

THE CONSUMERS UNIONS OF THE WORLD: HOW GREAT IS THEIR INFLUENCE?

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There are several measures of the influence of Consumers Union. Consumer Reports has an estimated paid circulation of 4,725,000. Multiple readers for each issue, plus our many other publications, books, radio and TV programs, and extensive press coverage of our reports, bring our information to many millions more. We have helped educate consumers to be skeptical and to demand ethical business behavior; we have fostered high expectations about quality, performance and safety. We have influenced national and international policy-making.

HOW MANY CONSUMERS DO WE REACH? Consumer Reports

Quantitatively, we can measure how many copies of Consumer Reports are stuffed into mailboxes and sold on the newsstands, and how much of our information is delivered to consumers in other ways. The second dimension of our influence, the position we occupy in the marketplace of ideas, policy, and the public consciousness is less tangible. But in both of these areas, our influence is substantial.

We have several measures that quantify the reach of the information that Consumers Union delivers. For our March issue, Consumer Reports had an estimated total paid circulation of 4,725,000. Of this amount, 4,600,000 copies were subscriptions and 125,000 copies were sold on newsstands.

Our biggest newsstand seller is the April car issue, which usually sells about 400,000 copies. So for the month of April, our paid circulation is expected to exceed 5,000,000. At our present level of circulation, Consumer Reports ranks approximately tenth in paid circulation among all magazines.

Which magazines have more subscribers? The top four magazines, in order of paid circulation, were Modern Maturity (published by the American Association of Retired Persons), Reader's Digest, TV Guide, National Geographic. These magazines are very large publishing enterprises, and are really in a class by themselves.

The next five largest magazines are predominantly targeted at women readers -- Better Homes and Gardens, Family Circle, McCall's, Ladies Home Journal and Good Housekeeping.

I believe we have a greater paid circulation than either Time or Newsweek, although circulation numbers are always changing. Consumer Reports

has more paid subscribers than National Enquirer, Redbook, Sports Illustrated, Playboy or Cosmopolitan. Our circulation figures show how important quality information about the marketplace is to Americans.

There are roughly 92 million households in the United States. Using our March 1990 circulation figures, we estimate that Consumer Reports has a direct household penetration rate of 5.14%.

Commercial magazine publishers sometimes talk about the number of "eyeballs" they can "rent" to advertisers. Consumer Reports gets in front of a lot of eyeballs, but of course, we don't rent them out. According to our survey research division, each circulated copy of Consumer Reports is read by an average of 2.4 people. This means that the magazine has an additional pass through readership of approximately 6,615,000 readers, for a total of 11,340,000. (This is a very conservative estimate -- the magazine publishing industry generally uses a multiplier of 4.0 readers per copy.)

We haven't counted up library readership, which we know is extensive. (We would welcome a research project on this question). We have 30,000 library subscribers. We know, anecdotally, that Consumer Reports is extremely popular in libraries.

90% of the Consumer Reports subscription base is residential and 10% is non-residential. In addition to libraries, the non-residential portion includes businesses, organizations, doctor's offices, and the like.

With this level of circulation and readership, when we do marketing surveys of potential new subscribers, our survey research division has a hard time finding prospects who haven't received or read the magazine at one time or another.

Consumer Reports' large circulation takes on added significance because magazines are the major media source that the public relies on for consumer information. According to a survey commissioned by the Magazine Publishers Association in 1986, 51% of women, and 53% of men said that they primarily relied on magazines to help them become wiser consumers. 24% of women, and 22% of men, relied on newspapers, and about 20% of women and men relied on television. Without underestimating the significance of TV as an information source, we're convinced that print media remain prime sources for useful information.

