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# **ADVERTISING AND THE FOOD SYSTEM**

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# **CONSUMER ORGANIZATIONS AS A SOURCE OF INFORMATION IN FOOD MARKETS**

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"The expert buyer has always been an exception; and the consumer is not only an inexpert buyer but the increasing complexity of consumers' goods is constantly increasing his ignorance."

Tibor Scitovsky 1950

The communication of information between buyers and sellers is an important function of markets. If exchange is to take place buyers must be assured they know enough about the product or service, and conditional terms surrounding the sale, to enter into the transaction. Transactions in consumer markets are frequently characterized by the lack of full and complete information. If consumers do not have adequate information at the time of purchase, and expectations are not fulfilled, a disequilibrium condition develops and the result is market failure.

This paper discusses four topics: (1) the need for consumer information in a highly developed and complex market economy, (2) characteristics of consumer organizations designed to meet those needs, (3) some considerations for organization of local consumer groups for the purpose of providing market information, and (4) a policy proposal for improving the structure of consumer markets to ease communication between buyers and sellers. The analysis seeks to assess the potential for consumer organizations as a vehicle for providing information to consumers and sellers for improved performance in consumer markets.

## **PROBLEM SETTING**

A broad view of consumer organizations and information in consumer markets permits looking at them as a dimension of market structure rather than as simply the provision of information to individual consumers as a means to optimize their decision-making choices. Adequate information in consumer markets requires effective two-way communication between buyers and sellers, and organized consumer groups provide a more efficient means for consumers to communicate with sellers (Dunn and Ray 1979). Organizations of consumers, and the information activities they pursue, affect markets, and potential benefits can accrue to nonmembers and sellers in addition to the members themselves.

Information can be viewed as a characteristic of the structure of a market. This dimension of market structure can affect other structural characteristics such as concentration, entry conditions and product and service differentiation. As consumers become better informed and develop the means to communicate their needs and wants to sellers, market conduct and performance can be expected to improve. The ability of

consumers to communicate effectively will in turn depend on whether they can present collective or organized demands to sellers.

In a perfectly competitive market where sellers are numerous, barriers to entry are low, and the product is homogenous among sellers, the buyer has little or no need for information, other than price, to make his choice of sellers. Under such conditions very slight price dispersion would be expected among competing sellers. However, in real world markets seller industries are not perfectly competitive and buyer ignorance about product characteristics among competitors encourages sellers to differentiate their product in buyers' minds to extract a price premium. As long ago as 1950, Scitovsky observed, "the expertness of buyers leads to standardization, which implies that when the buyers are inexpert, the inducement to standardize is absent" (1950, p. 149). Thus, with uninformed buyers, sellers find it profitable to differentiate their product through advertising or some superficial way to lower demand elasticity and thereby make a higher profit margin. Whereas, this condition is not likely to be called a competitive restraint worthy of legal action, it nevertheless results in extraordinary profits which could be eliminated if buyers were more knowledgeable and demanded more standardization.

Events since about 1975 have taken a serious toll on the American consumer's confidence. Two recessions, high inflation coupled with high unemployment, the oil embargo and political scandals have shaken the nation's beliefs to the point where one observer notes that we have become a nation of cynics (Mahoney, 1978). This businessman observer cites information indicating that a 1978 study revealed that 50% of the surveyed consumers felt they got a worse deal in the marketplace than ten years previously. Furthermore, this attitude carried over to their reaction toward advertising in that 46% of the respondents thought most or all of television advertising was seriously misleading and 28% held similar views about print advertising. This condition indicates the consumer probably would welcome a source of product information with greater credibility.

The consumer information problem has been well stated by Salop (1976). In an oligopolistic industry, imperfect information imposes a cost on consumers if they are to maximize their utility or what Salop calls net utility surplus. Net utility surplus is the satisfaction derived from consumption, less the price of the good or service. The effect of incomplete buyer information on price is that average price is higher and there is greater price dispersion compared to a competitive market. In a perfect market in long-run equilibrium only one price prevails for an identical product or service. In an imperfect market consumers can avoid engaging in a dynamic learning process or search effort only if they are willing to make purchase decisions on the basis of past experience, convenience or randomness and incur the added cost this entails. The consumer must trade off the cost of searching for additional information against the real or potential benefit extra information can be expected to provide.

