Consumerism and Public Policy Issues

Examining consumerism and public policy issues can help marketers better understand the context and processes surrounding how consumers acquire, consume, and dispose of goods and services. This chapter opens with a definition of consumerism and an overview of the major consumer rights. Next, you’ll learn about the government agencies, industry regulations, and groups involved in public policy. Then you’ll explore specific issues in consumerism, including deceptive advertising and labeling, deceptive selling, product information, and product safety. The chapter ends with an overview of consumerism around the world.

What Is Consumerism?

Consumerism is “the set of activities of government, business, independent organizations, and concerned consumers that are designed to protect the rights of consumers.”¹ Note that the key focus is on consumer rights. In 1962 President John F. Kennedy proposed the Consumer Bill of Rights to guarantee consumers several basic rights fundamental to the effective functioning of our economic system.² These are the rights:

- **Right to safety.** Protection from offerings that might be hazardous to health and safety.
- **Right to be informed.** Protection from fraudulent or misleading advertising and other forms of communications and access to the information needed to make an informed decision.
- **Right to choose.** Access to a variety of offerings at competitive prices wherever possible. If choice is restricted, the government will ensure that consumers receive satisfactory quality and fair prices.
- **Right to be heard.** Full and sympathetic consideration of consumer interests in the formation of government policy.
- Since 1962, other presidents have added more consumer rights:
  - **Right to consumer education.** Access to knowledge about the offerings acquired and consumed.
  - **Right to recourse and redress.** Right to a fair settlement of problems encountered.
  - **Right to an environment that enhances the quality of life.** Right to live in an environment that is not threatened by pollution and hazardous waste.
Over the years, these basic consumer rights have formed the foundation for many public policy discussions and decisions as well as much consumer behavior research. Researchers have been especially interested in applying consumer behavior principles, theories, and research methods to better understand consumer issues and offer suggestions to improve consumers’ lives. In addition, various government, industry, and advocacy groups and agencies can influence marketing practices and the development of regulations to protect consumer rights.

Groups Involved with Public Policy and Consumerism

Three types of groups play a major role in the formation of public policy decisions to protect the rights and interests of consumers. These include various government agencies, self-regulating industry groups, and consumer groups.

Government Agencies

Many government agencies look after various consumer interests and regulate fair trade. Although the entire list is too lengthy to present here, Exhibit 1 shows the main federal agencies that handle U.S. public policy issues affecting consumer rights. Other federal, state, and local agencies also play an important role, depending on the nature of the problem or situation. Many countries maintain government agencies for consumer protection, as discussed later in this chapter.

<table>
<thead>
<tr>
<th>Federal Agency</th>
<th>Responsibility</th>
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<tbody>
<tr>
<td>Federal Trade Commission (FTC)</td>
<td>Originally established to curtail unfair trade practices and limit monopolies, the FTC’s role has expanded to include investigating advertising claims, selling practices, and price-fixing and issuing penalties for deceptive advertising and other illegal activities.</td>
</tr>
<tr>
<td>Food and Drug Administration (FDA)</td>
<td>The FDA protects consumers from drugs, food, cosmetics, and therapeutic devices that may potentially be harmful, and it is concerned with the amount and nature of information provided about these products on the package or in the advertising.</td>
</tr>
<tr>
<td>Federal Communications Commission (FCC)</td>
<td>The FCC regulates interstate TV, radio, and wire broadcasts and ads in these media, as well as broadband infrastructure.</td>
</tr>
<tr>
<td>Consumer Product Safety Commission (CPSC)</td>
<td>Originally established to investigate product-related accidents and to recall products that are defective, the CPSC also attempts to identify unsafe products and ban products with an unreasonably high level of risk.</td>
</tr>
<tr>
<td>Environmental Protection Agency (EPA)</td>
<td>The EPA is responsible for developing and enforcing standards to protect the environment from threats such as pollution, garbage, and hazardous waste.</td>
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Whether consumers should protect themselves from products and services or whether the government should intervene on their behalf is the
subject of much debate. Some argue that regulation threatens individual freedom of choice and can slow the commercialization of technologies that offer potentially important consumer benefits. On the other hand, government intervention is sometimes necessary because consumers do not or cannot protect themselves adequately. Consumers may not accurately assess the risk inherent in the situation, either because they lack the necessary information or because such hazards occur infrequently.

Consumers exposed to messages about prescription drugs, for instance, would be unlikely to know the details of the clinical evidence (if specifics were mentioned) or be able to knowledgeably compare the scientific evidence with the ad’s claims. This has become a bigger issue since the FDA reinterpreted its guidelines to allow direct-to-consumer advertising of pharmaceutical products, with messages incorporating certain information about risks, limitations, and other vital details.