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OTHER INFORMATION OUTLETS

While Consumer Reports is our "flagship" publication and the most visible part of CU's work, we have extended our reach through other outlets. CU has a syndicated radio program that provides five 90-second reports a week in about 50 markets around the U.S. CU's syndicated TV News Feature service, which supplies local stations with 12 90-second reports each month, appears in local news broadcasts in 50 markets across the U.S. They contain 56% of the nation's households -- a potential audience of 140 million people. (Not all of these people are going to be viewers for that particular station, so this measure is somewhat imprecise.) The TV News Feature Service is broadcast in 4 of the top 5 television markets, and 15 of the top 20 markets. In addition, our Consumer Reports Television specials have been broadcast for over a decade on the Home Box Office cable channel, which has 17 million subscriber households.

CU's syndicated news column appears twice weekly in 450 papers across the country. That means that we supply 104 columns a year, and if we were to clip one copy from each of the papers that carries our column each week, we'd have a pile of over 40,000 articles.

Our advice and findings are also frequently mentioned in the nation's print media. We issue monthly press releases on the highlights of each Consumer Reports issue to a list of over 450 journalists. Excluding the syndicated newspaper column, we are mentioned in the nation's newspapers and magazines about 12,000 times a year. In 1988, Consumers Union's findings were covered twice on the front page of the New York Times, in connection with test findings on the Suzuki Samuri and the Norelco water purifier.

Finally, responding to the importance of new technologies, the product articles and other information in Consumer Reports are now available through electronic databases such as DIALOG, CompuServe and Prodigy. In a survey of members carried out by the Prodigy information service, which currently has over 65,000 subscribers, Consumer Reports was identified by name as providing the highest satisfaction and the most important content of any service on the database.

All these additional channels for disseminating information from Consumer Reports help strengthen the position of the magazine in the hands of people who don't or aren't likely to subscribe for reasons of income, education level or time constraints.

Consumers Union also publishes books, monthly newsletters and a magazine for children. The number of books sold by Consumer Reports Books in 1989 was about 925,000, including 200,000 copies of our December issue of Consumer Reports, our Annual Buying Guide. We have 72,000 paying subscribers for the Consumer Reports Travel Letter, which began publication in 1985, and 62,000 pay-

ing subscribers for Consumer Reports Health Letter, which began publication in 1990.

Penny Power, our magazine for children, has a home circulation of 130,000 to 150,000, and is used in 1,000 middle school and junior high classrooms, with a school circulation of 18-24,000. Consumer Reports is used in the classroom by about 1,500 high school teachers and has a school circulation of 30-36,000. To facilitate classroom use, we distribute special teaching guides for both magazines, which include learning objectives, potential discussion topics and suggested classroom activities.

The circulation and sales numbers give you some idea of how much information is going out. But today's consumer is barraged with information from many competing sources. It is a continuing challenge for organizations like CU that specialize in delivering information to break through the "clutter." How useful do our readers find CU's information, and how much weight do consumers attach to it?

OUR INFORMATION IS USEFUL AND CREDIBLE

One objective measure of usefulness is the renewal rate among subscribers. Consumer Reports enjoys a renewal rate of approximately 30% among new subscribers, and rates of up to 80% for repeat renewals. These are excellent by industry standards.

Another increase is survey data. We know that Consumer Reports' product ratings are widely used by consumers when they shop. For example, when shopping for appliances:

* 42.8% of consumers surveyed identified Consumer Reports' ratings as an important factor in buying a range, according to a 1989 survey by Better Homes & Gardens.

* 15% to 20% of all people who recently purchased an air conditioner used Consumer Reports as their main source for information, according to a 1989 manufacturing study.

I believe CU's influence can also be measured by tangible consumer support for our work, the extent to which consumers are willing to contribute financial support to CU's fund drive for a new research and testing center. We have raised about \$15 million net in the effort, with an average donation of \$22 from over 400,000 donors. (We have stringent limits on the amount we're willing to accept from donors, and we refuse all corporate donations.)

