is not optimal with respect to all other consumption decisions (i.e. that the consumer is maximizing at the margin across all choices). Furthermore, in analyzing consumer efficiency a practical assumption is that the consumer considers not all possible choices (brands) available, but only some feasible set or "evoked set" of potentially appropriate choices. The feasible set may be a very small number of the total brands available, as in the case when a consumer chooses to shop only one or two stores and thus automatically limits the range of choice. All of the preceding would appear to add greater simplicity and realism to the analysis of optimal consumer performance,

Operationalizing Consumer Efficiency

The specification of a concept of consumer efficiency is relatively straightforward. It is a far more difficult problem to operationally measure the efficiency of consumer choice. Theoretically the measurement of consumer efficiency requires the comparison of actual consumer performance to an ideal measure of performance. But what types of operational measures of consumer efficiency have actually been applied in consumer research? A review of recent literature reveals a surprising number of recent studies using measures of consumer efficiency, "choice accuracy" and "decision quality." Here in basic outline are some of those measures:

- (1) To make the purchase with highest pay-offs, the consumer should purchase a brand at or near the perfect information frontier, or efficiency frontier (Maynes, 1976, p.65). The perfect information frontier is empirically established by identifying the price points and quality levels of all brands available in the local market, graphing each point, and connecting the points of lowest price for each given level. The consumer's efficiency can be determined by how close he/she buys to the efficiency frontier.
- (2) Another measure based on quality requires

consumers to rate relative levels of product quality among a feasible set of alternatives. Efficiency of performance is measured by comparing the consumer's rating to objective test results and rating of quality from an objective testing organization such as Consumers Union (Sproles, Geistfeld and Badenhop, 1978 and 1980).

- (3) A relatively subjective approach to measuring quality of the decision focuses on comparing a consumer's subjectively determined ideal choice with actual choice. In developing this approach, Jacoby, Speller and Kohn (1974 a and b) measured consumers' ideal points on each product characteristic for a particular purchase, and the consumer's importance ratings for each characteristic and beliefs about each brand.
- (4) Perhaps the simplest measure of efficiency focuses on the consumer's ability to choose the objectively best brand. One measure of this focused on the consumer's ability to choose the most nutritious brand from two choices, given information on various nutritional components of each brand (Scammon 1977).
- (5) The financial pay-offs accruing to a decision is a very tangible and meaningful measure of efficiency to many consumer analysts. Ratchford and Van Raaij (1980) approach this issue directly in their model for assessing the financial cost of making a bad choice by measuring how much the consumer would be willing to pay to make a correct choice.
- (6) Another measure of financial payoffs assesses financial returns (money savings from finding the best prices) achieved from different shopping strategies (Hawkins and McCain 1979). Using actual retail price data from a local market, the researchers measure the "expected value of shopping" as a function of the expected price of selecting one store at random minus the cost of the least expensive brand and certain transportation costs. Time costs are also considered in a second model.
- (7) In a unique method for measuring efficiency Ratchford (1980) develops a normative model showing the relation between gains to search and a consumer's preference function. The model is a hedonic price function and uses data on product attributes derived from Consumer Reports. Estimation in the model does not include actual data from consumers.

These studies represent the range of approaches and ideal criteria, both objective and subjective, which might be applied to the examination of efficient consumer decisions. Some of the measures are simple, which seems appropriate for exploratory research that presently characterizes the investigation of consumer efficiency. Nevertheless, these studies point to the numerous considerations and potential complexity of operationalizing consumer efficiency,

Information and Efficient Consumer Choice

We turn now to a review of studies on the role of consumer information in influencing efficient consumer performance. First reviewed is research related to low cost purchases, followed by a review of major purchases.

Low Cost Purchases

A familiar place to start is the case of unit pricing. The use and benefits of this single informational cue was widely debated and researched during the past decade. Some early research found successful use of unit price information among upper income groups, but less use among low income groups which were presumed to be prime beneficiaries (e.g., Isakson and Maurizi 1973). Another early study indicated consumers were better able to determine most economical items with than without unit pricing; even more significantly, when consumers did not choose the lowest unit price item, the difference between lowest priced item and item chosen appeared to be minimized (Houston 1972). Recent research shows that format of information influences total economic benefits both for sellers and consumers (Russo 1977). A 1% decrease in consumer expenditures was found using shelf tags, a 3% decrease was found using organized lists, and using lists increased market share of store brands 5%. These studies are only representative of many on unit pricing as a single informational cue, but they positively support the proposition that unit pricing is effectively used in economic sorting of alternatives and that further benefits may accrue through continued growth in use and improved formats of informational presentation.