With drug companies spending $5 billion annually on such advertising, concerns have been raised over whether consumers are developing false expectations of drug safety and efficacy, whether doctors are feeling pressure to prescribe drugs that consumers may not need, and whether risk information and clinical evidence are presented in a detailed and balanced way. Now Congress is considering whether to limit direct-to-consumer advertising of drugs, especially when a new product is first introduced.

**Industry Self-Regulation**

Companies are not always “the bad guys” that require constant monitoring to ensure that they deal fairly with consumers. For both ethical and business-related reasons, it is in companies’ best interests to be concerned about consumer welfare because it is so closely tied to consumer satisfaction. As a result, numerous industries have set up mechanisms to self-regulate business activity and correct problems when necessary, generally on a voluntary basis. Industry guidelines help companies determine what is inappropriate—especially critical with newer techniques such as wireless advertising messaging—and show the industry’s responsiveness to consumer concerns, which also improves the industry’s image. Moreover, self-regulation removes the government from an antagonistic role and reduces its caseload.

A good example of self-regulation is the NAD/NARB system, set up by the ad industry to monitor advertising messages. The National Advertising Division (NAD) monitors ad claims and investigates complaints from consumers, competitors, or local Better Business Bureaus. Within the NAD is the Children’s Advertising Review Unit, which monitors ads targeting children. When an ad claim is questioned, the NAD asks the advertiser to substantiate it. If the claim cannot be substantiated, the NAD asks the advertiser to alter the message.

For example, the computer maker Lenovo complained to the NAD about several claims made in computer advertising by competitor Dell. After investigating, NAD found that Dell could support some of its claims but not other claims. Although Dell had ended the campaign in question by the time of the NAD decision, it announced that it would follow the organization’s recommendations in future ads of a similar nature. Advertisers can appeal NAD decisions to the National Advertising Review Board (NARB).
When the NAD/NARB considers a case, the advertisers must agree that the decision is final. The system works: Most NAD decisions result in advertisers altering or dropping the questionable messages.\(^\text{12}\)

The movie industry and the television industry often develop their own standards about airing advertising. Under pressure from the FTC and Congress, the film studios are not airing TV commercials for R-rated movies during programs that attract many viewers below 18 years old.\(^\text{13}\) For years, the major television networks have voluntarily refrained from accepting hard liquor ads, although some cable networks and local TV stations allow these ads (often on the condition that they air after 9 P.M. and include a responsible drinking message).\(^\text{14}\) Research by the Center on Alcohol Marketing and Youth indicates that the percentage of beer and liquor ads aired during TV programs with sizable youth audiences has dropped in recent years. Still, consumers between 12 and 20 years old are being exposed to more alcohol company ads than in the past, mainly on cable TV.\(^\text{15}\)

Finally, companies have the option of taking competitors to court over practices they believe are illegal or unfair. For example, after Schick introduced its Quattro four-blade razor, it was sued by Gillette, which said Schick was violating Gillette’s patent covering the angle and alignment of multiple blades for close shaves in a single stroke. Weeks later, Schick filed suit, saying that Gillette’s razor advertising was misleading. The two competitors continued their legal battle for more than two years, until they settled all the lawsuits out of court.\(^\text{16}\) This type of battle can be extremely costly for both sides, but it also provides a vital venue for companies to fight for changes if they believe they have been harmed by a competitor’s practices.

**Consumer Groups**

In addition to government and industry agencies, more than 100 national organizations and 600 local groups look out for various consumer interests. Among the best-known groups are Public Citizen, National Consumers League, Consumers Union, Consumer Federation of America, Better Business Bureaus, and Environmental Defense Fund. These groups lobby various government agencies to influence the enactment of legislation and assist consumers in dealing with companies.

Groups like Center for Science in the Public Interest monitor companies’ marketing activities and publicly comment on objectionable ads or techniques. Concerned about childhood obesity, this group (and others) pressured food companies to stop promoting high-sugar and high-fat foods to young children. In response, Kraft Foods and other marketers stopped advertising those kinds of snacks to children under 12 and reformulated many snacks to make them healthier.\(^\text{17}\) EthicAd works with consumer advocates and drug manufacturers to draft voluntary standards for consumer advertising of drugs. Only ads it judges to be accurate, reliable, and balanced can earn the group’s seal of approval.\(^\text{18}\) Also, various local consumer groups and media organizations help protect consumer rights through hotlines, websites, and investigative reporting.
How Marketing Practices Violate Consumer Rights

Regulators have long been interested in the types of information provided in marketing communications and the extent to which they violate consumer rights. This section discusses two specific areas of concern: (1) deceptive advertising and labeling and (2) deceptive selling practices.

Deceptive Advertising and Labeling

Sometimes marketing communications can leave consumers with information or beliefs that are incorrect or cannot be substantiated, resulting in deception. As defined by the FDA, a deceptive ad is one that “either through (1) its verbal content, (2) its design, structure, and/or visual artwork, or (3) the context in which it appears causes at least $n$ percent of a representative group of consumers to have a common incorrect impression or belief.”

