FACTORS AFFECTING CONSUMER PURCHASES OF GOODS AND SERVICES

Gordon E. Bivens

I perceive my purpose to consider some factors which affect purchases of goods and services in a fairly broad sense. This "broad brush" approach may appear to some to be non-sophisticated. However, it appears as we look at the seminar's list of program topics there will be much in the way of detailed and rigorous approach used, so perhaps it is well for us at least to take a broad look before applying the more high-powered lenses to our observations.

Many ideas I shall mention are just that -- ideas in rough form -- unrefined, not polished. I only hope we can open areas of discussion and in the process sort out those ideas which have merit and discard those which do not. A purpose will have been served if some ideas suggest areas of research to some of you, although I make no claim to having developed them to a researchable state, or if certain of these thoughts have implications for you as educators -- either in the extension field or resident teaching.

Some points I will try to outline will be brought forward primarily on logical grounds. Others will be illustrated by data. In cases where data are used, it is of a national nature since farm products move in broad circles, and are not provincial in their outlets in spite of provincial outlooks by some producer groups and others. Further, in clarification of my approach, I am taking primarily a cross section picture; in other words, one still shot from a series of pictures making up a movie strip.

Sources of Information about Consumption

Income and expenditure studies are not new. Starting in other countries, this type of study was undertaken by Gregory King, followed by Davies, Mandeville and Massie. The Le Play school studies and others during the 1800's are well known, as are Engle's works. Thus, although income and expenditure studies are not new, the paucity of expenditure data is striking... striking in three aspects: (1) Lack of representative samples of the total population. Much of our information pertains only to city wage earner groups. (2) Validity -- questions about recall error and others can always be raised. (3) Consistency over time. Changes in definition of consumer units, expenditure categories, etc. make comparisons over time difficult.

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In the U. S., the earliest broad-scale consumption expenditure study dates back to 1888. This was the first year in which the Bureau of Labor Statistics made a survey of consumer expenditures among city wage earners. Since then, the BLS has continued to make periodic surveys of wage earner groups. The consumer purchases study by the BLS made in 1935-36 included all urbanizations. The more recent survey in 1950, however, included only urban wage earners.

In the case of food, the Survey of Household Food Consumption made by the U. S. Department of Agriculture in the spring of 1955 solicited information from about 6,000 households. This study was conducted by the USDA through National Analysts, Inc.

More recently, the Life magazine study of 1956, which was national in scope, included all urbanizations, and covered current expenditures for consumer goods. It was made by Alfred Politz Associates for Time, Inc., publishers of Life. This is the most recent nationwide study that has been published. In addition, of course, local studies are available.1/

Wants of Consumers

Wants can be classified in many ways. Dr. Hoyt has classified wants of consumers according to primary types of interests in which she includes sensory interests such as satisfaction of the human being insofar as food, drink, warmth and shelter, contacts of sex and exercise of body are concerned.2/ In addition, she includes social contacts as a primary interest -- pleasure stemming from contacts with other humans.

Secondary types of interests in Dr. Hoyt's classification include intellectual, technological, aesthetic and empathetic pursuits. In addition to these -- primary and secondary interests -- Dr. Hoyt indicates the desire for social approval as a strong and driving force in human behavior which affects consumption.


Gordon has classified wants as individual and social, or group wants. Individual wants include desire for:
1. Food and drink;
2. Shelter;
3. Clothing;
4. Health;
5. Opposite sex and love of children;
6. Contact with others;
7. Satisfaction of curiosity, manipulative and constructive tendencies;
8. Play, sport, and adventure.

Social wants are Gordon's second main category. These are more broadly defined than individual wants but may overlap individual wants. Certainly they would have their roots in terms of what individuals want, but have their expression in terms of group contacts. One of these social wants is an ability to communicate thoughts; in other words, a desire for language... an ability to communicate, not to live within oneself, but an ability to exchange and share ideas. Another social want is the desire to recognize some form of superhuman power, or religion. A third social want in Gordon's scheme is a desire for a governing body to assure equity and law; thus a want for government. Fourth, a recognition and appreciation of beauty. Whether this is a social want or an individual want could be debated, I believe, but he includes it here. Fifth, the want for stimulants and sedatives. Again, this often would have its roots in individuals' characteristics, but, to quite an extent, it is intensified by group interaction.