The analysis of informational impacts on consumer efficiency becomes more complex as more informational cues come into play, as in the case of most studies. The classic example of this is the important and widely debated studies of Jacoby (Jacoby, Speller and Kohn 1974 a and b). These studies tested the relation between information load and the quality of the consumer's decision, or the degree to which choices approached the consumer's subjective ideal choice. Their finding was that consumers may be more satisfied with choices as informational use increases, but may experience information overload (too much information, confusion) and make less accurate choices. The research was rebutted on a variety of conceptual and methodological grounds in a thoughtful series of papers (Russo 1974, Summers 1974, Wilkie 1974), which essentially suggest more information is better. Points of agreement and disagreement have been acknowledged (Jacoby 1977), with perhaps most controversy remaining over how to analyze when the transition from information load to overload exists (i.e. what is the optimal amount of information). Measuring decision quality also remains controversial, though its conceptual relevance as an important variable seems relatively unquestioned through the debate.

A more recent study in the Jacoby research program presents a positive view of how use of objective

product information influences efficient choice (Sheluga, Jaccard and Jacoby, 1979). Objective information on characteristics of pocket cameras was given to student subjects, but brand and price information was withheld. Findings suggest subjects made rational and relatively optimal choices based on information actually searched. However, typically all information was not searched, and choices were not as optimal considering all information available for use.

A different approach to assessing informational impacts on efficiency of choice in low cost purchases is reported by Sproles, Geistfeld and Badenhop (1978 and 1980). This research measured consumers' ability to accurately rank levels of product quality based on differing types and amounts of information. For one of two products studied increased informational use was associated with greater accuracy in determining levels of quality, but findings were less strong for a second product. Perhaps most important are findings on the types of information used most by the most efficient consumers. For example, it was found that consumers most effective in ordering quality for blanket choices relied heavily on objective test results relating to durability; other characteristics and purchasing criteria identified as important to choice were fiber content, brand name and price.

Some studies of informational impacts on consumer efficiency are designed directly in the context of public policy. For example, recent research has evaluated the impact of "economy size" labels on products (Wolken, Derrick and Fise 1979) and the posting of drug prices in pharmacies (Baldigo, Boles and Reynolds 1980). These studies have focused on compliance with laws designed to benefit consumers and have used data from examination of retail outlets rather than direct measurement of consumers' use of information. In both cases the authors conclude that the laws and regulations have not been fully effective when taking consumer welfare into account. However, the studies do indicate widespread if not perfect impact in the form of increased information available to consumers.

Perhaps the greatest potential contributions of efficiency research are on special consumer issues of considerable personal and public concern. Nutrition is one such issue, and it is one where study within the framework of information and consumer efficiency is appropriate.

Two studies offer some evidence that nutrition information does influence preferences and helps consumers identify the most nutritious brands. In a study by Stanley (1977) two groups of subjects were asked to rank the nutritional content and purchase preferences for various brands of cereals. One group rated without any information, while the second was given fifteen minutes to read a report on the cereals from Consumer Reports (CR). It was noted that the CR data gave relatively low ratings to some brands which were highly advertised for their nutritional content. Subjects in the untreated (no information) group tended to rate

the highly advertised brands high in nutrition. The CR treated group gave different rankings, closely reflecting the CR rankings. Thus information influenced correct identification of nutritional values.

Less positive findings are reported by Scammon (1977). This study measured the ability of television ads to convey nutrition information. Amounts and formats of information were varied across four experimental groups, and two control groups received no information. Two formats of information were used, one giving numerical data (e.g., percentage of Recommended Daily Allowance of each nutrient) and one giving a simplified, verbal description (e.g., "excellent" in protein). Subjects were asked to identify the objectively "more nutritious" brand and their subjective brand preferences. Overall findings were that identification of the more nutritious brand was independent of the amount of information, though information in the verbal format was better than none in improving objective choice quality. For subjects receiving information in percentage format, correct choices of the most nutritious brand was substantially lower than those receiving no information. Overall far less than a third of the subjects receiving information chose the more nutritious brand of the two, which brings into question the extent to which a single informational treatment through a TV ad can lead to more efficient choice.

Major Purchases

All the preceding studies dealt with low cost purchases, presumably those where limited search for information and perhaps routinized or habitual behavior is typical (e.g., Howard 1977, Olshavsky and Granbois 1979). But what about larger cost purchases, where extended search is hypothesized to have the largest payoffs? Evidence of informational impacts on efficient consumer performance in major purchases is scarce. In one study of appliances Ratchford and Van Raaij (1980) developed a measure of choice accuracy assessing the opportunity costs (monetary loss) of actual vs. optimal decision, and related this to information sought by consumers in an experimental information seeking situation. On the average subjects used only 33.92 of 100 bits of information available. When information was used monetary losses were found to improve significantly over chance, but still involved substantial utility loss compared to optimal choices. The smallest monetary losses were associated with greater information seeking, including a more orderly process of information gathering and more brands and characteristics studied.

In a totally different approach to assessing optimal information seeking and choice, Ratchford (1980) developed a normative model of relations between optimal search behavior and a consumer's preference function. The model was used to estimate gains from search for two theoretical types of consumers, the "price-conscious" consumer and the "representative" consumer. The research employed data from Consumer Reports on prices and brand characteristics for five major appliances,

Findings indicated for four of the five, gains to extensive search were relatively small, and the data suggest that comparison of three brands should generally lead to near-optimal purchases for representative consumers.