(The $n$ percent—a percentage of affected consumers, as determined by the federal agency—varies and is determined by the nature of the situation and how severe the consequences of the incorrect belief are.)

According to the FTC, deception involves (1) a misrepresentation, an omission, or a practice that is likely to mislead the consumer; (2) consumers acting as they normally would in relation to a product or service or in a consumption situation; and (3) a material misrepresentation (one that will affect their choice).

Just because consumers hold an incorrect belief, however, does not necessarily mean that deception is involved. Consumers can simply misunderstand a marketing message. This is why advertisers must take care when explaining the facts surrounding their offerings. Yet, because mass media is imperfect, every communication is naturally associated with some degree of miscomprehension. However, when a large proportion of consumers hold the same incorrect belief that can be traced to a specific message, then deception is considered to be a problem. According to the FTC, deception occurs when approximately 20 to 25 percent of consumers have an incorrect belief (this percentage may be lower for offerings that affect consumer safety).

The severity of deception is determined by factors such as whether the claim influences behavior, what potentially harmful effects it has on consumers, and the extent to which it creates an unfair advantage in the marketplace. The FTC usually takes action only when the deception causes injury to consumers or unfair losses to competitors.

For instance, the agency acted against Darden Restaurants, which owns the Red Lobster chain, after finding Darden had not adequately disclosed that fees would be deducted when Red Lobster gift cards went unused for 15 months or more. Darden settled the complaint by agreeing to restore fees that had been deducted from gift cards and to clearly disclose any fees or expiration dates in the future.

Some consumers, such as children or the elderly, may be more susceptible to deception than other groups and may need more protection. One study found that both gender and brand usage can influence whether consumers are susceptible to potential deception in comparative advertising. Research also shows that deceptive advertising can lead to mistrust, causing consumers to doubt the credibility of advertising and marketing in general.
Types of Deception
Deception can occur in a variety of ways.  

*False objective claim.* One obvious type of deception is a company’s *false objective claim* about a product or service. For years, Listerine claimed to be the mouthwash that “kills germs that cause colds.” After research evidence demonstrated that this claim was not valid, the FTC found Listerine guilty of deceptive advertising. More recently, a judge said that a Listerine ad was misleading when it claimed the mouthwash was as effective as flossing in fighting plaque and gingivitis. Changing the advertising and covering unacceptable wording on product packages cost Listerine an estimated $2 million.  

It is important to note, however, that when consumers are exposed to corrective advertising, they may not accurately remember the message and may actually recall the false statement as a true statement.  

*Misleading name or label.* The name of the product or service or the label can sometimes be misleading. For example, the winemaker Canandaigua Brands was required to alter the labeling of its white zinfandel and chardonnay wines and to use the phrase *with natural flavors* because these brands add fruit flavors that do not conform to zealously guarded pedigrees. Various regional marketing groups have been actively monitoring produce labels that misrepresent the origin of a fruit or vegetable. Now the FTC has established specific guidelines under which companies are allowed to label or promote a product as “Product of U.S.A.”  

*Missing information.* Consumers can be deceived by what is *not* said in an ad. Even when everything stated in the ad is true, consumers can be left with a false impression because *information has been left out,* or qualifications have been presented in an inconspicuous place where consumers may not see them. This type of deception is most likely to occur when a consumer’s motivation, ability, or opportunity (MAO) to process are low. For example, regulatory agencies have scrutinized weight-loss ads because some lack information about how many consumers lose weight and fail to mention that weight loss may be temporary.  

*Allowing incorrect inferences to be made.* An ad can be deceptive simply because of the way it *interacts with consumers’ beliefs.* Even when everything in the ad is accurate, it may still be deceptive if consumers develop an incorrect inference from it. This situation often occurs when consumers infer unrealistically high levels of attribute performance.  

In the tobacco industry, advertising for low-tar, low-nicotine, and additive-free cigarettes has been attacked because consumers mistakenly believe these cigarettes are healthier for them. At one point, Philip Morris added a warning to packages of Parliament and other brands telling consumers not to assume that cigarettes labeled as light, ultra light, medium, or mild are “less harmful” or “will help you quit smoking.” Legal challenges to the marketing of cigarettes described by using such terms have been moving through the federal court system and several state courts. In addition, Congress is considering legislation to prevent tobacco marketers from promoting cigarettes as “light,” “mild,” or “low-tar.”
In the food industry, health claims made by a particular brand can incorrectly cause consumers to believe that all brands in the same category possess the same benefit; however, this can be corrected by printing nutrition information on the package. Research on nutrition information shows that consumers tend to draw misleading generalizations or inferences from one claim about an attribute to other, unmentioned attributes. Shoppers might, for instance, think a product advertised as low fat is also low in cholesterol. Consumers may also be deceived by the “exaggerated reference prices” advertised by some retailers to make consumers believe that a sale price is a really good deal.