Cochrane and Bell have classified wants into two main classifications also.

I. Individual requirements. In this category, they include:
   A) Food;
   B) Protection against elements; for instance, shelter and body covering;
   C) Sex and family;
   D) Community and social activities.

Cochrane and Bell classify social or group-created wants according to the form of behavior which results:
   A) Custom-made wants: Those wants which are more-or-less accepted or forced upon the individual by social control -- in other words, the power of custom forcing acceptance of certain wants consciously or not. This results in a degree of conformity.


B) Conspicuous consumption: First labeled by Veblen in "The Theory of the Leisure Class," this is consumption for the purpose of show. In other words, it is the consumption of goods which others probably cannot have or at least very few could have. It takes the form either of goods or services -- at any rate, it is for the effect that it has in setting apart from others the person who is indulging in it. At an earlier time, one expression of it was large and expensive houses. Currently, foreign travel may be an illustration; in other cases, entertainment on a lavish scale, although this may also be encouraged by quirks in our income tax laws and practices relative to business expense accounts. Sometimes hubbub surrounding weddings, anniversary celebrations and burial practices could be pointed to as conspicuous consumption.

C) Fashion-made wants: Those wants made by fashion. It is here that styles and changes of styles have their real effect. Clothing fashions, of course, run in short cycles. Changes in models of cars and major appliances also are examples of fashion-made wants. It is fashionable to have what is the latest, or near latest. I'd like to interpose here that fashions and changing fashions are not new phenomena -- Sacchetti in the 14th Century wrote:

"For whoever liveth but one day in this world changeth his fashion a thousand times; each one seeketh liberty and yet depriveth himself of it. The Lord created our feet free, yet many persons are unable to walk on account of the long points of their shoes. He created legs with joints, but many have so stiffened them with strings and laces that they can scarcely sit down; their bodies are drawn intightly, their arms are burdened with a train of cloth, their necks are squeezed into their hoods and their heads into a sort of night cap whereby all day they feel as though their heads were being sawn off. Truly there would be no end to describing the women's attire considering the extravagance of their dress from their feet up to their heads, and how every day they are up on the roofs, some curling their hair, some soothing it, and some bleaching it so that often they die of the colds they catch..."
Therefore, fashions are not of a recent origin, but have been with us a long time and have been raising some questions in our minds as to the rationale surrounding them.

D) Imitative consumption: The tendency to imitate others we admire. This takes the form of copying ideas relative to food, clothing and other items. Who hasn't heard, "This is such a good dish, dear, may I have your recipe?" Such tendencies are not women's exclusively, of course. They have many, many ramifications in the desires of all people. And, of course, advertising relies a great deal on the tendency to imitate in consumption by bringing to mind testimonials of well known personages and suggesting you can be like this person.

E) Producer-made wants: Advertising and technological advance. Advertising may bring to the surface wants which heretofore have been only an undercurrent. To that extent, we might call them producer-made wants.

Arguments in favor of advertising and against it are legion. Favorable aspects of advertising commonly put forward are: 1) Information it provides concerning availability of goods, prices, etc., 2) More effective competition if this information is used, and 3) Large scale production is made feasible by increasing sales, and some of these economies may be passed on to consumers. On the other end of the scale, disadvantages of advertising are pointed out: 1) That most advertising is wasteful since much of it provides little information and probably does not result in greater competition among firms in the industry. Instead, it simply tries to build up brand loyalties and to expand shares of the market for certain groups within the industry, and 2) On ethical grounds, from a social point of view, it sometimes is argued advertising has an ill effect upon values and exploits and commercializes personal situations and relationships.