Complete information is a normative ideal, unrealizable in the real world. Salop suggests that theoretically complete, or near perfect, consumer information would be a type of *Consumer Reports* magazine that would publish *all* relevant information. To attempt this would place

heavy costs and near impossible requirements on the information gatherer. The information source would need to incur the cost of acquiring the information needed by the marginal consumer that wanted the largest amount of information before making the purchase decision. Practical realities dictate that the information gatherer, whether a consumer magazine or consumer organization, must stop short of incurring these heavy costs. The objective of a consumer information service in an imperfect market is to allow buyers with high costs to go directly to the sellers that offer the lowest price (or highest quality) without incurring individual search costs. The quantity and quality of information gathered, evaluation of information, and method of dissemination must be decided by a commercial firm selling information or a nonprofit consumer organization with the objective of filling the information gap of consumers.

Consumer organizations differ in purpose, organization, and mode of operation. A consumer organization has been defined as, "an organized effort by consumers within the environment designed to aid and protect consumer rights by efforts directed at, and through, government, business and private organizations" (Walters, 1978, p. 428). This broad definition encompasses just about any kind of organized consumer activity. One might infer from the definition that the organization is legally incorporated with set procedures to meet the continuing information needs of consumers. A consumer organization needs the continuity and perpetual life resulting from legal incorporation to effectively meet consumer needs.

Probably the only criterion for a consumer group is that there be a common purpose among the potential members (Olson, 1969). These common interests provide a sufficient basis for joint effort. In practice this common purpose includes the seeking or acquisition of some collective good, i.e., a good that can only or most efficiently be obtained by joint effort and pooling of resources. A collective good is distinguishable from a public good in that a public good cannot be provided to one consumer without making it available to all consumers. The most obvious example of a public good is national defense—to provide national defense for one or a few individuals, that same defense system will necessarily protect all individuals. A collective good on the other hand can be acquired for the sole benefit of participating or dues paying members and withheld from nonmembers.

In principle, *Consumer Reports* information is a collective good and only available to subscribers. However, the fact that information in the magazine has a high acquisition cost, yet the individual subscriber cost is low, gives it public good properties. Subscribers can easily share the magazine with non-subscribers at low cost, and non-subscribers can obtain the information from library copies. This "free rider" problem makes it virtually impossible for the information gatherer to capture the full benefit of his effort.

Collective goods presumably can be supplied profitably by private organizations while public goods are largely in the province of governments to supply. For private organizations to supply the collective good there must be sufficient profit incentive. Aggregate potential savings from providing local information services to consumers appear quite large. Dunn and Ray conservatively estimate the national savings at about 10%

of the local consumer services market (1979, p. 42). The local services market is estimated at approximately half of GNP, or one trillion dollars in 1978. Thus, potential savings of at least \$100 billion were available in 1978. The authors anticipate information need only be provided to about 10% of the population (information seekers) to achieve these results due to the total market price adjusting influence of information. If, as the authors assume, the cost of supplying information to this group of information seekers is equal to benefits, there would be a net benefit to non-users of \$90 billion.

Consumers and consumer organizations frequently look to government for redress of perceived imperfections in the marketplace. Thus, government policy toward consumers has been viewed by some as a primary means of correcting marketplace inadequacies. Thorelli and Engledow (1980) characterize consumer policy as resting on three bases: consumer protection, education, and information. Within these broad areas of activity they claim there is wide opportunity for trade-offs and synergies within which to develop a national consumer policy. Their research suggests a redirection of efforts from protection, as evidenced by legal and legislative efforts in recent years, to greater emphasis on education and information. The authors look to education and information as the means to emancipate the consumer from an inferior position in the marketplace vis-à-vis sellers.

It seems unlikely that education and information alone will emancipate the consumer if the structural imbalances which give an edge to sellers in most consumer product markets are not corrected. This edge results not only from the information gap Thorelli and Engledow emphasize, but from the fragmented structure of the consuming sector which results in consumers being largely passive pricetakers in the price-making process. Consumer education and closing the information gap are not likely to put consumers on equal footing with sellers in the marketplace. A greater degree of consumer organization will be necessary to achieve this equality and offset imperfectly structured seller industries. Thus, a convincing argument can be put forth that organization is a necessary fourth base for effective consumer policy.