**Puffery.** Certain false or unsubstantiated claims fall outside the realm of regulation, as in the case of puffery. These exaggerated claims, such as a brand being “the world’s best,” cannot be proven, and most consumers do not believe them. However, if “puff” claims are believed and have a significant effect on behavior, then some type of corrective action may be necessary.

The key point is that what the ad actually says does not determine whether or not it is deceptive. What matters is what the consumer believes as a result of the ad. Therefore, consumer research studies that assess customers’ reactions to advertising messages play a key role in assessing deceptive advertising.

**Regulation of Deceptive Advertising**

The FTC and FDA are the major agencies that regulate deceptive advertising. When companies, consumers, or other organizations complain about an advertising message and the case is severe enough to warrant attention, these agencies will investigate. If the agencies find evidence of potential deception, they will require the offending company to engage in substantiation to prove the questionable claims.

The FDA has become more active in seeking substantiation for nutritional claims made by food products, as well as health claims made by certain dietary supplements (that they prevent cancer, thwart hair loss, and so on). The FTC’s “Big Fat Lie” initiative has halted numerous misleading promotions of diet aids and helped educate consumers about quick-weight-loss claims.

Although the FDA allows food marketers to advertise certain health claims, the advertising requirements are so stringent that few marketers use them. Yet, health claims can be highly effective in attracting consumer attention and motivating purchases. After Coca-Cola began promoting its Minute Maid Heartwise orange juice on the basis of heart health (the juice contains plant sterols, proven to lower “bad” cholesterol levels), sales jumped significantly.

The FTC and FDA have several options if advertising claims cannot be substantiated. The most common one is to issue a cease-and-desist order forcing the company to immediately discontinue all advertising with the offending claim. Depending on the severity of the problem, the FTC can impose fines or punitive damages.

In other cases, the FTC may order affirmative disclosure, altering ad claims to provide correct information. For example, the FTC now wants all...
weight-loss products to provide information about the chances of weight-loss success and to state that this loss may be only temporary. Unfortunately, affirmative disclosure statements can sometimes contribute to uncertainty, be misunderstood, or be misleading.\textsuperscript{50} Research shows that these disclosures are likely to effectively correct invalid inferences only when consumers' MAO to process the information are high.\textsuperscript{51}

The agencies may require \textit{corrective advertising} when the infraction is considered very severe and merely ceasing the misleading ad will not dissipate consumer beliefs. (This may occur when an ad has been shown so often that the incorrect belief persists long after the advertisement disappears.) In these cases, the company must make a formal statement to correct the false consumer belief. For example, Listerine was required to spend more than $10 million over two years on corrective ads to dispel the belief that Listerine prevents colds.\textsuperscript{52} One TV ad stated, “While Listerine will not help prevent colds or sore throats or lessen their severity, breath tests prove Listerine fights onion breath better than Scope.”

Research has generally supported the effectiveness of corrective ads in eradicating false beliefs.\textsuperscript{53} However, one study found that brand evaluations were likely to be lower after exposure to corrective ads only when prior brand evaluations were negative.\textsuperscript{54} Nevertheless, corrective ads did lead to lower evaluations of the advertiser when prior attitudes were positive.

\textbf{Deceptive Selling Tactics}

Deceptive practices can occur in the context of personal selling. Millions of sales transactions are completed every year through personal selling, telemarketing, and similar sales methods. This volume is bound to lead to instances in which consumers are not treated fairly, which is why regulation has been enacted to protect the interests of consumers. Most companies attempt to prevent abuses because it is in their best interest to please consumers. Nevertheless, some problematic practices have required regulatory attention, including (1) the bait-and-switch technique, (2) misrepresentation of the selling intent, and (3) incorrect statements or promises.

\textbf{The Bait-and-Switch Technique}

In the \textit{bait-and-switch} technique, a retailer draws a customer into the store by advertising a product or service at a very attractive, low price. The retailer then tries to get the consumer to trade up to a higher-priced item by not stocking the advertised item or by making it so unattractive upon closer inspection that the consumer will not want it. Encouraging consumers to trade up to another model is not illegal in itself; it can be an honest attempt to better fulfill the consumer’s needs. However, it is illegal if the intent is to deceive the consumer.