Technological advances also are considered by Cochrane and Bell to result in producer-made wants. For example, how badly would we want to get along without some of the things which have come to be an accepted part of our life at the present time-- for instance radio, TV, hot running water, inside plumbing and others? These of course have their hand-maidens in advertising, emulative consumption and other aspects of group-made wants already mentioned.
But the point is that these may be a tremendously effective weapon influencing human wants and, in turn, affect consumers' choices among goods and services.

Regardless of how wants are classified, they have their moorings in basic and slow moving currents. For example, true changes in wants and differences in wants between cultures have their roots in psychology and cultural anthropology most certainly. The important point for agricultural adjustment is what can be done in light of human wants to improve returns to agricultural resources but at the same time not impair -- indeed, enhance, if possible- consumer welfare? And so, we come to the place, it seems to me, where we are in the position to evaluate how these wants affect choices of consumers and postulate some implications for agricultural adjustment.

**Consumer Decision-Making**

Consumers, in making choices among goods and services, have to evaluate what it is that they want. In other words, they have to look at their total complex of wants and apply weightings to them. They have to decide how far they are going to go in satisfying their wants for shelter and protection, how far they are going to go in satisfying their wants for food, their want for contact with social groups, their want to be fashionable and so on, within the limits of their resources. These choices are affected by the relative prices of goods and services. And so, decisions of consumers may have at least three aspects: First, they have to make decisions as to which wants are to be satisfied; secondly, they must decide the degree to which each want is to be satisfied. For example, in the case of food, are they going to ingest 4000 calories a day or 2500 (this is a little too specific, I know); for shelter, are they going to rent a two room apartment, or are they going to buy a seven room house? Third, which combination of goods and services is to be acquired from the whole array available? Here again, if the want for food is to be satisfied to the extent of 2500 calories a day, will it be done by consuming all cereal product, all meat products, (both extremes, of course), combinations of cereal, meat, vegetables, dairy products and so on?

The competitiveness among various categories of consumer expenditures arises because consumers' resources are limited, particularly money, time and energy. Therefore, they have to make choices; they have to allocate, i.e., give relative priorities among the various categories of wants and then try to match these against what is available. That is, even if consumers recognize clearly their wants relative to consumption goods and services, could they actually recognize from what is available on the market those attributes that would best satisfy their wants for goods and services? The goal is to match consumer wants with the goods and services that are available on the market. Even if a person has decided,
in general, something relative to their wants for food -- for instance, that they want to consume 3000 calories a day and, in general, they are going to derive a certain proportion of them in the form of cereal products, dairy products, meat, vegetables, fruits and fat, they still have the further problem of deciding among all meat items, among all cereal products, among all dairy products, among all vegetables and fruits, the ones which have the attributes most important to them. Even within this overall want -- food -- there are sub-categories of desirabilities they are trying to satisfy with what is available on the market.

Our job today is to consider some factors which affect wants and, thus, purchase of goods and services. Factors such as education, income, occupation, size of family and so on affect either the extensiveness of the want horizon or they affect the intensiveness with which certain of these wants are felt. Therefore, perhaps we had better take a look at some of these classification factors to see as best we can whether or not they appear to be influential in affecting choices of consumers.

Very broadly I would like to use these classifications: economic, psycho-social and merchandising.

Economic

Under economic factors I will consider factors such as income, price, credit and market structure.

Income. Obviously the income of a family affects the expression it can give its wants. A family may have a very broad want structure and desire many of the things within it very intensely, but without some income it cannot obtain market goods and services. It can obtain some of those things that are either free in the sense of being social goods or those which they can make themselves. However, for purposes of our discussion I suppose our interest hinges around market goods and services, therefore income comes into focus as it makes possible the expression of wants for these.