## **THE ORGANIZATION/INFORMATION MODEL**

Walters (1978) has suggested that the creation of a consumer bill of rights has been the most important accomplishment of the modern consumer movement. One of these rights is the right to be informed. This right to information is usually implemented in the form of protections from fraud, deception and grossly misleading information. Presumably the right extends to the consumer having sufficient facts and information available to make knowledgeable product and service choices.

The consumer's right to be informed, however, does not relieve him of the market awareness and search effort required to make a decision that best satisfies his needs at an acceptable level of cost and risk. Sellers are not required to make full and complete disclosure to buyers, or compare their product with a competitor's product in such a way that would reflect unfavorably on their market offering. In short, the consumer is required to search for the best buy and to acquire and use relevant market informa-

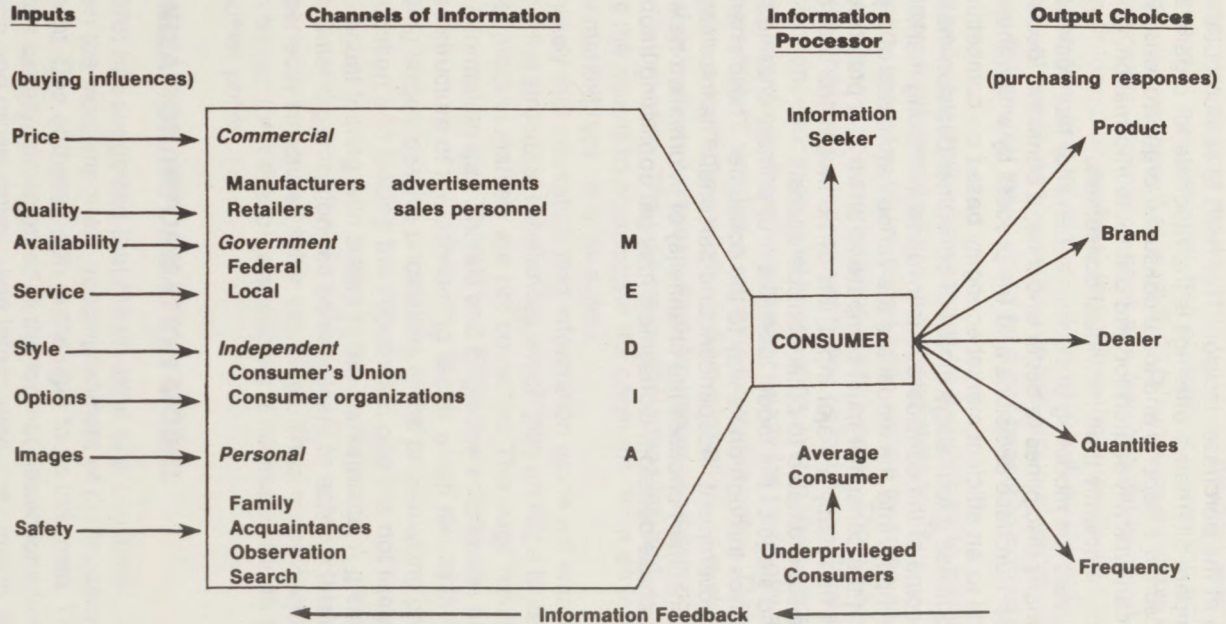
tion to arrive at the purchase decision. This need to search out the best buy and compare alternative offerings is the rationale for organizations such as *Consumer's Reports* and local consumer organizations. Such organizations can typically search for and distribute information, or test products, more efficiently than individual consumers.

In recent years the modeling of consumer behavior has come to the forefront of many disciplines to better understand consumer decision-making processes. Purchase decisions and the process by which they are made are vital to an efficient market economy based on competition.

Figure 1 outlines a four stage model of consumer decision-making incorporating some of the considerations involved in making market choices. The inputs into the model are the various attributes of a product or service that the consumer must compare to arrive at a preferred choice. While price is frequently a major input, it is by no means the only one and often may be subordinated to other considerations.

The second stage of the model identifies four primary channels that information passes through on its way to the consumer. These channels are commercial, government, independent and personal. The information processor (consumer) chooses the channel(s) of information he will use to make the purchase decision. Consumers may get conflicting information

**Figure 1. Organization/Information Decision Model**



Source: Adapted from Philip Kotler, "Behavioral Models for Analyzing Buyers," *Journal of Marketing*, Vol. 29 (October 1965) pp. 37-45.



from different channels and sources must be evaluated for accuracy and reliability. Consumer organizations are an alternative source of information and may be both competitive and complementary with other sources in terms of objectivity, reliability and the quantity and quality of information they provide consumers.