When the FTC determines that infractions have occurred, it can impose fines and require corrective advertising. Three carpet retailers in the Washington, D.C., area, for example, were ordered to include the following statement in a conspicuous place in their advertisement and to surround the statement with a black border:

\begin{quote}
The Federal Trade Commission has found that we engage in bait-and-switch advertising; that is, the salesman makes it difficult to buy the
\end{quote}
advertised product, and he attempts to switch you to a higher-priced item.\textsuperscript{55}

**Misrepresenting the Selling Intent**

Consumers are often concerned that if they interact with salespeople, they will feel pressured into buying something they do not want. Salespeople realize this and sometimes devise strategies to “trick” consumers into entering a conversation. For example, salespeople might ask consumers to answer a questionnaire or say that consumers have just won a valuable prize. Using these techniques to get a “foot in the door,” the salesperson then attempts to sell a product or service. Poor and elderly consumers are often victims of this type of fraud.

A common example is the **postcard scheme** in which consumers receive a postcard promising cash prizes, free vacations, or expensive gifts, usually with the announcement “Congratulations! You are a guaranteed winner!”\textsuperscript{56} When consumers respond, they are subjected to an intense selling effort and pressured to buy worthless or unneeded items. In particular, certain land development projects have engaged in this type of activity. Consumers are encouraged to report misrepresentations through the National Consumer League’s toll-free hotline and other avenues. Interestingly, in a study about the ethics of certain sales practices, misrepresentation was one of the most negatively viewed practices.\textsuperscript{57}

**Incorrect Statements or Promises**

Another way in which salespeople create legal problems for their company is to make statements, intentionally or not, that cannot be backed up or substantiated. Problem statements can (1) create unintended warranties, (2) dilute the effectiveness of safety warnings, (3) disparage competitive offerings, (4) misrepresent one’s own offerings, and (5) interfere with business relationships.\textsuperscript{58} Sales managers must therefore carefully educate salespeople about what they can and cannot say and do. In addition, companies that promote apparent “pyramid selling” schemes have been under attack because some salespeople are recruited with promises of big money that is unlikely to materialize.\textsuperscript{59}

For instance, Amway was forbidden to do business in China in 1998 as part of a general crackdown on organizations that use independent representatives for door-to-door sales and allow representatives to make money from sales made by the people they have recruited as reps. After Amway adapted to these rules, began opening stores, and made other changes required by the Chinese government, sales of its personal and household products soared.\textsuperscript{60}

Some selling practices are outright deceptive or fraudulent, and elderly consumers are often victimized by them.\textsuperscript{61} For example, unscrupulous telemarketers tell elderly consumers they will win $1 million if they send a check for a certain amount. In another scheme, salespeople claim to be bank employees and ask for the consumer’s account number.\textsuperscript{62} One consumer received more than 6,000 calls and pieces of mail for such scams. This situation has led organizations such as the AARP to develop educational programs to help consumers avoid falling victim to fraudulent selling practices.
Despite the potential for abuse and the need for consumer protection, government agencies have often had difficulty regulating personal selling. This is because (1) many sales interactions are verbal and entail little or no written evidence, (2) the abuses usually occur at a local and individual level, making detection more difficult, and (3) it is hard to monitor compliance with the law. Thus protecting consumers from these selling activities is more difficult than protecting them from deceptive advertising.

**Product Information and Safety Issues**

Government agencies and consumer groups go beyond protecting consumers from unfair practices. They also provide information to help consumers make better decisions and use products and services safely.

**Consumer Protection through Information**

The purpose of providing consumers with more and better product information is to help them make more informed decisions. For example, the FDA has paid a great deal of attention to the types of nutrition information provided on food labels, hoping that consumers will purchase and consume these products in a more nutritionally sound manner. As part of this effort, fast-food restaurants are now required to disclose nutrition information about their menu items, with the result being that a number of fast-food chains have improved the nutritional content of their offerings. Other types of restaurants may have to provide this type of information in the future, especially to substantiate low-fat or low-salt claims.

Although efforts to inform consumers are instituted with good intentions, a number of problems have arisen, in part because regulators have not based their proposals on a solid understanding of consumer information processing and decision making. Four areas are particularly important for protecting consumers through information: (1) consumer comprehension of information, (2) consumer use of the information, (3) the amount of information provided, and (4) the format of the information.

**Can Consumers Comprehend the Information?**

Unfortunately, the general assumption that consumers can understand and correctly use detailed information when provided is not always valid. For example, a summary of six studies concluded that the vast majority of consumers do not understand basic nutrition information, including common terms such as calories, fat, carbohydrates, and protein. Also, older consumers (those over 60) are less accurate in their use of nutrition information than younger consumers are. Another study found that a large percentage of consumers do not understand the relationship between the contract interest rate and the annual percentage rate when acquiring a loan.

Thus regulators can expect an information program to help consumers make better decisions only when they are certain that consumers can understand the information they are given. One approach is to use educational pamphlets or informal classes to offer instruction on specific topics.