In Table 1, families with incomes under $3,000 and those with $10,000 incomes and greater are contrasted. While some differences in the percentage of total expenditures going to each category are noticeable, the similarity is striking, particularly when it is remembered that extremes of income grouping are being considered. These data come from the 1956 Life survey. The income groupings were formed on the basis of 1955 income and include the earnings of all household members.
Table 1. Percent of Total Expenditure by Expenditure Categories and Income

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Under $3,000</th>
<th>$10,000 &amp; over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and tobacco</td>
<td>35%</td>
<td>24%</td>
</tr>
<tr>
<td>Clothing</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>Home Operation</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Home Furniture and appliances</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Medical and personal care</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Automotive</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Recreation and other</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Life Survey of Consumer Expenditures. Time, Inc. 1957

The single most striking difference in Table 1 is expenditures for food and tobacco. Families under three thousand dollars were spending about 35 percent of their income on food and tobacco while those with $10,000 income or more were spending 24 percent on food. This, of course, is a reflection of a phenomenon well recognized: families with higher incomes spend a smaller proportion of their incomes on the "necessities" of life including food. Greater amounts and larger proportions were spent on clothing, home furnishings and appliances, automotive expense and recreation by families having incomes of $10,000 or more.

Credit. Insofar as the institution of credit affects various commodities in a different way, it might be well to consider the possible effect on food. Ready availability of credit for automobiles and other consumer durables may mean that families have tended to extend themselves on these items and have committed more of their future income to those purposes than would have been the case in the absence of credit. Certain areas of their spending where credit is not so readily available -- for instance, food -- may have been restricted compared with what would have prevailed either if credit had not been so easily available on other products, or if credit had been just as easily available on food items. This might be something that would be worth investigation. That is, estimates of the increase in demand for food if credit for food purchases were available easily and was widespread. It might be
that such a step -- implication of credit plans in more food stores --
might offset some of the tendency for families to commit income to
other categories of consumer expenditure at the expense of food.

Occupation. Another factor which sometimes is used to help explain
expenditures of consumers is occupation. How to classify families according
to occupation is becoming increasingly difficult because of the incidence of
multi-earner families as well as increased fragmentation of job classifications.
However, the usual procedure is to classify the family either according to the
male head's occupation or to that occupation which brings in the largest share
of the pooled income regardless of who holds the job. The 1956 Life study
classified families according to the occupation of the male head of the house-
hold.

Using broad occupation categories we can notice in Table 2 differences be-
tween non-farm labor and professional people, income constant. Again,
though, the income groupings are the extremes so any contrasts that exist
are more likely to show. For the group with incomes under $3,000 the more
striking contrasts between non-farm labor and professional families seem to
be in home operation expenditures. The home operation category included
such things as home decoration materials, home fixtures (such as plumbing
fixtures, electrical fixtures, etc.), home heating and utilities, housing
(including rent or payment on mortgage), communications, basic materials
for minor repair and upkeep, garden supplies, fences and gates, domestic
and home care including a cleaning woman or laundress, maid, baby sitter,
etc. and storage of household operation and improvement. This may help
to explain the difference between the families of a professional nature interest-
ed in furthering their standing in the community where the housing and opera-
tions of the house have importance to them in gaining this foothold perhaps,
as compared to the non-farm labor group. Professional families under $3,000,
were spending less percentage-wise for food and tobacco, home furnishings
and appliances, automotive expenses and recreation. (Differences for home
furnishings and appliances and for recreation between the two groups were
very minor, however.)

Contrasting families with incomes of $10,000, the professional group was
spending less percentage-wise for the very same item -- house operation.
On the other hand, families of the non-farm labor group that had achieved
this level of income were spending 23 percent on house operation. Recreation
and other expenses was the category in which professional people of the $10,000
category exceeded the non-farm labor group the most. This included such
items as admissions, sports goods, games and toys, musical or electronic
instruments and equipment, photographic equipment, pets and pet equipment
and their upkeep, reading materials, recreation dues, rental of recreation
equipment, etc. Differences which can be observed between occupational
groups may become increasingly important as our occupational structure
changes.
Table 2. Percentage Distribution of Consumption Expenditures by Category, by Income, and by Occupation.