Research by Hawkins and McCain (1979) focuses on financial returns received from five different shopping strategies, and included both major and low cost appliances. Estimates were made of dollars saved by each shopping strategy, including estimates taking expenditures of time into account. Pricing was the only information sought. In general, for monetary savings it was found that how an individual shopped was just as important as whether he or she shops. For example, completely random selection and shopping of stores was found to save little, and even purposeful shopping of stores perceived by the consumer to have low prices could lead to errors (e.g., because consumers' perceptions of store prices are often inaccurate). The most efficient strategy was telephone shopping.

Conclusions

In general the results of the studies reviewed indicate more information is better, in the sense that consumers are more likely to approach optimal or efficient choices with than without information. These are positive findings, to advocates both of consumer information and education. But perhaps more important are the implications that optimal or efficient choice may be increased in many cases either by improved formatting of information or simply by persuading consumers to use more information.

The studies reviewed are also important because they have established the framework for a new field of consumer research. We have long talked about how to improve the efficiency or optimality of choice, but only in these recent studies has the problem been operationalized in research. What is needed now is expanded evaluation research in a variety of contexts, focusing not only on how information impacts efficiency, but on other interviewing variables such as consumer education and sophistication (e.g., Sproles, Geistfeld and Badenhop 1978). Indeed such evaluation research may be the crucial factual ingredient for promoting consumers' interests in a wide range of informational and educational issues of the 1980's.

This paper has not directly dealt with two of the most crucial issues:

- (1) How can consumers be motivated to demand and use appropriate information, and
- (2) In what way or ways should we measure optimality or efficiency of choice (e.g., what is the appropriate balance of subjective and objective criteria)?

These are the issues which should receive central attention from future efficiency researchers.

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AN ALTERNATIVE VALUATION OF HOME PRODUCTION¹

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Two approaches to estimating the value of household production may be taken. One method, the income-accounting approach, estimates the labor cost to produce goods and services in the home. The product-accounting approach estimates the market price of home-produced goods and services.

The labor costs have been priced using three different computational methods: substitute labor, replacement, and opportunity cost. Each method underestimates the value of household production but can be used to value the economic contribution of homemakers, presently omitted from the GNP. All three depend for their validity upon perfectly competitive labor markets, marginal wage rates equal to average wage rates, equal purchasing power for all family sizes (*ceteris paribus*), little or no contribution to output value by equipment and raw materials, families in equilibrium, and monotonicity between output and labor inputs.

The advantage of the product-accounting approach is that it is useful for resource allocation analysis of household production. With a measure of output which is not definitionally equal to labor input it is possible to assess the efficiency of using a given quantity of resources for some production activity when measures for the quantity and price of resources are present.

In this study the household consists of a husband (1), wife (2), older child (3) and younger child (4). The family received satisfaction from market goods (X), household produced goods (Z), and the leisure time of family members (L₁---L₄). Goods can be interpreted to mean both commodities and services. The family's utility function (U) can be written

$$U = u(X, Z, L_1, L_2, L_3, L_4) \quad (1)$$

Goods are produced at home using the direct inputs of family members' time (H) and capital facilities and equipment (K) and the indirect input of human capital (C). Because the time-study data in this study are records of daily activities it is reasonable to assume all capital fixed. Capital facilities and equipment represent the only commodity inputs to production; there are no variable commodity inputs. The household production function can be written

$$Z = z(H_i; K, C) \quad i = 1, \dots, 4 \quad (2)$$

where arguments to the right of the semicolon are fixed quantities for any specific family and

where *i* indexes family members.

Maximization of (1) is subject to both a time and an income constraint. Time of any family member *i* can be spent in any combination of household production (H), employment (E) and leisure (L). Income (Y) is derived from both earned (WE) and unearned (V) resources. It constrains the purchase of market goods and expenditures for service flows from capital. Recalling that at equilibrium the price of any input equals its marginal value product we arrive at an expression for the full income constraint (3) which includes the market value of household production.

$$P_Z Z + P_X X + WL = V + WT \quad (3)$$

Where P_Z = price of goods produced at home
 A = quantity of goods produced at home
 P_X = price of market goods
 X = quantity of market goods
 W = wage rate

The data set on 21 two-parent, two-child households from the New York component of Northeast Regional Research Project NE113, an Interstate Urban/Rural Investigation of Families' Time Use provides information on food items prepared and served at home on two days. Market equivalent prices will be attached to each food item. Market equivalent prices will be obtained from either a restaurant survey or a commercial computerized menu pricing algorithm. For each family for each day the total value of food items prepared will be computed. The mean value of food prepared at home will be computed for families with varying age and sex of children.

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Abstract

This paper expands the treatment of information acquisition as investment in a specialized form of human capital. Informational capital is related to general consumer strategies as well as to product-specific situations. A series of hypotheses are offered concerning the impact of age, education and income on consumers' information acquisition behavior.

