

BUSINESS AND THE CONSUMER

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The central theme of this conference -- America: A Business Civilization -- seems hard to dispute as a descriptive tag of our society. Whatever else may be said of us, and obviously much else can be, few would question that the United States is at base a market oriented, a business community. And while a knowledge of our industrial, mercantile and financial corporations might not be a sufficient condition for an understanding of our culture -- our values, our behavior patterns, our tastes -- it is certainly a necessary condition. Further, it seems self-evident that at some point the impact of the business complex on the citizenry must be acknowledged. It is the assignment of this paper to comment on the relationship of Business to the Consumer, -- both spelled with capital letters.

The problem of the character and the tone of the relationship between business and the consumer may be looked at, of course, from several points of view. One might, obviously, point out that while all businessmen play the role of consumer, not all consumers play the role of businessmen. This suggests that the relationship is a part-whole one. It would follow, then, that actions that might be beneficial to the part need not, on that account alone, be beneficial to the whole; and that policies that might be beneficial to the whole might appear to be so only differentially, or not at all, to the part. Such a relationship has many ramifications, but we will pass them over.

Another approach that might be of interest is the comparative institutional approach. In this we could take the non-business societies and compare them with business centered cultures, especially our own, and see what problems are common to both and what are unique to business communities. At various times and in various places societies have centered their life patterns around the church, or the landed gentry, or the military. If many of the problems we face today were also faced by them, in reasonably close detail, it seems rather clear that we cannot attribute such problems solely to our business institutions in any simple way. It may turn out that our TV scandals and our "phases of the moon" conspiracies are but old human greeds in a new guise. Of course, such a broad scale analysis is out of the

question here. We can, however, observe that, just as past societies had to live with their central institutions, so must we make our peace, or truce, with the industrial and commercial structure of our world. In this respect, how have we been doing? How have we come to grips with our industrial structure; or, and this is probably more relevant, what do we ask of it and what does it ask of us?

We apparently want business to pour out a vast assortment of the furniture of life. We want it to furnish full employment; we want it to generate high income and, if possible, in a non-inflationary manner; and business should, at one and the same time, be big enough to stand as the bulwark of an enormous military and defense effort and yet have units small enough to permit ease of entry in order that the "little fellow" will not be denied the opportunity to run his own shop. Further, business should not commercialize our culture, nor vulgarize it, as it goes about hawking its wares. Nor should it so routinize its operation that the touch of humanism is lost. These, with others which you can doubtless add, present our demands to the business community.

Of course, it is only fair to look at the other side of the coin to see what business expects of the consuming public. An equally long and diversified list appears here. Business seems to expect that we be sufficiently steeped in the Protestant Ethic to find work agreeable and, if not agreeable, at least an acceptable calling. Also, we should be that peculiar character, the Puritan-Spender -- one who saves so that net investment is possible and yet spends freely (or borrows), as the ads tell us, so that markets can be cleared at current prices. Further, we should accept the ritual of the yearly model, submit to the couch of the hidden persuaders, suffer the inquiring telephone calls, and endure the long questionnaire. Above all, our image of the Corporate Personality must be clear, sharp, favorable and wholesome. There are to be no angry young men throwing stones at the Industrial Establishment.

Our concern in this paper will be with one aspect of this dichotomy of the business-consumer relationship. We will look upon it as an uneasy truce and take up first what we may call the case of the uneasy businessman and then touch on his counterpart, the uneasy consumer.

The Uneasy Businessman. In many ways the business community has shown signs of uneasiness. It has almost made an industry out of trying to understand itself. There are a host of firms specializing in the study of their brethren.¹ Many of the industrial and commercial establishments have developed a disturbing interest in their own image. They seem too often on the defensive and too often

obsessed with the notion that nothing can be taken at face value. All must be interpreted. Inspection is replaced with introspection. The time study is being replaced by small group analysis; and the copy-writer, by the T. A. T. expert. One gets the feeling that it is not so important to make a product as to know that the people who make it are a happy lot; or to sell something to someone, as it is to understand why in the world he might buy it in the first place. One senses that there is an apprehension on the part of the industrial establishment that a once loyal public has become skeptical and disenchanted.