The model outlined here emphasizes the channels or sources of consumer information and as such focuses on the potential accuracy and reliability of the information transmitted because each source presumably controls the message content of the information. This is not to minimize the importance of media employed to send and receive the message. The diversity of the media and new technologies being developed have potential far-reaching impacts on consumers (FTC, 1979a). Of particular significance to consumers is that new communication technologies vest medium-owners with a "gatekeeper" function to control the type of information the consumer will receive. Consequently, access to various media may have to be regulated in some manner to assure legitimate public interest standards are satisfied. Consumer organizations could provide a means of injecting consumer attitudes into the policy decisions over the use of media.

The processing stage of the model links the inputs and channels of information with the individual consumer. The consumer is sometimes thought of as a black box where little is known of how decisions are made. What is known about the consumer and purchase decisions is of a broad and general nature that provides little or no insight into a particular purchase decision (Walters 1978, Chap. 1). It is important to recognize there is wide diversity among consumers and that the concept of an "average consumer" may have little meaning in practice. This diversity of needs, motives, personalities, and awareness among consumers is likely to make organization of consumers difficult. This difference in ability and willingness to acquire, process, and use market information among consumers may necessitate differentiated organizations and information programs.

Capon and Lutz (1979) argue that consumer information programs should proceed from the assumption of an underlying set of wants and needs for information that differ for different segments in the consumer market. In this view consumer information programs would be targeted for a particular group with well defined needs and desires. It then follows from their premise that information programs can be treated as any other product and evaluated in terms of the marketing mix variables; i.e., (1) the type and source of the information, (2) distribution, (3) price, and (4) promotion of the information. Capon and Lutz add price and promotion as important additional variables to the information model outlined above.

The price consumers pay for information is frequently indirect and included in the price of the product or service. The direct money and non-money costs of information may include such costs as consultation fees, test data, search time, mental effort required to process and evaluate data, and the negative effect of annoyance from distasteful, misleading or outright false information.

The promotion of information programs is often overlooked as a prerequisite to successful consumer education. Consumers may need to be made aware of the value of the information program itself and that the in-

formation is available and worth the purchase price. The consumer information product will likely need to be promoted as any other product or service.

Research by Dunn and Ray reinforces the Capon/Lutz segmentation model as an efficient means of information delivery to consumers. Dunn and Ray suggest that the ideal service would, "serve the information seeker segment of the market directly and serve other consumers indirectly by causing providers of local service to change their prices and services" (1979, p. 39). The target group for membership in an information-providing organization will likely be middle to high income consumers that place a high value on their cost of search time. The likely shortcoming of such information program is that the quality of the product or service, and price, may settle in a narrow range around their preferences and neglect the needs of other consumers.

## **THE NATURE AND ADEQUACY OF INFORMATION PROGRAMS IN FOOD MARKETS**

This section attempts to assess the potential for consumer information activity in the food industry. The emphasis is on local organizations and what they might do to improve consumer satisfaction and market efficiency. The consumer market for food is definitely local in that consumers do not travel very far from their residences to purchase food items. Thus, the food retailing service must be evaluated in local communities if it is to be of value to consumers. However, consumer welfare is affected by the structure, conduct and performance of markets further back in the distribution channel and those influences affect the prices consumers pay.

Padberg reminds us that, "the food industry is very large; it contains many firms and is generally competitive in character" (1975, p. 204). Even though the industry is "generally competitive" he goes on to recognize that there are two major oligopoly power blocs of core firms in food processing and retailing. Food manufacturers are the dominant group in the distribution channel because their competitive efforts are directed largely at new product development (differentiation) and introduction through advertising. In short, he accepts the Galbraithian notion of a private technostructure in this activity, and the need for some sort of countervailing public technostructure to identify and assure the "public well-being" and maintain surveillance and guidance of private interests. Padberg views the establishment of a multidisciplinary public technostructure as an institutional base for further extension of the consumer movement in the food industry.