Introduction

Both theoretical and empirical investigations of consumers' information acquisition behavior have tended to focus on specific situations. Stigler's original formulation was developed in terms of the search process for a single purchase (Stigler, 1961). Nelson later expanded the analysis to information gained through experience. He was describing a learning process, but he confined his attention to the analysis of that process in a particular purchase situation (Nelson, 1970). He did not explore the obvious relationship to learning over time and its influence on consumer behavior.

Empirical investigations have also tended to be situation specific. Research has dealt with purchases of specific products (Goldman & Johansson, 1978), identified groups of consumers (Engledow, Anderson & Becker, 1979), or processes employed in particular decisions (Jacoby, 1977). The latter, as undertaken by Jacoby and others, has the advantage of recognizing that decision making should be seen "as a dynamic ongoing process rather than as a static, cross-sectional event" (Jacoby, et al., 1977, p. 120). Consideration of process, however, has been limited to the manner in which consumers utilize information in particular decisions and has not been extended to information and decision making over time. Focusing on the former, to the exclusion of the latter, provides a limited, and possibly distorted, perspective.

As I have maintained elsewhere, information acquisition cannot be explained in terms of behavior in a single situation (Swagler, 1980). Kerton has made a similar point, recognizing that a given consumer makes numerous purchases and learns (and forgets) large amounts of information over time (Kerton, 1980).¹ Theories of learning and cognitive development have dealt with these issues, but in a more general context (McGuire, 1976).

Thus, the purpose of this paper is to look at in-

¹Working independently, Kerton has evolved an approach which is compatible with that taken here. See, for example, his comments elsewhere in these Proceedings.

formation acquisition behavior as part of a dynamic process which extends over the consumer's lifetime. That view presupposes a macro, rather than a micro, approach. Instead of focusing on particular consumers or specific situations, the perspective is expanded to deal with consumers as a group over time. As is always the case with aggregation, the detail which goes with individual variations is lost. However, there is a gain in terms of being able to explore the overall determinants of consumers' information acquisition behavior.

Theoretical Framework

Informational Capital

This analysis combines two closely related theoretical developments -- human capital and time. The former owes its development to studies of labor force activities, although the relationship to non-market or home production has been noted (Ghez & Becker, 1975). In its simplest statement, investment is made in human capital through educational activities; the cost of these activities is weighed against the return the investment will bring in higher future wages (Ben-Porah, 1967).

Investment in information may be viewed similarly, except that the return is measured in terms of the expected discounted value of the increased flow of services to the consumer. The notion that the cost of information must be considered in terms of the benefits it provides is not new and has been the basis for empirical investigation (Stigler, 1961; Goldman & Johansson, 1978). However, earlier efforts focused on individual purchases and did not account for the accumulation of information over time. That is, the consumer's stock of informational capital was not taken into account.

Analyzing the accumulation of informational capital is more complex than the more general analysis of human capital. With the latter, individuals make specific, identifiable investments in the acquisition of skills and these investments earn a return through higher incomes. In the case of informational capital, a similar process operates only when consumers undertake explicit search (although the return is measured differently). The problem is that information may be accumulated in ways which are not associated with formal search processes.

Educational activities, although they may be focused on some other goal, provide consumers with both specific information and more general training which is needed to function in the marketplace. Education also broadens the consumers' time horizon and makes one aware of both an expanded range of possible actions and the implications of those actions. Other information comes

from experience in the marketplace. As they learn about specific products, places to buy and ways to approach the market, consumers accumulate a considerable reservoir of knowledge from which they can draw. However, information may also come from activities which are not related to the individual's own market experience. Consumers learn through talking with friends, observing others, advertising, reading or any of a broad range of possible experiences and associations.

As information is accumulated, it is structured and organized by the individual. In that process, information from a variety of sources may be blended together. For example, consumers learn something about automobiles through explicit search, but that information is combined with what is learned from individual experience, the experiences of friends, the media and other sources. A particular piece of information which the consumer carries into the market is therefore likely to be a compound element and not traceable to a unique source.

Obviously, the question of information processing is relevant to this discussion. More effective processing will result in improvements in both the quantity and quality of the informational stock. The source of the information is important to the extent that information from different sources is likely to be processed differently. A chance remark from a friend, if it is remembered, may prove useful in the market later; however, it is likely that the information will be dismissed as useless and never processed. In different terminology, "bits" of information are accumulated into "chunks;" these chunks (which correspond to the compound elements discussed above) are more useful to the consumer (Simon, 1974). Clearly there are individual differences in this process and all bits of information do not stand an equal chance of making it into a chunk. Having said that, it should also be clear that the argument in this paper is independent of the processing question. The latter is worth exploring, but for the argument here it is sufficient to know that consumers accumulate and recall information not how they do it.²

Regardless of the processing question, it should be clear that the consumer's stock of informational capital is not static. It expands as the consumer adds new information and deteriorates (or depreciates) as information is forgotten or becomes obsolete. Assuming that the latter is a continuous process, some new investment in information will be needed to maintain the stock of information. When net investment is positive, the stock of informational capital expands.³

²Except, as noted below, to the extent that education impacts upon the individual's information processing capabilities. I am indebted to Prof. Loren Geistfeld for this point.