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Income and Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Under $3,000</td>
</tr>
<tr>
<td></td>
<td>Non-farm Labor</td>
</tr>
<tr>
<td>Food and Tobacco</td>
<td>36%</td>
</tr>
<tr>
<td>Clothing</td>
<td>10</td>
</tr>
<tr>
<td>Home Operation</td>
<td>17</td>
</tr>
<tr>
<td>Home Furnishings and Appliances</td>
<td>7</td>
</tr>
<tr>
<td>Medical and Personal Care</td>
<td>7</td>
</tr>
<tr>
<td>Automotive</td>
<td>13</td>
</tr>
<tr>
<td>Recreation and other</td>
<td>10</td>
</tr>
</tbody>
</table>

|                              | 100%                  | 100%           |
|------------------------------|-----------------------|


Number of wage earners. Number of wage earners and the persons who are wage earners (that is, the composition of the family working group) probably makes a difference in the expenditure patterns of families. While little data are available, it seems reasonable to expect that where the homemaker works outside the home, additional expenditures may be made for such things as convenience foods, additional appliances to cut energy or time, or both, in homemaking activities. Increases in the amounts spent for clothing, for transportation to work and possibly for baby sitting might be experienced. Certain shifts if more and more married women continue to enter our labor force might be expected.

This increase in the number of married women who work outside the home for money, is not independent of the income classifications. In other words, this trend for more families to have more than one wage earner is one factor in explaining the increase in the number of families in the middle and higher income groups.
Expectations of the future. Family living expenditures will differ according to expectations for the future. For instance, families will differ according to what they expect as an income profile for the rest of their earning careers. If they are optimistic and expect a growth in their income then they may tend to be more willing to commit themselves to a relatively high level of consumption which will affect their spending patterns; that is, they will tend to be more liberal for the above subsistence commodities, less concerned about hedging against emergencies.

The Survey Research Center at the University of Michigan has used expectations in its work and tends to feel they are a useful explanatory variable. However, there are some reservations about expectation data and techniques; I share these concerns. But, on a logical basis it is reasonable to assume that expectations which families have affect ways in which they spend.

Whether large numbers of families tend to shift their feelings about the future enough that general expenditure patterns are affected is probably the important thing so far as total demand for any or all products is concerned.

Market structures. Another factor affecting expenditures for consumer goods and services is the market structures of industries providing these goods and services. For instance, it makes a difference whether an industry is relatively competitive or is relatively void of real competition. This affects the prices at which goods and services are offered and the number of new items which may be coming on the market. For instance, industries which tend to have rather sizeable firms competing within the industry will have a large number of new items, or at least modifications of items, being offered to consumers. This affects the availability of goods and services and affects the purchase decisions of consumers.

If one commodity is offered primarily through an industry that is relatively competitive -- such as agriculture and food products -- as compared to another category of goods which is sold primarily in an industry which is of a less competitive nature -- for instance, automobiles -- then changes in the product, at least in the minds of people (for example, the engineered obsolescence) are much different in the two categories and spending for goods and services in these categories will be affected. For example, if one industry offers goods which are primarily those that can be differentiated from one year to the next as contrasted to food, and if the engineered obsolescence attempted by the one industry is effective and consumers place a high enough priority on up-to-dateness, then their expenditure patterns will be affected favorably toward products of the industry which can engineer obsolescence. Food and others which do not have this "advantage" may suffer.
Also, the structure of the market may affect the quality of the product which is available to consumers. For instance, the industry in which the competition takes place between a relatively large number of strong firms may tend to have more quality improvements than those which are strictly competitive or in which there is very little competition. In other words, those in an intermediate stage of market control may tend to offer more quality improvements to consumers than is true at either of the extremes.

These are rather general, layman-like interpretations of market structures; but at this point, it seems to me we simply have to recognize them. Succeeding seminars are going to deal with certain aspects of these market-structure influences.

Price. Price has already been alluded to in discussing market structures. Relative prices of goods and services are an influence in consumer choice making, of course. Prices change over time and bring about shifts in consumption. A classic example is butter and margarine: the price of margarine and butter have been such that consumers were attracted to margarine with the result that margarine consumption has risen while the consumption of butter has dropped. Relative prices, then, of products that serve essentially the same want are extremely important.

