

## Forecasts of Consumer Research and Education Needs: A Consumer Advocate Perspective

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Major institutions respond to forces and trends in society at large. Forecasts should have an assessment of basic historical social forces.

It is important to emphasize those needs that society, government, education, research groups, advocates, business, and the media respond to. Fundamental "need," per se, can only be one component of the analysis.

This forecast then uses several criteria to select issues and items for your consideration in education and research. They are:

1. Benefit to consumers is clear and substantial.
2. Benefit to consumers is perceived clearly by important institutions.
3. Priority for consumers is perceived within the consumer movement.
4. Appropriate research and/or education possibilities exist.

### Price Deception

Deceptive practices, particularly price promotions, are on the increase as a natural result of Federal Trade Commission inactivity in this area since 1980. Few State Attorneys General likewise are active now. As a consequence, there is widespread flouting of guidelines, and deterioration of price advertising and promotion ethics in much of retailing.

Examples abound. Some gold, watches, and jewelry department items in a majority of discount and department stores are perpetually on discounts of 30% to 70%. In other words, the regular prices are meaningless and fictitious. Thus the discounts are deceptive and fictitious, too.

A second area of dubious discounts is department store price advertising. Leading stores in many states feature discounts from original, ticketed, or regular prices at which no merchandise was ever sold. Blatantly, many of these stores provide a footnote in many of their advertisements admitting this practice. The failure of the states to prosecute the practice appears to be based in part on the theory that if the footnote says they violate regulations, then the stores are being candid

anyway.

A third example is the "high-low pricing" used by many supermarket chains. In an effort to appear to be deep discounters, stores practice a variety of techniques to give claim that their low prices are discounted even 50% or more. One chain featured in a Baltimore Channel 11 TV exposé on February 9 of this year was caught claiming discounts from "regular" prices that could not be justified. The chain responded quickly to television, while several Maryland regulators would not act. The company claimed a regular price of \$1.13 for a spaghetti product, for example, but admitted it had not sold at that price for more than five months. That's not regular! Indeed, consumer research could verify that \$1.13 is fictitious: neither that store nor competitors charge such prices on a regular basis.

### Charity Deception

Most states regulate charitable solicitations to some degree, including both disclosure rules (charities must say what they do and who they are) and standards of conduct (certain organizations are not charities and certain practices are not permitted). There are also major private organizations that evaluate charities and have had some impact through press releases and other means. Charity scams are also a favorite feature of national "magazine" type television shows. Charities are a serious area of consumer problems.

One major charity scam continues to go unchecked. Consumer education efforts, buttressed by more effective research, both of a legal nature as well as of consumer behavior, could provide that check. There are numerous thrift store companies working under contracts with charities willing to lend these companies their names for small fees. These small fees to charities, comprising perhaps only 5% to 10% of the value of consumers' donations, are the only charitable benefits of such donations. The deception arises from the fact that neither donors nor store shoppers are aware that they are participating in such scams involving private retailing companies where so little money winds up with the charities.

The typical charities involved in such business dealings are lesser known ones, except for several major veterans groups. The charities do nothing except lend their tax-deductible, credible names. The businesses handle collection and sale of the household goods. State and federal taxes (citizens' deductions of charitable gifts) are reduced by considerably more than the charities actually receive, an issue affecting all taxpayers. A citizen may deduct \$100 for the value of a gift to charity. The charity may get \$5.

### **Information Industry Structure**

The cable, audio, and video entertainment, broadcast television, telephone, and computer industries collectively are racing toward an information industry restructuring that will profoundly affect lifestyles of all consumers. The shape of that industry will not freeze in place in the foreseeable future. Instead, the changes will continue to produce increased economic values for most people.

Consumer research and education will need to stress whether or not consumers stand to benefit or lose from various proposals. This will include issues such as the cross subsidies of telephone company market operations by the regulated portions of their businesses. People need advice in the short term about technological obsolescence of their products and how to evaluate new technologies such as home computers or the price of portable phones. Most difficult of all will be keeping a sharp lookout for industries that want to control technologies to the exclusion of others: No greater threat exists to open access to all than that of the traditional regulated telephone companies who own access already to over 95% of all homes and businesses. Their potential for cross-subsidy and providing subsidized information services in competition with others is a clear danger, as evidenced by decades of such corporate behavior.

### **Contest and Sweepstakes Scams**

A significant number of direct marketing companies sell sweepstakes. Of secondary interest to some of them, almost lost in the sweepstakes promotions, are offerings such as magazines or garden products. This is, of course, reverse of the normal order where sweepstakes are promotions intended to sell products to people primarily interested in the products.

This category also includes some sweepstakes companies whose products are junk at high prices. Consumers who do not understand that there is no obligation to buy (if there was, the companies probably

would violate lottery laws) are nonetheless buying heavily.

The essential issue is that the companies prey upon consumers, often older Americans, who are induced to subscribe to magazines or buy unneeded products. Some may buy out of a sense of obligation to the "generous" sweepstakes companies who have provided them an opportunity to win a million dollars. These consumers are treated as suckers. At my home, an 87-year-old male consumer receives 20 pieces of mail per week related to sweepstakes offers, plus unwanted and unread magazines such as Ladies Home Journal, Victoria, or Redbook, as well as various gift items which pile up unused on basement shelves. This pattern exists in many thousands of homes.

Some sweepstakes offers are outright scams. Expensive information services that virtually guarantee success in entering lotteries in other countries make mass mailings in the U.S. These companies, located out of the country, apparently buy the mailing lists of domestic sweepstakes companies.

### **Endnotes**

1. Professor and G. Maxwell Armor Eminent Scholar, Department of Marketing.