The oligopoly power blocs in food manufacturing and retailing offset each other to some extent. Retailers countervail manufacturers' efforts directed at new product development and introduction by selling a private label line usually priced below the national brands. Both groups seek to identify profitable segments of consumer demand and in the process offer a wider range of choice in price and quality. The end result, however, can be too much choice for consumers, resulting in information overload and high costs from superficial differentiation and heavy advertising expenditures. Attempts to remedy such a situation, other than through the market

mechanism (for example a "public technostructure") might involve such an organization in making value judgments of how much differentiation should be offered in a market. Providing consumers with the means to obtain more information and an organized method for direct feedback to manufacturers and retailers would likely lead to a more optimum range of qualities and prices in local markets based on consumer wants.

Recent efforts to provide more information in food markets have been directed to such areas as unit pricing, computer checkout, stricter labeling requirements, and price reporting. More information in such areas can be expected to reduce the search costs of consumers and improve their market knowledge, but such benefits must be weighed against any increase in costs that would result from the information program. While it might be expected that consumers would become familiar with the quality and prices of food items because of shopping frequency, consumers are not well equipped to compare prices of their market basket items among competing providers. The large number of items typically shopped for, quality differences, and the frequency of price change make the decision of where to shop for maximum satisfaction difficult and subject to error. The assumption underlying the validity of collecting store-specific grocery prices is that consumers are in a position to readily evaluate non-price service offerings among competing stores, but have greater difficulty selecting low price stores, given their quality and service preferences.

Preliminary and fragmentary evidence suggests the quantity of price information in retail food markets is too low to assure competitive results (Devine and Marion 1979; Boynton, et al. 1980). Furthermore, indications are that prices require continuous monitoring if they are not to revert to previous higher levels when the information program ends. The limited experience with food price reporting programs indicates they are a rather complex process and can be expensive if done correctly (FTC 1979c, pp. 64-73 and Boynton, et al. 1980, p. 13). Given the apparent low level of consumer awareness of the potential benefits from such a program, it seems there is a need for public support of these efforts and further experiments if those benefits are to be realized.

The question of whether information about prices and qualitative dimensions of a market are adequate is not easily answered. If only price information were reported, the program could easily send misunderstood signals to consumers. The low-priced store may not necessarily be the preferred store for a significant number of consumers. Padberg (1975) maintains that the question of the adequacy of information is a close relative to deception. Questions of deception deal with whether a claim can be *supported*, while adequacy questions must seek to determine whether there is *sufficient* information available to consumers for them to make informed choices. The adequacy question implicitly draws attention to from whom or where the information can be obtained, at what cost, and how can it best be delivered to consumers.

In an FTC decision, an Administrative Law Judge found that an information program provided by a retailer was unreliable and subject to abuse. The initial decision in the matter found Kroger's Price Patrol survey inadequate to support their advertising claim of having "documented proof" they had the lowest-priced food stores in town (FTC, 1979b, p. 82).

Price surveys are subject to incorrect and biased results if they are not scrupulously developed and based on sound procedures. The Federal Trade Commission staff has set forth important considerations in implementing a food price survey (FTC, 1973 and 1979c) that can serve as an initial model for collecting and reporting store-specific food prices. While grocery store price surveys present some unique problems of survey methodology, they do not appear insurmountable (Perloff, 1980). The potential gain for individual consumers from publication of price indexes depends on how close their tastes and purchase patterns coincide with the items included in the market basket. If a consumer's market basket differs widely from the surveys, the index will not provide accurate indication of prices for that consumer.

Aside from ascertaining the low-priced store in a market, the consumer can frequently have difficulty selecting among different size packages within a store. The proliferation of brands and package sizes that must be assessed make for a confusing, costly and time consuming effort. Widrick found that 33.8% of the grocery product brands surveyed were priced at a quantity surcharge, i.e., the "large economy" size was priced higher on a per unit basis than was a smaller package (1979, p. 99). Even more surprising, the quantity surcharges were significantly greater in stores that offered unit-pricing compared to stores without unit-pricing.

It has been suggested that simply because consumers may not make extensive use of such food industry programs as unit pricing, open dating of perishable merchandise, and nutritional labeling, is not sufficient reason to fault or discontinue such programs (Padberg, 1977). These programs, while they may not be a major input into the individual consumer's purchase decision, may be a means to impose "system discipline and public accountability" on food manufacturers and retailers. Thus, such information disclosure efforts are designed to provide what Padberg calls "Societal Sovereignty" as a substitute for the outmoded concept of "Consumer Sovereignty" that has been the conventional textbook wisdom of the past.