However, these programs have generally been difficult to implement because of a lack of consumer interest, suggesting a low MAO level. Some regulators have developed simpler formats that make it easier for consumers to understand the information, as discussed later in the chapter. And
some experts are calling for U.S. marketers to print product warnings and instructions in both English and Spanish so the large segment of Hispanic Americans can read the information.\textsuperscript{67}

\textbf{Will Consumers Use the Information?}

A second assumption of consumer information programs is that consumers will actually \textit{use} this information. For instance, one study found that fewer than 5 percent of consumers examined nutrition information when selecting breakfast cereals.\textsuperscript{68} Other research showed that most consumers look at the front of the package only, especially when health claims are made.\textsuperscript{69}

Also, after an initial flare-up of public interest, fast-food fare is again becoming fatter because some people crave fatty foods and are not motivated to read nutrition information.\textsuperscript{70} On the other hand, when the claims made on a food package are inconsistent with the details in the federally required Nutrition Facts panel, consumers are capable of evaluating the panel data and will question the claims rather than the panel data.\textsuperscript{71} In fact, nutrition labeling has gotten consumers to pay more attention to certain negative nutrition attributes of foods (such as fats) and benefited highly motivated consumers who are less knowledgeable about nutrition.\textsuperscript{72}

Some experts question the validity and usefulness of consumer information programs. Others maintain that even if only 5 percent of consumers use the information, it is still benefiting at least some segment of the population, and one that highly desires it. In support of this view, one study found that consumers who perceive that nutritional information can aid in preventing disease are more likely to read this information on the package.\textsuperscript{73} Research also suggests that low-income expectant mothers, in particular, would benefit from nutrition information designed to improve dietary practices.\textsuperscript{74} Moreover, some observers argue that even though consumers do not pay attention to this nutrition information when making a decision, they still might read it while the product is being consumed, such as at the breakfast table.

Because of the public policy implications, researchers are continuing to study the dynamics of product-use compliance, including the role of information, advertising, and distribution, in foods, pharmaceuticals, and other product areas.\textsuperscript{75}

\textbf{Can Consumers Be Given Too Much Information?}

Another subject of controversy is how much information to provide consumers. Chapter 8 mentioned that providing consumers with too much information can result in information overload, consumer confusion, and poorer decisions.\textsuperscript{76} Some argue that consumers seldom acquire enough information to become confused, or that they will stop searching before they reach overload. Regardless, the key point is that more is not necessarily better. Thus regulators should provide consumers with the most \textit{useful} and \textit{important} information rather than offering all the details that are available.

The value of limited information is a key argument in the fight to shorten the lengthy disclosures required in direct-to-consumer pharmaceutical ads.\textsuperscript{77} Such a change may not be successful, however. One study found that consumers who read the entire summary box of risk information in prescription drug ads are less likely to find it useful than consumers who only skim the summary.\textsuperscript{78}
Can Information Be Made Easier to Use?

In light of these three concerns—comprehension, use, and amount of information—regulators have been vitally interested in developing formats that supply information that is easier both to understand and to use. According to research, formats that make it easier to process information, highlight information so it stands out, or provide a benchmark that allows easy comparisons are more likely to affect consumers’ decisions.\(^79\)

The Nutrition Facts labeling format was designed to permit easy comparisons of nutritional content for different food items and force manufacturers to follow stricter rules in labeling contents, thereby preventing deceptive claims.\(^80\) Some research shows that this label format resulted in somewhat more favorable attitudes and perceptions toward nutrition and an increase in the likelihood that consumers would buy a nutritious product.\(^81\) Another study found that the label improved comprehension of nutrition information but had less impact on the purchase of healthier foods.\(^82\)

According to research, consumers at all education levels can understand nutrition information presented in this format and, as just mentioned, can evaluate the data even in the presence of a conflicting health claim on the package.\(^83\) Further, consumers are more likely to rely on information from the nutrition panel than to rely on claims made on the package, especially when the motivation to process is higher.\(^84\)

Some have suggested using verbal (instead of numerical) descriptors to further improve performance. However, when numerical descriptors are used, percentages of nutrient amounts appear to be the most effective.\(^85\) Researchers have suggested that showing “average” values or similar figures would be more effective than using “daily values” as a reference point.\(^86\) In fact, with obesity on the rise, the FDA is shifting its emphasis to calories: “We’ve concluded that the emphasis on low fat and no fat obscured the central message that calories are the main thing,” a top official explains.\(^87\)

Another example of making information easier for consumers to use is the U.S. government’s efforts to standardize the energy-use information provided on various appliances. The goal is to help consumers conserve energy and save money by having the information to compare appliances and choose those that are more energy efficient. More than half of all refrigerators, dishwashers, and washing machines are now Energy Star-rated for efficiency by the U.S. Environmental Protection Agency, and the program has had a positive effect on consumer decisions.\(^88\)

Consumer Protection through Product Safety

Each year consumers suffer a great number of injuries, usually between 15 and 20 million, from product-related accidents. Consumers have the right to be protected from offerings that may be hazardous to their health or safety. A product or service can be potentially harmful to consumers if a problem exists with its quality or features, if it is used by consumers in an unsafe manner, or both.\(^89\)