Related to influence is credibility. Polls indicate that Consumers Union enjoys an unusually high level of trust from our readers and the public at large. A 1982 poll by the Louis Harris organization for ARCO found that consumers trust Consumer Reports more than any other information

source on consumer issues, including the Better Business Bureau and Ralph Nader.

Another poll, this one commissioned by Motor Trend magazine in 1985, found that Consumer Reports had more clout among new car buyers than any other information source. The next most influential sources were dealer literature, magazines that carry ads like Motor Trend, and TV advertising, in that order.

OUR INFORMATION IMPACTS ON SALES

All of the foregoing tells us that we have a significant impact on some product sales. We have many examples that demonstrate the direct impact on Consumer Reports ratings and product articles. For example:

* Sales of Toshiba's ultrasonic humidifier went up 15% in 1986 after being rated number one in Consumer Reports, according to a Toshiba product manager. (Totally Housewares, 11/26/86).

* After a men's suit made by DAKS, USA for J.C. Penney was named a Best Buy in Consumer Reports in August, 1988, sales increased 50%, according to the president of the company which made the suits. (Phoenix Gazette, 10/31/86)

In at least two recent cases, Consumer Reports' product ratings have inadvertently boosted the fortunes of small, previously little-known entrepreneurs:

* Consumer Reports named Leading Edge's Model D computer a Best Buy two years in a row, which helped propel it to become "the IBM alternative of choice on the word-of-mouth circuit." In a little over a year, Leading Edge shipped 200,000 Model D's for estimated sales of \$200 million. (New England Business, 12/1/86, p. 41)

* A favorable review in Consumer Reports contributed to dramatic expansion for Snugli Corp., which had developed a new infant carrier. After the Consumer Reports review, sales grew from \$100,000 a year to \$1,000,000 a year. Production volume went from 300 carriers a month to 8,000 a month. (Inc. Magazine, 3/87)

Some examples of sales impact fall into the "catastrophe of success" category:

* A review in the October 1984 issue of Consumer Reports naming Scotch the highest quality blank videotape caused "a total wave of demand that depleted 3M's inventory." The manufacturer responded by raising prices, which led to distributors to refuse to stock the tape. (Sales and Marketing Management, 9/1/86)

* Consumer Reports' ratings doubled sales of a tractor-type lawn mower made by the Toro Company, and helped sell out the company's snowthrower line before winter came in 1986, the company reported. (La Crosse, WI Tribune, 11/1/86)

* In 1982, a favorable Consumer Reports article about a mail-order color photo processing service caused the company to be swamped with orders and no longer able to provide the prompt service we'd praised them for. (Subscriber letter, CU file)

We also have examples of how negative ratings have depressed sales, and caused long-term changes in the marketplace. One of the most striking examples is changes in shipments of Washington State apples after the May, 1989 issue of Consumer Reports came out in April of last year. This issue contained our test findings on Alar pesticide residues in apple juice. The apple shipments had already dipped in March because of a 60 Minutes report on Alar, but the Consumer Reports article and the media coverage it generated caused sales to fall precipitously again by more than 100,000 cartons. The public outcry led Uniroyal, the manufacturer of Alar, to voluntarily remove the pesticide from the U.S. market.

The disclosure of safety-related information by Consumer Reports also had a dramatic impact on sales of the Suzuki Samurai, a light jeep-type vehicle. Prior to publication of our article in June, 1988, sales of the Samurai averaged 6,000 to 6,500 cars a month. After the vehicle was rated not acceptable by Consumer Reports and the attendant publicity, sales plunged to 2,199 a month. Suzuki sold 71% fewer Samurai's in June than it had a year earlier.

The striking drop in sales led the New York Times to comment that:

"When a prominent consumer organization -- in this case, Consumer Reports magazine -- raises a national alarm about a popular product, people stop buying it immediately." (New York Times, 12/17/88)

In this case, we not only had strong impact on cutting sales, but we were instrumental in getting the federal government to announce that it would consider establishing rollover limits for all autos and extending safety standards for multi-purpose vehicles.