Consumer organizations offer the promise of finding some middle ground between consumer and societal sovereignty. To the extent that consumers can identify collective wants and communicate these wants to manufacturers or retailers, they may be able to secure products and services in keeping with those preferences. Even though sellers are quite willing to curry favor with different demand segments whenever it shows promise of being profitable, consumers are not fully aware of the potential savings from greater standardization.

## **ORGANIZATIONAL CONSIDERATIONS**

Arrow has written that the purpose of an organization is to "exploit the fact that many (virtually all) market decisions require the participation of many individuals for their effectiveness" (1974, p. 33). The failure of the price system makes organization necessary to bring the system back into equilibrium and assure its fair and efficient operation. A serious lack of information to dispel uncertainty can destroy confidence and the willing entry into exchange transactions and prevent the price system from functioning effectively.

The current structure-conduct-performance of the food industry is such that large manufacturing and retailing firms seize the initiative regarding product selection and marketing programs with relatively little consumer input. In view of this situation an argument can be made for some form of subsidy to assure consumer input. Government assistance to provide information and/or establish consumer organizations is one form of subsidy. In view of the complexity of the food industry and the difficulty that large scale firms have responding to an atomistic consuming sector, it seems inevitable that person-to-person accountability should give way to various forms of "automated accountability" to guarantee that consumers' interest will be heard and acted on (Padberg 1977, p. 12). The manner in which governmental assistance to consumers can be accomplished most efficiently and effectively is of course unknown, but experience in other roughly similar situations provide some suggestions.

The development of the Farm Bureau might serve as one model for potential organization of consumers. Olson (1969) outlined that organization's development and its clear dependence on the Smith-Lever Act of 1914 for its early establishment. This act provided that the federal government would share with the states the cost of programs for providing "county agents" who furnished farmers information on improved methods of agriculture developed by agricultural colleges and experiment stations. Many state governments decided that no county could receive federal money unless it organized an association of farmers as evidence of an interest in obtaining more information on modern agricultural methods. The county organizations became known as "Farm Bureaus" and were the beginning of the extensive Farm Bureau organization of today.

Government funds for the efforts of county agents increased significantly during World War I and the number of county Farm Bureaus expanded as well. County agents were the main source of leadership and expertise for county Farm Bureaus; statewide organizations were soon formed and the national organization, the American Farm Bureau, was established by 1919. Up to this time, according to Olson, the Farm Bureaus were quasi-official organizations, set up in response to financial incentives provided by government and provided individualized benefits to members. Farmers could not obtain the services of the county agent unless they were members of the county Farm Bureau. Under such conditions the Farm Bureau dues were a good investment in agricultural education and improved farming methods for farmers.

The development of the Farm Bureau demonstrates how a widely dispersed and fragmented industry can be organized. However, without government assistance the organization task might never have been accomplished. While events subsequent to 1921 resulted in the separation of the Farm Bureaus from their close ties with government and the county agent system, the organization was able to survive and remain viable.

Whether consumer organizations could develop along similar lines is an open question. Given the increasing complexity of the market for consumer goods there may be sufficient incentives for both public and private investment in a program to improve consumer education and information. Critical to the development of county Farm Bureaus was the expertise of the county agent. A similar need for expertise exists today to communicate

alternatives to consumers regarding the economic problems they face. Such a program would assist consumers in becoming more expert in their approach to purchase decisions and make them more aware of how economic conditions in various industries affect their standard of living.

As part of the institutional support base for consumers, the National Consumer Cooperative Bank Act was passed in 1978. The bank provides a source of funds for non-profit consumer cooperatives and will provide technical assistance for low income consumers to establish an organization and develop it as an ongoing concern. The organization of the bank is patterned after similar banking organizations that have assisted farmers in the establishment of producer cooperatives and to this day provide financial support.

Carol Tucker Foreman, Executive Director of the Consumer Federation of America at the time, suggested that consumer cooperatives have the potential to be important economic factors in food marketing (U.S. Senate 1976, p. 78). While this potential is not well borne out to date by successful examples, they offer promise of lower prices, direct consumer control of costs and marketing methods and increased competition in food markets. Foreman suggested that direct competition from nonprofit cooperative firms may be necessary to act as a restraining influence on for-profit firms in highly concentrated markets.