Product/Service Problems

The government, and in particular the CPSC, sets safety standards for each industry. A product or service that fails to meet these standards can be recalled or altered. This is what happened when toys marketed by Mattel and
other companies had to be recalled because they contained lead paint that did not meet CPSC safety standards.\textsuperscript{90} The CPSC has also developed child-resistant packaging guidelines for drugs to protect children from accidental poisoning—a real challenge because older adults sometimes have more difficulty opening the packages than children do.\textsuperscript{91}

Products for children raise perennial safety issues. Note, however, that some companies have actively disputed the claims made by activists. Even auto airbags, which can save adult lives, have been seriously questioned for their potential to harm children.\textsuperscript{92} The NHTSA also discovered that 50 percent of the time that children are in car seats, they are not buckled in properly. This discovery has led to new federal and state safety rules for car seats over the years.\textsuperscript{93} Some companies are helping educate consumers about safety issues and prevention techniques through public service campaigns.

Seat belts are another focus of government regulation and education efforts. U.S. government efforts to regulate this problem began with requiring seat belts to be installed in all vehicles, followed by public service announcements that educated consumers about the importance of usage. Some of the early campaigns utilized fear appeals, depicting the negative and often grisly consequences of not wearing seat belts. Many states also passed seat-belt laws, yet compliance was much lower than desired, in part because consumers were not accustomed to using seat belts—even though they would agree that buckling up could save their lives.\textsuperscript{94} Thus successful driver education programs must not only change consumer attitudes, but should also give drivers experience to instill the habit of using a seat belt.\textsuperscript{95}

Voluntary self-regulation can help protect consumers. In recent years, for example, most car manufacturers have recalled various models to fix safety problems. Nevertheless, when a significant infraction occurs, the CPSC, FTC, FDA, EPA, and NHTSA can intercede and propose an appropriate remedial action.\textsuperscript{96} On occasion, individual consumers engage in litigation against companies in situations where they believe the company is liable for a specific problem. Thousands of consumers sued Merck over medical problems related to its Vioxx pain drug, which the company stopped selling after clinical trials showed that the drug increased the risk of heart attacks.\textsuperscript{97}

\textbf{Incorrect Use of a Product}

Failure to meet standards accounts for only about 20 percent of product-related injuries.\textsuperscript{98} In other cases, injuries occur because consumers use products or services incorrectly. For example, a consumer might combine two combustible chemicals, such as different types of oven cleaners, and cause a fire; spray an insecticide near food preparation areas and poison someone; or use a plunger with a liquid drain opener and accidentally splash the acid on his or her skin.

To reduce these types of injuries, companies are expected to anticipate reasonable risks that may be inherent in the use of a product or service and take steps to avoid them. This expectation is known as the \textit{doctrine of foreseeability}.\textsuperscript{99} Under this doctrine, companies can be held responsible if they do not try to prevent or at least minimize misuses that might occur from normal consumption of a product or service.
Research on consumer consumption patterns can be particularly useful in identifying common usage problems. For example, it is reasonable for a company to foresee the potential for a consumer to use a plunger with a liquid drain opener. Sometimes, however, consumer misuses are very hard to anticipate, and the company is not usually held responsible. Using a power mower to cut someone’s hair would be unexpected, for example, and this abuse would not be the company’s fault.

When potential dangers are identified, the company must attempt either to alter the product or to provide clear instructions on how the consumer can avoid potential problems. One of the key tools for protecting consumers from safety hazards is the warning label. Consumers are clearly warned about the danger of using a plunger with liquid drain opener, for instance. Pesticide labels warn consumers to keep the product away from their hands and face and that the product “should not be taken internally.” Unfortunately, these warnings are not always as effective as they should be.

New label formats are being developed that should make it easier for consumers to notice and heed the warning when using the product. The label must be easy to locate, perhaps highlighted by different colors or sizes of type, and simple to understand. Companies can also design packaging and labels for poisonous products to make these items especially unattractive to children. Consumer education programs might also be useful in reducing the number of product-related injuries.

Some products or services are inherently risky. Riding a skateboard, bungee jumping, skydiving, driving a car, riding a bicycle, and using a tanning booth involve serious safety risks to the consumer. In these instances, however, consumers are made aware of these potential dangers and use the product at their own risk. Thus, companies are not generally held liable for injuries associated with these products or services unless the injury was due to faulty manufacturing or negligence.

The gun industry has been fighting lawsuits brought by municipalities that say guns are an unsafe product. Guns are not currently covered by federal consumer-safety regulations, a situation some antigun groups are trying to change. Meanwhile, the gun industry has mounted a safety campaign showing the proper use of gun locks and is continuing training and education efforts to teach consumers how to use guns safely. Companies are also promoting gun safety. Bass Pro Shops has offered free seminars and teamed with Project ChildSafe to distribute thousands of gun locks at its stores nationwide.