OUR INFORMATION HELPS IMPROVE PRODUCT SAFETY AND DESIGN

There are many other examples of how Consumers Union has helped to change the marketplace, leading to increased safety and improved product design.

* Microwave Ovens: In 1973, we tested microwave ovens for radiation leakage, and issued a "not recommended" warning for the entire class of products. Our report and petition to the FDA led to improved design for oven door interlocks and improved standards for radiation leakage, and today microwave ovens are much safer than when they were first introduced.

* Caffeine in Soft Drinks: A Consumer Reports article in October 1981 sparked a furious marketing war in the soft drink industry over the presence of caffeine in soft drinks. As a result, no-caffeine soft drinks are now widely available to consumers. (6/30/82, WSJ)

* Kerosene Heaters: In October, 1982, Consumer Reports published a scathing report on the safety of kerosene heaters, which devastated the entire industry. More than two million heaters remained on manufacturers' and dealers' shelves at the end of the season, according to the National Kerosene Heater Association. CU presented its findings to the Consumer Product Safety Commission, which launched an eight month investigation costing \$800,000. The CPSC report echoed CU's concerns, and the industry trade association said it would voluntarily implement the recommended changes for the 1984-85 season.

* Motocross Bike: After Consumer Reports rated a children's bicycle "conditionally acceptable" in November 1982, the manufacturer added a front caliper brake as we had recommended.

* Water Purifiers: In our January 1990 issue, we downrated the Bionaire 850 carbon water filter because it clogged after 300 gallons of a 600 gallon test. The Manufacturer, Pall Corp., has modified the final filter in the purifier to improve performance.

CU also has impact on manufacturers that adopt or reflect our testing methods in their own laboratories to improve product design, such as companies that have adopted CU's dishwasher and bumper crash tests. And recently, a water testing laboratory wrote us that, in response to our criticism in Consumer Reports, it would make its reports easier to understand.

While we have a significant impact on manufacturers and marketers, our primary focus remains the effect we've had on the individual consumer, and therefore, collectively, on consumer consciousness and on the marketplace as a whole.

WE'VE FOSTERED CONSUMER SKEPTICISM
AND DEMANDS FOR GOOD PRODUCTS AND
ETHICAL BEHAVIOR

First, we measure our success in terms of providing consumers with the information they need to make wise buying decisions. CU's influence is not only in the dramatic announcements about particular product categories, or getting unsafe products out of stores and showrooms, but also in promoting the quiet, steady, month-by-month empowerment of the consumer by giving unbiased, accurate and usable test information and other evaluations about particular products and services, and how to shop for them. We're giving this information to people. Consumer Reports has educated people to be skeptical about unproved product claims. The resulting aggregation of informed and assertive consumer behavior helps move our society toward a fair marketplace.

Second, we have fostered and established an individual and collective set of attitudes and expectations about the marketplace that permeates consumer and producer consciousness. We've created high expectations -- demands, if you will -- about the quality and performance of products and services and their sellers. This is expressed in several overlapping ways.

** The consumer rights articulated by President Kennedy to the Congress in 1962, and added to by IOCU more recently, really do capture what consumers expect: the right to safety, to information, to choose, to redress, and to a safe environment, for example. This is what many businesses now accept as the marketplace norm.

While Consumers Union can't claim the entire credit for this set of expectations, by any means, our publication has -- in effect -- been relentlessly pushing every month for 53 years for this kind of economic justice. We believe we've influenced how our readers think about their rights as consumers.

** These expectations have been expressed as a heightened sense of what constitutes ethical behavior, and a demand for that behavior. In its January 1990 issue, the trend-watchers at Business Week magazine made some interesting observations about the "hot trends for 1990." They pointed out that Consumer Reports was "in," while narcissism and leveraged buyouts were "out." "Speeches about ethics" were also "in."