In addition, the relative general price changes in any one category of expenditures relative to price changes in other categories are important. For instance, if food prices were to remain stable while prices of other categories rose, there would tend to be a favorable effect on food consumption and total expenditure on food. This, of course, works in the reverse, too.

Other economic influences. Many additional economic factors may influence consumer expenditures. Such factors as asset-liability situation, national income growth and shifts in distribution of national income merit consideration. However, time and space do not permit it here.

Psycho-social Characteristics

Stage in family life cycle. Stage in the family life cycle -- that is, whether the family is in the beginning years of its existence or in the years after children have left home and the couple has retired or at some intermediate stage between these makes a difference in the demands which are made on the financial resources of the family. The family which is just becoming established usually is acquiring an accumulation of the goods that go into operating a household, thus their spending pattern may be different than a family which has accumulated most of these goods. If the latter has enough fortitude to resist obsolescence propaganda, they may have less desire to be spending for items such as appliances, than the younger family.
Education. Rather noticeable differences in expenditure appear when consuming units are classified according to education. Table 3 indicates the

Table 3. Percentage Distribution of Consumption Expenditure by Category, by Income, and by Education.

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Under $3,000</th>
<th>$10,000 &amp; Over</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Not Grade</td>
<td>College or Beyond</td>
</tr>
<tr>
<td>Food and Tobacco</td>
<td>37%</td>
<td>31%</td>
</tr>
<tr>
<td>Clothing</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>Home Operation</td>
<td>16%</td>
<td>24%</td>
</tr>
<tr>
<td>Home Furnishings and Appliances</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Medical - Personal Care</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Automotive</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Recreation and other</td>
<td>11%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: Life Survey of Consumer Expenditures. Time, Inc. 1957

percentage of total expenditures by category, by education and income. It is noteworthy perhaps that in both income groupings, expenditure for food and tobacco is a smaller percentage of total consumption expenditures among college-trained people. For instance, for those under $3,000, with college training, 31 percent of the total expenditures were for food as compared to 37 percent for those who did not finish grade school. An increase in home operation is noticeable, too. Twenty-four percent of total expenditures for college-trained people went for this purpose, while 16 percent was for this purpose among the people who had not completed grade school. Consuming units in which the head had finished college spent less proportionately on clothing, medical and personal care, but more on automotive expenses.
Comparing families with $10,000 or more income by education levels, we notice again that the proportion going to food was less for families with college training. Also, they were spending a smaller proportion of their income on clothing, medical and personal care and a higher proportion on home operation, home furnishings and appliances, automotive expenses and recreation.

If this truly is significant, perhaps this is a bad omen for agriculture if the trend toward a higher percentage of our population obtaining college educations continues. This could mean that at higher educational levels, increased awareness of substitution possibilities in meeting basic needs such as food results in lesser expenditures for these categories, thus freeing money for other expenditures.

Reference group. Certainly the way in which a consuming unit sees its position in relation to its peers is important. In fact, the wants alluded to in texts such as Hoyt, Gordon, Cochrane and Bell as well as others, bring out the importance of social pressures. This is not particularly new, and they do not claim it to be. For instance, J. S. Mill writing 100 years ago was cognizant of the trend toward conformity at that time and was alarmed about it. More recently, writers such as Whyte and Reisman have written of conformity and its ramifications, and even more recently Packard has made a play of it in a sensational fashion. Reference group influences cannot be ignored; certainly the goods and services which families consider to be important are affected by the group in which they circulate and operate and have their contacts.

Resistance to sales pressure. Psychological make-up affects the ease with which consumers yield or resist pressures of sales people. This can be a factor affecting expenditure patterns of consuming units.

Persons with rather strong personalities who have assertive natures probably are more resistant to high pressure sales techniques and are able perhaps to keep their spending patterns more in line with their real wants than is true for those who are more malleable in the hands of pressure salesmen.