³The precise nature of the capital accumulation process will depend on the production function for informational capital (Ben-Porath, 1967)

In a particular encounter with the market, the consumer's stock of information may be adequate to meet informational needs; in that case, there will be no information acquisition. However, if the returns on investment in new information are greater than the costs, the consumer will make that investment. Either way, the outcome is shaped by the existing stock of information and cannot be understood without reference to that stock.

Levels of Informational Capital

The discussion thus far has treated information as if it were homogeneous. In fact, the types of information which may be useful to the consumer fall into different categories which relate directly to the stock of informational capital. Information may be related to: 1. approach to markets; 2. specific markets; or 3. specific products. The implications of these alternatives will be considered in turn.

The most general sort of information relates to approaches to markets. The question is simply: does the individual know how to function effectively in markets? Even when they lack specific information, individuals who are familiar with how markets function know how to set out to solve a problem. They know where to look for information, how to approach the question and probably know something about the kind of information they need. Skills in this area may be sharpened by education, but may simply result from experience.

A more specific type of learning relates to information about particular markets. Living in a certain location, the individual gains experience with different stores in the area. Over time, he or she learns which stores offer the best price, quality or service. Faced with a particular problem, say the purchase of a stove, the individual will know where to look, even though he or she hasn't made that purchase recently. When individuals move, this information becomes obsolete, which helps explain why newcomers in an area usually find shopping more difficult and time consuming.

The most specific information relates to specific products. Consumers learn the features or characteristics of specific automobiles, air conditioners, paints or whatever. Product-specific information is more likely to become obsolete as products change or be forgotten because once the purchase is made, the consumer has no more use for the information.

Most of the research on information acquisition behavior has been product specific. That is obviously an important topic, but it should be equally obvious that the more general types of market information play an important role in shaping consumer behavior over time. Note particularly that the more general types of information are less likely to become obsolete, thus requiring less investment to maintain them as parts of the capital stock.

At this point, the cost of information should be examined in more detail. Following Becker, the analysis treats consumption as a process which utilizes both time and goods to produce commodities. It is the commodities which enter the individual's utility function (Becker, 1965). Because time has value and is utilized in consumption, the costs of both the time and goods inputs must be considered to account for the full price of the commodity.

Similarly, the time and goods costs associated with acquiring information must be taken into account. These can be incorporated directly into the cost of the commodity. Obtaining information about a purchase requires time for shopping and goods inputs such as transportation, telephone, or buying guides. It is clear that when information costs are high, the cost of the commodity will increase.⁴

As in the general case, consumers can substitute goods and time inputs in seeking information. Buyers guides may be purchased to help focus the search process. Other goods inputs, transportation and communication, can reduce the time input required. The determination of the precise combination is made according to the relative pieces of goods and time.⁵

The argument thus far can be summarized by considering a given consumer at a given point in time. As the individual goes into the market, information needs will be determined by the type of purchase and the amount of information the person already has (the stock of informational capital). Additional information will be obtained if the return on the investment is greater than the cost. The former is determined by the discounted value of the flow of services which results from the effort. The latter is set by the cost of the goods and time inputs.

This discussion provides the basis for the development of a formal model of information acquisition. However, the arguments set forth thus far are themselves sufficient for generating the stable hypotheses. Because these hypotheses are worth investigating in their own right and because they will aid in the further specification necessary to develop the model, a preliminary investigation is warranted. The hypotheses are set forth in the following section.

⁴There are, however, certain trade offs the consumer can make. For example, more extensive shopping may reveal features about a product which make it less time consuming to use. That is worthwhile if the discounted value of the time saved over the life of the product is greater than the cost of the time expended in search. The consumer's time horizon is relevant here in determining strategy.

⁵This suggests that higher-income individuals would substitute for time in the acquisition of information. Higher-income consumers do in fact make the most use of product testing information (Engledow, Anderson & Becker, 1979).

Overview

The preceding section developed the idea of the accumulation of informational capital as a learning process. Therefore, the factors accodicated with consumer learning should be significant variables. Among these, years of formal education and experience in the marketplace are obviously important. Age may be used as a proxy for the latter. Cost considerations are dominated by the value of the individual's time, which makes income the key consideration. Numerous other aspects could be identified, but in this preliminary inquiry, the focus will be on education, age and income. In each case, the discussion will focus on the variable in question, without reference to the others.

Education

Education has an obvious impact on information capital, but it also bears upon cost considerations. Therefore, no directionality can be assumed. Looking only at the accumulation of informational capital, it is clear that additional information should expand the stock. Because an expanded stock of informational capital should reduce the need for additional investment, there should be an inverse relationship between years of education and the amount of information acquisition.