The Uneasy Consumer. Where the business community is afraid that their followers are becoming disenchanted, the consumer is afraid that he is going to be both automated and manipulated. Clinging with considerable tenacity to an inherited image of a more tranquil, rural life and the simple virtues of a smaller community, he is worried that the bigness, the centralization, the growing metropolitanitis which he sees around him, will be more than he can handle. The stereotype of the American way of life is still, to an amazing degree, the old art calendar scene of the crossroads town with the Congregational Church steeple peering above the maple trees. But the consumer is more and more aware that Interstate 90 and a motel are on the hillside back of the county courthouse. This makes him uneasy. The future is coming at him too fast and too unexamined. He sees himself too often as a Willy Loman, not a Robert McNamara.²

The Elitists and the Moralizers.³ Let us stand back for a moment from the present scene and consider a longer view. There is, as we all know, the argument that man is a product of his environment. Moral standards and behavior patterns, from this vantage point, are seen to be chiefly the outcome of events external to man's inner self. Many such critics believe that Big Business, with its control of what will be produced and because of its influence on what will be said via the mass media, is in large part responsible for the nature of our society, in general, and for what they consider its low tastes and materialistic values, in particular. And these critics would like to see something done about it. The question is: Who? How?

Various measures have been proposed. One suggestion is that a group, a small elite segment of society (usually unspecified as to makeup) is needed to intervene and set standards and to keep proper levels in aesthetic and cultural matters. Another proposal is that someone of high government rank, possibly of cabinet stature, be the watchdog of the market place.⁴ Still others see a strong class structure, not just an elite group, as essential to preserve values and standards. In the eyes of such critics a classless society is bound to be free and loose and fall to the lowest common denominator because

no one will know his place and what is appropriate to it. The essence of all these points of view, it seems, is that indifference curves are to be mandated. Also, there appears to be a simple faith in a sort of upper class Says Law (quality supply will create its own demand) or a kind of Gresham's Law in reverse (good will drive out bad).⁵

A very different point of view is that taken by those sometimes referred to as the "Moralizers." Here the underlying assumption is that tastes and values must be personal responsibilities. It is the duty of each to develop his own set of standards and reach his own level of tastes. Not that this is done in isolation, but that such things should not be imposed from without, whether by a group of elitists or higher social class or by some central ministry. Nor is the industrial and social structure to be blamed directly; one's indifference map is inner directed. It reflects, or should reflect, the morals, disciplines and values learned in the home and church, not the ethics and standards of the quiz program.

The above comments on the social order do not by any means exhaust the points of view in this field, but rather they let us pose two extremes that throw some light on the business-consumer relationship. If we cast the above in economic terms, it seems that what is at issue, basically, is whether the forces of supply or the forces of demand are determining. Is the uneasy business sector, as the supplier, or the uneasy consumer, as the demander, dominant in our industrialized society?

"Big Battles" and "Little Battles." The position taken here is that the demanders, by and large, call the tune, but more on some occasions than on others. In the big battles with business, the consumer has had some startling victories. The Edsel affair comes to mind. In this case one of the most powerful business organizations in the country spent millions of dollars via the mass media, utilizing all the tricks of promotion dreamed up by skillful agency men. Yet the consumer remained unimpressed. Or, consider the conflict as to whether or not downtown should be transported to the cornfields of suburbia; this seems to be going the way of the consumer, despite the persistent opposition of the big central city merchants. When the Consumer decides to act, Business shares little of the belief that he lacks power; business is well aware that the consumer is a free variable in the system of the market place.