For Consumers Union, this demand for ethics has been "in" for 53 years. What's more, it doesn't go "out" for reasons of trendiness or expediency. We've given consumers a fix on what they have a right to expect. We saw this very clearly when we criticized companies that made commercial use of our reports and ratings in violation of our non-commercialization policy. We called such use unethical. Many of the hundreds of subscribers who wrote critical letters to these companies said the same thing. And this policy has strong support from our subscribers. They've told us so in surveys and they monitor the marketplace for us to implement our policy.

I believe that one reason for CU's large following today -- and I can't substantiate it -- is the fact that we've spoken out for ethics in business behavior in an age where greed, cynicism and white collar crime seem to be at an all time high.

** These expectations have been expressed as an insistence on safe products. Years ago, product safety was a fringe issue, the domain of Naderites. Today, it is mainstream.

An article in the March 12 issue of Newsweek points out that companies increasingly emphasize safety in their marketing campaigns for cars and other products. "After years of resistance, Madison Avenue now sees (safety) as a way to

court baby boomers," the article said, pointing out the greater sensitivity of the current generation to safety and environmental issues. The article indirectly drew a connection between this heightened sensitivity and Consumers Union, with a photo of a CU lab technician testing bicycle helmets, and a quote from our Technical Director, David Pittle.

** American consumers believe that business won't protect their interests in the marketplace, and that Government laws and regulations are needed. This has been advocated by CU since the 1930's and with vigor in the 1980's, when regulation was clearly not trendy.

** We've associated consumer protection with environmental protection. Consumer Reports has always reflected -- although it hasn't been a leader -- constant concern for environmental issues. In the last year, we've received many letters from our readers asking for information about how they can consume in an environmentally sound way and we're doing that. In response to increasing interest in environmental issues by consumers, in the last few years manufacturers have introduced a number of "green" or environmentally friendly" products. While some of the advertising claims for these products were questionable, and eight states and the Federal Trade Commission are conducting investigations on whether the products are really environmentally beneficial, it is very significant that the marketplace is responding to this form of consumer pressure.

OUR ADVOCACY OFFICES INFLUENCE GOVERNMENT

Until now, I've discussed our impact on consumers and the marketplace. Another important area where Consumers Union has a strong impact is the work carried out by our three advocacy offices in California, Texas and Washington, D.C. We influence the legislative and executive branches of government. We have spoken out on a huge number of legislative and policy issues in the places where important decisions affecting consumers are made. These include a myriad of safety, financial, environmental, health and other issues.

I'd like to take as an example, a few of the major issues facing poor consumers, something of great concern to CU. CU has become a key lobbyist and an important source for information on health care issues facing uninsured and elderly Americans. In the last year, we have had a very important impact in the area of housing and community reinvestment. Along with other national organizations, we successfully lobbied for a provision in the savings and loan bailout bill that created a national pool of \$78 million for below-market rate mortgages for low- and moderate-income consumers. (The \$78 million is just for the first year, and will be advanced to banks all over the U.S.) Our West Coast Regional Office recently helped negotiate a community reinvestment agreement with the Bank

of America that will provide \$50 million in long-term financing for low-income housing.

OUR SUPPORT HELPS STRENGTHEN THE INTERNATIONAL CONSUMERS MOVEMENT

Internationally, CU provides considerable support for the work of the International Organization of Consumers Unions (IOCU). As does our British counterpart, Consumers Association. With our membership dues and our human resources, we help make this organization an effective global lobbyist and enable it to provide meaningful support for new and young consumer organizations elsewhere in the world.

At some point in the last 53 years, Consumer Reports became a household word. I don't know when, but I know it happened. What that means to me is not only that people recognized a magazine about products and services. It means that a group of concepts took hold in the consciousness of consumers: That consumers should seek and use information, that quality, reliability, safety and redress are important in the marketplace, that consumers have rights and that sellers should behave ethically.

That, in the final analysis, is the real influence of Consumers Union.