The returns to investment in information, however, are measured in terms of the expected value of the discounted stream of benefits. Because the measure is expectational, education should have an impact. Individuals with more education will be more aware of both alternatives and the potential benefits from additional search. To the extent that education expands the individual's time horizon, additional search can be expected. Take the example of purchasing an appliance. The person with a shorter time horizon would be less concerned about energy costs over the life of the product and would therefore search less.

As noted above, education may also affect the manner in which the consumer processes information. One would suspect that education would promote more efficient processing, enabling individuals to be more effective sorting, organizing, storing and recalling information. Organization is particularly important, and education should enhance the consumer's ability to organize large amounts of information and to move from the more specific to the more general types of information discussed above. Because more effective processing enhances the quality and the quantity of the capital stock, education would, in this case, diminish the need for explicit search in a particular purchase situation.

Taken together, these considerations indicate that no unambiguous prediction can be made about the impact of education on information acquisition. The accumulation of human capital and improvements in processing would discourage

search, but expanded expectations would promote additional investment. The outcome therefore depends upon the relative strength of the two factors.

Age

Because age serves as a proxy for experience in the market, older consumers should be more experienced. It follows that they will have accumulated more information through those experiences. As a result, there should be an inverse relationship between age and information acquisition. This assumes a constant rate of depreciation of the capital stock. The depreciation rate may increase for the elderly as it becomes more likely that information is obsolete and that problems will develop with memory. Therefore the prediction is limited to the individual's working years.

Income

It is clear from the discussion above that higher income raises opportunity costs and therefore increases the cost of investment in information. It follows that there should be an inverse relationship between income and information acquisition. However, it is likely that higher-income individuals (regardless of their education) have expanded expectations; as with education, this would tend to expand investment. Furthermore, higher-income consumers buy a wider range of more expensive goods; this too would increase the need for investment in information. Thus, no clear prediction can be made about directionality.

Summary

The preceding sections have outlined a human capital approach to consumer information. The basic premise is that in any purchase situation, the consumer carries some quantity of information obtained from personal experience and learning. That stock of informational capital becomes a dominant factor in the consumer's decision whether or not to seek additional information. New investment in information is warranted when the returns from that effort (measured by the discounted value of the flow of services it generates) is greater than the cost (measured by the goods and time inputs required). However, just as business may increase production without expanding its capital stock, the individual may expand consumption without obtaining additional information.

Although this is a macro view, it can be integrated easily with research efforts. The link to information processing has already been noted. Other research on specific situations can be included by accounting for the consumer's previous experience in a more systematic fashion. The result should be a more comprehensive view of consumers' information acquisition behavior.

In order to focus that view, more refinements are required. The relationships involved, which are

laid out here in general fashion, need to be further specified. That effort is underway as part of the development of a formal model. The hypotheses set forth above should also be tested; those tests are also underway, with data based on consumers' time use. Together these efforts should provide added definition to a comprehensive view of consumer information.

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THE CLIO AWARD WINNING COMMERCIALS:
A STUDY OF INFORMATION CONTENT:

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Abstract

The purpose and value of television commercials is a subject of considerable debate and concern among government officials. The following reports on an empirical study which addresses this hotly-contested subject. Clio Award winning television commercials are examined for information content. The Clio Award winning commercials demonstrate that commercials can meet both the information requirement that consumer educators desire and creative, technical excellence that advertising practitioners demand.

Introduction

Advertising is an institutionalized and persuasive component of the American economy and culture. Informationally, advertising is indispensable to the consumer in the American marketplace. Advertising has the virtue of informing consumers of the existence, availability, and attributes of products. However, much controversy between advertising practitioners and critics exist as to the usefulness of the information communicated in advertisements, especially television commercials.

The controversy stems around the definition of information value. Given the numerous and varied perspective extant, agreement on the definition remains elusive. However, Resnik and Stern (1977) operationally defined the information value of television commercials with 14 evaluative criteria: price or value, quality, performance, components or contents, availability, special offers, taste, packaging or shape, guarantees or warranties, safety, nutrition, independent research, company-sponsored research, and new ideas. Using a multi-stage random sampling procedure, an analysis of 348 commercials broadcasted by the three major networks, NBC, CBS, and ABC, revealed that 35% of these commercials were judged informative on 1 criterion, 16% were judged informative on 2 criteria, and 1% were judged informative on 3 criteria. The authors concluded, "Even the most favorable results of this study point to the fact that television commercials have room for improvement in providing useful informational cues to the consuming public" (Resnik and Stern, 1977).

The advertising industry recognizes its best television commercials with the Clio Award, the equivalent of the Oscar for movies. How do the best that American television advertising has to offer compare with the "typical" television commercials on the 14 informational cues defined by Resnik and Stern? The present study addressed this question.

Method and Results

Forty-seven business students enrolled in an advertising course at a large western university served as subjects. These particular students were select-

ed because of their dual roles as consumers and as students of advertising. As students of advertising, they understand the intentions of the advertising in the business context. As consumers, they experience the consequence of advertising in the marketplace.