An important consideration regarding local information programs for the food industry is whether an organization could be involved solely in local food industry problems and survive. The answer seems to be no for two reasons. First, the organization must plan for its continuity, yet if it is successful initially in accomplishing its goals, members may no longer see a need for it and drop out only to have problems reoccur. Second, a sound strategy to insure the continuity of the organization is diversification. Diversification is important because of time delays for different markets and suppliers to adjust to the organization's programs (Dunn and Ray, 1979). Thus, an important consideration for a local information organization is selecting a market where it will provide diverse services.

Dunn and Ray claim a successful information services organization cannot be expected to develop as a profit-making venture. The weakness of a profit-making firm is the potential conflict between serving stockholders and serving consumers.

Government would seem to have a limited role in local consumer information programs. While they might provide funds to establish local organizations, it does not seem feasible they would enter directly into providing information, particularly if the program involved making comparative ratings of competing firms' products or prices. Government has an important role in setting minimum standards for health and safety of consumers, but to make inter-firm quality and price comparisons seems an unnecessary intrusion into market functions. An appropriate role for government might be to provide grants to existing consumer organizations offering information services. Such grants would enable the organizations to extend their services to new markets, evaluate and redesign existing programs, or conduct research into local service delivery of information services (Dunn and Ray, 1979). Non-government institutions could support this same agenda

and be even more flexible in making grants for a wider range of experiments.

## **CONCLUSIONS AND A POLICY SUGGESTION**

The thesis of this paper is that consumers frequently face the problem of inadequate market information at best and at times are confronted with misleading and outright false information. If each consumer is to engage in the personal search required to fill these information gaps and determine the truthfulness of suspected false information, it would be a difficult and time-consuming task and uneconomic in terms of potential costs and benefits. The frequency of imperfectly competitive seller industries suggests that if consumers organize their collective demands they can become a potent market factor to insure more competitive conduct and performance by sellers.

For consumers to make informed decisions in the marketplace requires more than the simple acquisition of market information. Typically, consumers lack the necessary expertise to know the critical information elements to look for and how to evaluate the data to optimize purchase decisions. Even though these critical information elements, and the relative importance to be attached to them may differ among classes of consumers, this is the objective of consumer organizations. The organization jointly decides the important product and service markets with inadequate information, the elements of information to be collected and how information will be processed and delivered to members. This process will tend to coalesce members' purchases around the seller(s) that most closely meet the organization's requirements. This in turn can change the structure, conduct or performance of the market.

Education and experience required to obtain expertise and the information necessary to acquire market knowledge have properties of public goods which justify the involvement of government to improve market performance. Numerous examples can be cited where government is currently involved in regulation, education, consumer protection, and information distribution to affect results in the marketplace. However, some of these activities are criticized as being independently initiated by zealous bureaucrats and are, therefore, considered to be lacking in public support. To the extent consumer organizations exist, and function democratically to support such efforts, they lend credence to government intervention in market processes.

In the writer's opinion the time has come to make a serious effort to assess the possible benefits from local consumer organization. This assessment will likely need a modest financial and other resources commitment from government to design and establish a selected number of local consumer organizations to gain information on the problems and possible gains from such organization. These experiments would need to address the questions of whether consumers in a local market perceive sufficient private and public gain to warrant organizational effort and the development of a strategy to accomplish the goals and objectives of the organization.

A critical and scarce resource in such an experimental effort is likely to be the "expertise" in consumer matters. Organizational efforts will need to

plan for the acquisition of this scarce resource. In the County Agent/Farm Bureau effort the county agent was the communicator of information to farmers, if not the ultimate expert, and provided the leadership to link information on research findings and improvements at the university level with farmers who could adopt those new developments.

Experiments in consumer organization conceivably could rest with an agency with a mission of education and communication of information to consumers at the local level. The local county extension office might again be a logical choice as it is already engaged in such activities. The role of the local consumer specialist could be limited to education initiatives directed at exploring alternative approaches to a consumer information program, the possible benefits of organization, and leadership training.

A possible problem confronting consumer organizations is the absence of a parallel to the agricultural experiment stations that are the source of new technologies and methods for farmers. The breadth of consumer products and services and the diversity of consumer interests will likely make the task of acquiring expertise and communicating information to consumers much more complex and difficult than was the case for agriculture. However, because the Federal Extension Service has had a long involvement in education and information programs at the local level, it seems an appropriate vehicle for conducting information and organization experiments.



## FOOTNOTES

<sup>1</sup>The content of this paper represents only my personal views. They are not intended to be, and should not be construed as, representative of the view of any other member of the Federal Trade Commission staff or individual Commissioners.

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