**Consumerism Around the World**

Many countries have consumer protection laws, regulatory agencies, and consumer movements, although countries with conservative governments usually impose fewer restrictions on activities. More liberal governments, on the other hand, often seek to protect consumers by creating a more restrictive regulatory environment. In addition, agencies such as the European Food Safety Authority provide information to help national governments protect consumers by regulating products (in this case, foods).
Like the United States, many nations have regulatory agencies to monitor advertising. In France, the Truth in Advertising commission monitors ad messages. In the United Kingdom, advertising is controlled by two organizations: the Advertising Standards Authority (ASA) and the Independent Broadcasting Authority (IBA). The ASA is a self-regulatory agency (including nonindustry members) that monitors nonbroadcast advertising to ensure its honesty and fairness. The IBA is responsible for overseeing radio and television advertising. The British system tends to work more efficiently than similar U.S. organizations because it has better funding and staffing, substantial public participation, stronger remedies for infractions, better organization, and a stronger spirit of cooperation.

Germany has very strict standards for truth in advertising. Deception occurs when research determines that 10 to 15 percent of reasonable consumers, even gullible ones, perceive a message to be misleading. German deception cases are tried in courts (the same is true in France and Belgium). In one highly publicized German case, Philip Morris was ordered to discontinue an ad campaign claiming that passive exposure to cigarette smoke was no more dangerous than eating cookies.

In the Netherlands, the Commercial Code Commission oversees ads. Industry self-regulation is also common in the United Kingdom, Italy, Belgium, Ireland, Switzerland, and the Netherlands; Germany and Austria permit private litigation against companies as well. Limiting children’s exposure to advertising is such a high priority in certain countries that Sweden, Norway, and Austria do not allow TV commercials that target children to be aired.

Countries have widely varying laws regarding the legalities of particular marketing practices. In Germany the words best or better are considered misleading. Finland prohibits newspaper or TV advertising for political groups, religion, alcohol, weight-loss products, or “immoral literature,” and the United Kingdom bans cigarette or liquor ads on television. The European Union (EU) forbids tobacco advertising and sponsorships, although it allows tobacco ads in trade magazines and in publications that serve mainly non-European markets. The EU also regulates junk food ads that target children as well as all kinds of alcohol advertising.

After the fall of communism, the Russian government banned cigarette and alcohol ads and then all advertising temporarily until a reasonable set of guidelines could be developed.

In China, the government is cracking down on abuses with comprehensive advertising laws and stiffer enforcement. Its Administration of Industry and Commerce has issued guidelines for advertising to children, banning messages that might deceive children, mislead them about a product’s use, or induce children to pressure parents to buy. The State Administration of Radio, Film, and Television is also involved in regulating ads that target children.

Product safety standards are becoming more stringent around the world, particularly in the European Community, which has adopted tougher regulations than the United States. Thus to minimize liability and gain customer trust, companies need to maximize product performance and safety. Finally, many consumer activist groups are at work around the world. For example, the environmental movement is strong in many European
Summary

Consumerism is "the set of activities of government, business, independent organizations, and concerned consumers that are designed to protect the rights of consumers" to (1) be safe, (2) be informed, (3) have choices, (4) be heard, (5) receive consumer education, (6) have recourse and redress, and (7) live in an environment that enhances the quality of life. The various influences on consumerism and public policy issues are government agencies, industry self-regulation, and political consumer groups.

A key public policy issue is deceptive advertising and labeling. Ads can be deceptive when they provide false information, leave out relevant information, or interact with consumers’ beliefs to mislead. Deceptive selling techniques include the bait-and-switch technique, misrepresentation of the selling intent, and incorrect statements.

The government is working on ways to help consumers become more informed. To be effective, however, information must be easy to understand, be reasonable in amount, be used by consumers, and appear in an easy-to-use format. The consumer’s right to safety is ensured by protection from unsafe products and warnings of dangers or risks when present. Around the world, consumerism issues are being addressed by various rules and regulations enforced by governmental agencies and self-regulation groups.

Questions for Review and Discussion

1. What are the main government agencies and industry self-regulation groups that address consumer issues?
2. In the context of regulation, how does affirmative disclosure differ from corrective advertising?
3. How have marketers used deceptive selling tactics on consumers?
4. How does the doctrine of foreseeability relate to product safety?
5. What effect is consumerism around the world having on marketers that target consumers in other countries?

Notes


“Pfizer Deploys $2m Effort to Change Listerine Ads,” *Brandweek*, January 17, 2005, p. 5.


Burke et al., “Deception by Implication.”


70 Stern, “In a Turnabout, Fast-Food Fare Becomes Fattier.”


118 Terpstra and Sarathy, *International Marketing*.