The subjects were shown 27 Clio Award winning commercials and asked to judge the information content by indicating those evaluative criteria that the commercial met. These 14 criteria were the same as those used in the Resnik and Stern study. Advertising practitioners selected these 27 commercials as representative of the various categories of Clio Award winning commercials. These advertising practitioners were not aware of the fact that these commercials were later to be judged for their information content.

The results show that 2 of the 27 commercials (7%) were judged as meeting 3 criteria of informativeness by the majority of the respondents, 9 of the 27 commercials (33%) were judged as informative on 2 criteria of informativeness, and 21 (78%) of the 27 commercials were judged informative based upon one criterion. A previous study by Resnik and Stern (1977) evaluated the information content of typical television commercials using the same criteria of information used in the present study. These researchers found that 1% of typical television commercials were informative on 3 criteria, 16% were judged informative on 2 criteria, and 23.5% were found informative on 1 criterion. Compared to Resnik and Stern's sample of typical television commercials, the present sample of America's best television commercials are found to be informative.

Implications of the Results
of the Study

This study has demonstrated that information may be presented in an entertaining, interesting, aesthetically pleasing, attention-getting, and creative way. America's best television commercials showed that commercials can meet both the informative requirements that consumer educators desire and the creative, technical excellence that advertising practitioners demand. However, this finding must be tempered with the interpretation that even among America's best television commercials, there is still room for improvement--they can still be more informative.

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DISCUSSANT REMARKS

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Introduction

What should be taught in consumer education? What do consumers need? What is the most critical consumer education need; is it decision making or policy making?

Decision making includes identifying the problem, analyzing the advantages and disadvantages of the proposed solutions, developing alternative solutions, choosing the best alternative, implementing that alternative and evaluating the results (5,7). Decision-making includes more than teaching consumers whether to buy Brand A or Brand B. It includes developing skills that can be transferred from one situation to another.

Policy making education on the other hand involves teaching consumers to provide information to decision makers. The goal of public policy education is to increase understanding of the factors involved in public issues so that informed decisions can be made. Policy making includes examining the trade-offs, the benefits, the costs, and determining how a specific course of action will affect different segments of the population. The objective of public policy education in Extension is to help citizens understand and participate in public policy procedures including the economic, social and political decision making processes at the community, state and national levels (1).

What Do Consumers Need?

Before determining what should be taught in consumer education we need to find out what consumers need. Consumer rights as clarified by Presidents Kennedy and Ford suggest to us some areas of consumer need. Consumers need to be informed, to be educated, to be provided with safe products, to have choices and to have avenues available for complaining or redress.

Consumer education is a life long process that begins very early. It is a part of the socialization process. That is the process by which the child learns what is expected of him/her in various situations, the consequences of meeting expectations, and/or the consequences of failure to meet the expectations of others.

The socialization process is cumulative with the family being the first and no doubt the child's most important socializing agent. The child first learns acceptable consumer behavior from observing parents and significant others as they perform consumer roles (13). Consumer education therefore cannot be concentrated in the school attending years since being a consumer is a life long activity.

Extension professionals have identified problems to be dealt with in the 80's. Among the problems iden-

tified are helping families establish economic well being and helping families improve the quality of their lives. These problems will be dealt with and met through programs, materials and other assistances in a number of areas. One area includes programs in consumer education. Consumer education was identified by Extension professionals to mean helping consumers improve competence, marketplace performance and consumer affairs participation (9). Extension consumer education programs as mandated by congress should reach a broad range of consumers: the young, the old, the rich, the poor, the educated and the uneducated.

Extension's Mandate

The Cooperative Extension Service is under mandate to teach consumer education. Extension receives its mandate to be involved in consumer education from the act that created the Cooperative Extension Service. Cooperative Extension Service was established by the Smith Lever Act of 1914. Dr. Kenyon L. Butterfield, president of the Massachusetts Agricultural College, one of the earliest proponents of Extension, was selected to chair a committee on the development of Extension in each state. He recommended that::

"...each college should develop as rapidly as possible a definite tripartite organization that would reach the college in its three functions--as an organ of research, as an educator of students, and as a distributor of information to those who can not come to college." (12).

The bill written by congressman Lever specified that the Extension worker was to assume leadership in every movement, whatever it may be, whose aim is better farming, better living, more happiness, more education and better citizenship. The role of the Extension worker as spelled out in the introduction to the Smith Lever Act is: "...to aid in diffusing among the people of the United States useful and practical information on subjects relating to Agriculture and Home Economics and to encourage the application of the same...to those not resident in said college." (12).

As early as 1948 public policy education was established as an obligation of the land grant universities. In 1954 congress specified public affairs education as one of three areas where work was to be strengthened (1).

Cooperative Extension Service is recognized as the world's largest, publicly supported, informal, adult education and development organization with 66 years of recognized achievement dedicated to the development of people who through their own initiative, identify and resolve problems which affect them (9).