Numbers of family members. Certainly the number of members which draw upon the pooled resources of the family makes a difference in the way in which families spend. The very fact that there are more mouths to feed makes some difference in the relative importance of various categories of expenditure. This probably is a factor in some of the differences which we have noted previously.
Merchandising Techniques

Advertising. To try to explain differences in consumer expenditures without alluding to advertising would be incomplete. Certainly total advertising expenditures measured in dollar terms are important. Direct outlays for advertising run about 12 billion dollars a year, of which 17 to 20 percent is for food. Whether advertising actually can increase sales of products, either the sales of a particular category such as dairy products, or whether it can increase the market share of a particular brand within the category, for example "Dairy X's" share of total dairy sales, is an open question.

Some people have severe doubts as to the effectiveness of advertising in expanding total demand for food. 1/

Advertising may have one of two objectives. One, to increase consumption of a given product at the same price. That is, try to drum up business without changing the price. Or, secondly, to increase the share of the market which any particular product has.

As has been indicated, the effects of advertising are not precisely measurable. However, ineffectiveness is not measurable either; it appears this explains why some firms are afraid to shut off their advertising budgets—fear of what might happen, although in continuing it, they are in doubt as to its outcome. So, in a loss minimizing fashion, they continue to advertise feeling that loss of the advertising expenditure is less than losses which might result if it were to be discontinued.

Often linked with advertising are promotional techniques, in-store promotions, and samples coming through the mail which introduce us to new products and therefore may affect our loyalty to those products in the future and possibly affect our expenditure patterns. Much of such efforts serve as confusion elements making it even more difficult to relate attributes which different products have and the satisfactions which consumers can expect from them. In other words, it would seem to me there is an obvious attempt to create confusion and that the identification of elements which will result in satisfaction to the consumer is befogged by most promotional techniques.

Recently, a report of the Royal Commission on price spreads of farm products quoted in the Ottawa Journal, Nov. 30, 1959, indicates: "It seems to us inevitable that, among the large firms in food merchandising, a substantial part of the promotional expenditures must be dissipated in competitive rivalry." If the findings of this Royal Commission study are valid,

and we have no reason to think they are not, and if conditions in the United States are similar to a degree, it would seem reasonable that promotional activity in the form of trading stamp competition, give-away contests and other store gimmicks might well be scrutinized further if efficiencies in agricultural production are to be passed along to the ultimate consumer. As it is now, it appears efficiencies in the production of food products may be offset by the large amount of promotional activity in merchandising channels of these food products.

The broad classifications of factors affecting purchases of consumer goods and durables seem to leave much to be desired in explaining anything like functional relationships between want structures of people and market purchases of goods and services. Factors we have considered may be helpful; however, it may be worthwhile to think of projecting an alternative approach to these. We might think of possible elements that make for desirability of consumer goods and services.

For example, there are the basic physical qualities of the good to be considered. Over and above this, though, consumers desire other elements such as convenience factors. Naturally, convenience factors will not be the same in all cases. One convenience factor in food may be shortening the length of preparation time. A convenience factor in an electric range may be the time controller which allows it to shut itself off. Safety elements may be desired by consumers in products and services they buy. In the case of food, this might be through the maintenance or enhancement of health. It might be the same for clothing; that is, protection from the elements. Safety in the case of an electric range might be in terms of whether it meets certain electrical specifications or the placement of the buttons on the back where children cannot reach them.

Another factor which may be an element in consumers' choice is beauty -- the design, balance, proportion, color combinations, etc. -- either of the package (as in the case of food, for example) or the overall design of the product itself (as in the case of an electric range). We don't know the relative importance of beauty in food products, in relation to beauty in other goods purchased by consumers; nor do we know the relative importance of beauty in food products relative to such elements as price factors, safety factors and convenience factors.