However, all battles are not big battles, and in the small wars -- the daily battles of the market place -- the consumer seems to fare less well. It is here that we come to grips with the striped toothpaste, the cigarette in the tattooed hand, the pen that writes under water, the new, all-purpose jim-dandy detergent. It is this small

war that in many ways irks and distracts. The incessant new gimmick, the raucous hard sell, the new model that displays a "distinction without a difference," the grandiose claims for the little products, are hard to live with. And it may well be that it is the atmosphere created by this hawking and puffing in a high key which is most destructive of human dignity.⁶ To make a big thing of every new package, new color, new gimmick, new premium deal, is not called for in a society that likes to think of itself as mature and literate. The massive attack to sell the unimportant product is intolerable. The job of demand stimulation and product promotion is not at issue;⁷ it is the matter of proportion which is at stake. There is little need for advertising to become what has been called "creative psychiatry."⁸

If our interpretation of the situation is allowable, it would seem that in weighing the victories of the big battles versus the defeats in the smaller wars the consumer, while not king, seems to be a reasonably successful, if at times shaky, protagonist in the market place. The critics notwithstanding, it is not overstating the case to say that the market place is now doing its job tolerably well in allocating resources to varying consumer tastes. There is considerable output of hi-fis, serious paperbacks, classical records, aesthetically adequate models, do-it-yourself merchandise, etc., to counteract, in a measure at least, the tinsel, the garish and the standardized. The source of the standardization we have is for the most part in the consumer.⁹ The chap who said "I want to be a non-conformist like all those other guys" was even more revealing than witty. The bandwagon appeal is as strong as the snob appeal, and much more prevalent.¹⁰ The fact that some elements of society are appalled at what the market churns out may only mean that demands differ.

But that the market should work tolerably well in many ways is not enough. It should work much better. What needs attending to is the sensitivity of the mechanism. Several suggestions come to mind, none of them new or startling, but it is hoped relevant.

"Fat" and "Lean" Products. Speaking in another context having to do with the lack of price competition in the distributive trades and the substitution therein of service proliferation as a way to attract customers, Adelman refers to what may be called "fat" and "lean" products. Adelman's point is this:

An additional service, whether or not embodied in any physical object, means an increment to cost and to revenue, and if the latter exceeds the former, the service is rendered. The basic question is whether the market is providing an objective measure of the value of the particular incremental service. Unless

the consumer has the alternative of choosing the increment of service at a higher price, or the lesser service at a lower price, we can not tell whether the increment is worth its cost in a free market.¹¹

Taking some liberties with Adelman's approach, we here suggest that a "fat" product is one that has any attribute unwanted by the purchaser, be it a physical aspect (deluxe feature, extra richness, etc.), extra service (credit or delivery, sales assistance, premiums, etc.), or other cost-incurring but assumed demand-generating activities (celebrity endorsements, advertising gimmicks, TV quiz programs, fancy wrappings, etc.). A "lean" offering is the opposite; i e., it has only the physical and psychic attributes attractive to the purchaser. The question now arises, vis-à-vis our business-consumer affair, how does the market mechanism work to keep out the fat products and offer the lean in any realistic fashion, realizing that what is fat for one may be lean for another and some compromise is necessary if costs are to be kept in bounds?

Adelman suggests, in his analysis of retail competition, that the market works not too badly but with inconvenient lags and explosive jumps. The difference between what a consumer wants and what he gets has to develop rather dramatic proportions before some competitor risks a leaner offering. With this we are in considerable agreement. The compact auto, the discount house, the paperbacks, the do-it-yourself models have appeared and indicate that a leaner offering can also succeed when consumers are given a chance to make their demands known in a direct manner. But the outcome when consumers cannot let their demands be known in a forthright manner is not so satisfactory. In many areas there is no adequate way for consumers to indicate dislike of specific parts of the retail "bundle." Today, especially, this is the case in the area of propaganda and promotion.

Consumer reaction to advertising and other promotional techniques obviously varies. For those who like the products advertised and also like the promotional methods, there is no problem. But for those who may want the product but who find the propaganda offensive, there is a problem. In such cases the only forceful way to protest is to stop buying the item. Letters to the editor, postcards to the Federal Trade Commission or the Better Business Bureau are inadequate. It would be more in keeping with a market economy to have some way of separating the singing commercial, the soap opera, the doorstep handout, from the products they promote. If we separate credit or delivery or guarantees in the retail sale, why not "untie" the promotional offering in the bundle? We need an Alice-in-Wonderland world

in which such greater consumer choice is possible. In such a world, if you enjoy the Mad Hatter brand of coffee but dislike and/or do not view his TV spectacular, you would pay less than those who like and enjoy both. In short, \$1.00 for the coffee and TV; but 90 cents if only the coffee. Seriously speaking, we need less tie-ins in a society that relies on the open market to allocate resources and satisfy consumer demands.