In a recent speech Dr. Opal Mann, deputy administrator, Family Education, SEA, USDA, described Cooperative Extension Service as America's first and only national system of adult education which has enabled people to acquire knowledge and skills needed to adapt to changing social, economic and cultural conditions. A recent publication from the national association of Extension Home Economists, described the county Extension Home Economics staff's role. Six specific goals were identified by the group. They are: 1) helping family members increase leadership skills, 2) helping family members utilize resources more wisely, 3) helping family members to improve family and community life, 4) helping family members identify needs and set goals, 5) helping family members become better decision makers, and 6) helping family members achieve desired level of living (9).

What Should We Be Teaching in Consumer Education?

In Dickinson's paper she suggested a developmental approach to consumer education which integrates both the decision making and the policy making aspects. Her model implies that competencies are sequentially arranged and that the progress of a consumer is predicated upon his or her having experienced previous levels of competency. These levels have been identified as developmental operations of: Organizing, Adapting and Advocating (2).

Findings from numerous research projects including those of Strauss and Schuessler, Piaget, McCarty, Gunn, Miles and others would support a developmental approach as being an effective method of teaching consumer education (13).

The pyramid of objectives as discussed by Langrehr shows progression of consumer education from the coping phase through the influencing phase in an orderly process (8). Edwards suggested that learning to cope must come first, but then the other objectives could be on a horizontal rather than a vertical plane (3).

How to Teach Consumer Education?

The consumer life cycle such as the one proposed by Stampfl is used by program planners as a guide to determine informational needs of target audiences, i.e. that is to determine the teachable moment for a specific concept. For example: market place skills needed by the young person includes among other things how to balance a checkbook, how to choose banking services, and how to develop a simple budget (11).

Extension clientele are represented in the program planning process. They are involved in identifying their own needs and interest. Extension has four program areas in which consumers are reached with educational programs. They are the 4-H program for the youth audience, Home Economics, Community Resource Development, and Agricultural and Natural Resources programs for the adult audience.

Decision making, directly or indirectly is a part of programming in all areas of Extension education. Developing skills in decision making are emphasized

in the Family Resource Management area of both the adult and the 4-H programs. A variety of activities from projects to games may be used to assist in the learning process. Competitive activities with numerous ribbons or awards are used to increase motivation in various program activities.

Policy making activities of Extension educators is limited to teaching clientele in our areas of expertise to influence public policy. Extension's limitations in policy making were spelled out in the 1958 Scope Report.

"Extension's function is not policy determination, but instead its function is to better equip its clientele, through educational processes, to analyze public issues on the basis of available factual information. It was felt that it is the prerogative and the responsibility of the people themselves, individually and collectively to make their own decisions on policy issues. Extension's primary role in public affairs is education, i.e. providing the individual citizen with information and learning experiences to more effectively solve public problems." (1)

Extension professionals are frequently called upon to help clarify the issues in policy making.

Consumer education in Extension is very broad. What should be taught, to whom, and when it should be taught can best be determined by the needs and capabilities of the clientele to be served, as identified by themselves, and Extension professionals at the county, state and national levels.

The role of Extension in consumer education as I see it is both decision making and policy making. The Extension educator's goal is to help consumers clarify values, identify goals, identify resources needed to obtain goals, recognize available resources, learn how to maximize available resources to achieve goals, learn how to increase family resources, understand what the cost and benefits to the family and to society will be in selecting one goal over another, and learn how to influence public policy that will help improve the quality of life.

To some degree Extension educators are involved in all four consumer arenas defined by Dickinson's model, i.e. marketplace, recourse, consumer protection and public policy (2). The Extension educator works to improve all three consumer competencies as identified by Dickinson. The Extension educator helps consumers learn to organize, helps consumers to build human capacity for adapting and teaches consumer skills needed to be successful in the advocacy process. Influencing is more often informal or formal rather than active. Participating is not always assertive. The four learning factors identified by Dickinson are considered by Extension program planners. Emphasis however is concentrated on the first two: stages of the life cycle and level of consumer socialization.

Is Decision Making or Policy Making More Critical?

Extension is involved in teaching consumer education; both decision making and policy making. Both are important. One without the other is incomplete. Langrehr predicts that the 80's will provide fewer government regulations than the past two decades. If this is to be the situation and I believe it will be, it is important for us to analyze what we are teaching in consumer education. Consumer education is more effective than consumer legislation. Consumer legislation has the tendency to give consumers a false sense of security, i.e. that someone is looking out for him; when in fact the best way for the consumer to cope is through his own knowledge and skills.

An increasing need for involvement in public policy education has been recognized by administrators in Extension. In efforts to meet this need, Public Affairs Specialist are being added to Extension staffs and training in Public Policy Education Methodology is being provided for current staff directly involved in areas of public issues.

The ancient oriental proverb - "Give a man a fish, and you feed him for a day. Teach a man to fish and you feed him for life," (10) - could be applied to consumer education. Although if the man is to survive he must have something to eat while he is learning to fish. Teach a consumer to cope, to understand, to question, to conserve, to participate and to influence and he/she will be able to make wise decisions and to influence public policy.

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