Social acceptance connotations -- in other words, what the social group accepts as the norm of consumption -- probably is another element in consumers' choices. But we don't know much about this, really. We make reference to conformity, emulation, and so on, but do we really know much about how important this factor is in relation to others -- e.g. price, beauty, convenience and safety? I think not. We don't know how important it is relative to other attributes of a given product -- e.g. an electric range -- nor do we know if it's relatively more important in food or in ranges.
Other elements in the total demand for products undoubtedly should be considered. However, the general approach is fairly obvious and it calls for a type of information which is difficult to obtain empirically but might indicate a direction in which we could move. The distance we can go down the road toward getting all the information necessary to quantify these relationships is an open question.

If such information were available, however, the relative importance of these various attributes in different consumer goods and services might be approximated. Cross elasticities of demand for the different attributes in a given product might be estimated, as well as cross elasticities of demand for an attribute which is common to different products. This would allow better predictions of outcomes if selected attributes of a given product were changed, and, presumably should prevent some social waste.

Implications For Agricultural and Economic Adjustment

I assume one of the interests of this group in considering factors affecting purchases of consumer goods and services is how can consumption of food and fiber either be maintained or increased in relation to other goods and services. With regard to food, it appears these possibilities might be thought of:

(1) Increased total consumption of food. This appears to be the professed justification of industry-wide advertising campaigns. That is, it is hoped that consumption of one category of products will be increased. Whether this can be done without decreasing food consumption in another area is an open question. In fact, I would say the answer might very well be in the negative since so many opportunities exist for substitution in food consumption. For example, more cheese, less meat; more broilers, less red meats.

(2) Substitution of food products that use more in the way of agricultural resources. For example, food products of animal origin use more in the way of agricultural resources. If, then, more of these were consumed in place of grains and tubers, returns to agriculture might be enhanced.

It would seem that educational programs aimed at improving consumers' information about goods and services and markets through which these pass might serve these purposes to some extent and might be beneficial to agriculture. For example, if consumers were better able to discriminate between sizes and grades of eggs for particular purposes, returns to agriculture might be improved. But it may be just as important to improve consumers' understandings about the market relative to non-agricultural products. For example, according to experts, aspirin is the same almost regardless of price; therefore, if consumers were alert to this, they would be able to make a saving in this spending category and channel these savings over into other
areas. This isn't a big item but is an example of what might happen in other areas that are more important in total dollars. Certainly consumers need to be alert to availability of identical goods at vastly differing prices so that in allocating scarce money resources, they may be able to satisfy more of their wants to a greater extent. If, by such programs, more spending for agricultural products resulted, then, of course, agriculture would benefit. It does not follow that agriculture would necessarily benefit from such programs. It seems to me, however, agriculture and consumers both stand a greater chance of benefiting if all consumer goods and services are incorporated in consumer information programs than if just food is included since the latter might serve to alert consumers only to ways in which to meet their food needs with products using less in the way of agricultural resources.

Justification

Reasons for our emphasis on increasing or maintaining returns to resources in agriculture and achieving a better balance between resources used in agriculture and other parts of our economy need to be examined occasionally. One justification might be that if consumption of food products relative to other goods and services were raised primarily among the lower end of our consumption range -- e.g. low income consumers -- it is entirely possible that the individuals whose consumption was raised, agriculture, and society all might benefit. Much would depend on how it was achieved, however.

If, however, food consumption were increased over the whole range of consumers, perhaps increasing average calorie intake, it would seem of questionable benefit to consumers even though agriculture might benefit. Of course, calorie intake might not be raised, since substitution among food items might simply achieve a better nutritional balance; in this happy situation, interests of both consumers and agriculture would be served.

In general, selection of courses of action which would have the effect of altering consumption patterns in a fashion favorable to agriculture need to include this criterion: If returns to resources in agriculture are improved and general welfare of society is improved, there is no doubt about the desirability of the action; on the other hand, if agricultural returns are increased while some segments of the general population benefit but others suffer (e.g. calorie intake increased when already in excess), some difficult welfare questions arise. We could argue the answer to this latter question on logical grounds, but getting empirical evidence or even consensus of thought to make societal decisions is difficult. At any rate, it cautions against reckless manipulation of consumers in the market.