In closing, the obvious will be restated. The central assumption running through all our arguments is that in America, a business civilization, we are to have a market economy, not a planned one. It has been further evident that the point of view taken has been that the market does a workable job but it should do a much better job of reflecting consumer desires to the business community. If this seems to indicate a naive and uninformed notion of the actual workings of the economy, it is readily admitted that markets are not as self-regulating and as smooth-running as laissez-faire theory might lead one to believe. The half-filled package, the misleading advertisement, the inadequate label, the concealed shoddiness, the collusive agreement, the obnoxious promotion will never simply vanish. The market needs constant policing. The consumer movement needs support. Active effort is required to keep the exchange process from being manipulated. Laws that are aimed at the encouragement of open markets and the prohibition of restraints on trade are to be welcomed. Above all, it seems evident that there must be a running battle to keep the consumer informed. Collusions are typically secret, the misleading ad is written to foster ignorance, the shoddy product is labeled to confuse comparison, the dishonest service guarantee is worded to simulate the real thing. Where there is ignorance or concealment, special interests can come out on top. Efforts to keep the system open and viable may well be one of the most important tasks of the future.

Footnotes

1. For an interesting account of a self-conscious society, see John R. Seeley, "The Americanization of the Unconscious," The Atlantic Monthly, July 1961, pp. 68-72.
2. For a discussion of how various social classes view the business community, see Burleigh B. Gardner and Lee Rainwater, "The Mass Image of Big Business," Harvard Business Review, November-December 1955, pp. 61-66.
3. The terms Elitists and Moralizers and much of the tone of this section have been borrowed from Winston White. For his interesting treatment of this whole area, see Winston White, Beyond Conformity (New York: The Free Press of Glencoe, Inc., 1961), especially Chapters 2, 3, 4 and 5.
4. The proposal of the elitists to have someone dictate matters of taste should not be confused with proposals now before Congress to have a Department of Consumers (Senate bill S. 1688 and House bill H. R. 9619). In the latter case the intent is merely to keep the system informed and more efficient.
5. For those who distrust the workings of the market and who think an elite is necessary to set and keep things right, it might be more à propos to aid consumers in becoming their own elites than to set up extra-market arbiters. If we believe that the better the education, the more satisfactory the taste of the individual, then the future should be planned to include subsidies for more and better education. While we get at the market place in this manner by a non-market transfer of resources - (school taxation) - the result should be a market that works better from their point of view.
6. An excellent discussion of the mass media and their social impact, with some countering comments, is given in a recent issue of The Journal of Social Issues: Raymond A. Bauer and Alice Bauer, "America, Mass Society and Mass Media"; Lewis A. Coser, "Comments on Bauer and Bauer"; Talcott Parsons and Winston White, "Mass Media and the Structure of American Society"; The Journal of Social Issues, XVI, No. 3, 1960.
7. Some interesting comments on the need for advertising and/

or a substitute are given in K.E. Boulding, "In Defense of Monopoly," Quarterly Journal of Economics, August 1945, pp. 538-41.

8. This term has been attributed to Veblen: David Riesman and Staughton Lynd, "The Relevance of Thorstein Veblen," The American Scholar, Autumn 1960, p. 548.
9. The "standard package" is developed by David Riesman and Howard Roseborough, "Careers and Consumer Behavior," Consumer Behavior, Vol. II, ed. by Lincoln H. Clark (New York: New York University Press, 1955), pp. 1-18.
10. For a discussion of these concepts, see H. Leibenstein, "Bandwagon, Snob and Veblen Effects in the Theory of Consumer Demand," Quarterly Journal of Economics, May 1950, pp. 183-207.
11. M. A. Adelman, "The 'Product' and 'Price' in Distribution," American Economic Review, May 1957, Proceedings, pp. 271-272.

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