

AUTOMOBILE OWNERSHIP EXPERIENCES IN THE CLEVELAND AREA

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Thank you for the invitation to address this meeting. For several years, I have been interested in the experiences new owners have had with their automobiles, including the problems that were present when the automobile was delivered and the problems that developed during the period of car ownership. This topic seems especially pertinent in a period which has seen a number of automobile recalls, and in a year in which automobile safety requirements approved in the immediate past are now being reported in the newspapers as having a noticeable impact in the reduction of deaths and accidents on our nation's highways.

In the fall of 1970, I started an empirical research project touching on the automobile consumer and his vehicle in the Cleveland metropolitan market area. In order properly to define the components of the survey, a small trial sample questionnaire was prepared and sent in November 1970 to 82 persons randomly selected from the list of those who registered automobiles in the week of February 24 through February 29, 1969.

There was a 22 percent response to the sample questionnaire with 18 out of 82 questionnaires returned.

In March 1971, from the sampled automobile registration list, an additional 290 from 2512 possible names were selected for an 11 percent sample of the total number of automobiles sold in the Cleveland market between February 24 and 29, 1969. Again the response was 22 percent when 67 completed questionnaires were returned.

Both questionnaires included a request for the person's name if the automobile owner were interested in being included in follow-up questionnaires; otherwise the replies were anonymous. Interestingly enough, about half of the respondees--10 out of 18 and 33 out of 67 enclosed their names. Many also enclosed their telephone numbers. From this I surmise that the condition and upkeep costs of their vehicles appear to be of major interest for a large number of persons in Cleveland, and furthermore, they are willing to cooperate in research concerning their automobiles.

The results of the small sample questionnaire and the larger one correlated well on parallel questions.

In the Cleveland market for the week sampled, the highest numbers of registered vehicles were:

Chevrolet	614
Ford	543
Pontiac	259
Buick	213
Oldsmobile	177

This list correlates well with national market totals both in their ranking order and in their general magnitude.

An interesting corollary observation was made in establishing the home addresses of the registered vehicles. Of the total of 290 vehicles, 179 were

registered in the suburbs adjoining Cleveland proper. Of these more than half were registered in those suburbs to the east and south of the city proper.

In the automobile sales market for the time segment surveyed, three significant elements are apparent:

1. The purchasers seem to have been persons who use their vehicles as transportation to and from their jobs located in the suburbs. Very few reported that they drive their vehicle downtown.

2. In the extremely far out suburbs, the number of vehicles registered was both lower than expected and less expensive in type of vehicle. Only 29 of the sample were registered in the fringe suburbs, and 15 of these were in one zone.

3. It was surprising to discover how many people had moved. Of the 290 questionnaires sent in March 1971, 10 percent were returned by the Post Office as undeliverable for lack of a forwarding address.

The most significant answers to the questionnaires revealed the following observations.

1. Over half of the vehicles included in the replies were reported to be delivered in satisfactory condition insofar as the new owner was concerned. However, both questionnaires showed that over 80 percent of the high mileage drivers were critical of the delivery condition of their vehicles. On the other hand, 75 percent of those who drove less than 10,000 miles in the first year felt that the vehicle was delivered in satisfactory condition. What makes this relationship even more significant is that both groups reported about the same number of major faults present in their vehicles at the time of delivery. The only deficiencies reported in the survey were major ones such as faulty fuel system, engine electrical, engine mechanical, body hardware, front end alignment, brakes, rear end problems and air conditioning. In other words, it appears that on the whole, those who drove high mileage were more than proportionately aware of the pre-delivery preparation and condition of their vehicles.

The dealers themselves are not always pleased with the condition of the delivered vehicles. The number of dealers who have joined Volkswagon's computer program this year is some indication of their feelings. The program will be introduced this fall with a tremendous fanfare. The idea is that by using a computer, it is possible to establish through instant read-out of instruments located in strategic positions any major source of trouble present when the car is delivered. Further, it is possible when the car is in for service to have instant read-outs made of any developing troubles after the car has had some use.

2. A large number of vehicles had major difficulties during the first year of operation. Only one-third of the total sample of vehicles were reported as having completed the first year without some major component requiring service.

It might be of interest to you that there was only one real lemon rostered in the replies.

The replies to the questionnaires revealed that the automobile dealers' service departments when performing under the warranty did not achieve its objectives for about half of the total group. More significantly for the high mileage driver, it is close to two-thirds of the respondents who were bitter

concerning the treatment their vehicles received from the service department. This is the very group that is most vital to the sales department of the automobile agency. Since automobile transportation is the key to their livelihood, it is certainly not a group to alienate through the incompetence of the service department. In a follow-up questionnaire sent to those of the small sample who gave their names, all but one of the drivers of high mileage had replaced their vehicles by the end of the third year. However, only one of the low mileage group had.

I personally believe that a large number of the defects that developed during the first year were present in the vehicle when it was delivered. These defects that create such ill will in the first year might be eliminated if the present programs to do warranty service were modified so that they do not rely on customer protest to bring the defects to the dealer's attention. The present system, which might be characterized as "let it go unless there is a protest" seems to me to be in the end a very unsatisfactory method of doing business. Sooner or later, the dealer will have to adopt some form of preventive repair.

In the follow-up questionnaire sent to the original small sample group in the fall of 1971, the number who reported dissatisfaction with their automobiles is significantly down. Almost two-thirds reported their vehicles went through the second year in good shape with only routine types of repairs such as lights, fan belts, and air filters. However, the significant aspect of this report is that almost two-thirds of the owners also reported that they were taking their vehicles to a gas station or independent garage for repair and maintenance service. This indicates that to a very large extent dealer contact with the owner has been lost, and this loss occurs before the owner is ready to consider another automobile purchase due to wear and age.

Oddly enough, this shift of service preference by the automobile owner is contrary to the direction in which gasoline stations seemingly are headed. The growing popularity of self-service gasoline stations may eventually force a different view of what is expected from the usual service station. It may well be that sometime in the future, some organization will offer mechanical service independently of new car dealers or oil companies. If such a group should gain the confidence of the consumer, it might tend to modify the present franchising pattern of automobile sales.

It must be readily apparent from the foregoing information that not only are quality standards lacking for new cars on delivery, but that there are serious quality defects in present-day repair services offered by automobile dealers. Unless corrected these problems will, in time, lead to a radical modification of the present pattern of automobile distribution.

It is encouraging that automobile owners are concerned enough to report these facts, and I hope that further studies may eventually present a consumer response compelling enough to responsible automobile executives that they will be encouraged to correct the problems.

these would not knowingly repeat its use after one experience, (c) many persons would be deprived of an effective and inexpensive drug and forced to substitute a more expensive drug that may give less relief. With these assumptions the benefit/cost ratio would probably be less than one and the prohibition would not appear to merit consumer support. The estimate of benefits would be based on the few persons who react adversely being protected from one unhappy experience using the drug. The estimate of costs would be based on the loss suffered by those who, as a result of the prohibition, must use a more expensive and possible less effective drug. It would also include the cost of enforcing the prohibition.

The assumptions for the second example are: (a) requirement that all drugs be labeled according to the percentage of each ingredient contained, (b) many are protected from purchasing a deleterious drug by mistake because of the labeling, (c) the added cost for labeling is low. With these assumptions the benefit/cost ratio would probably be enough greater than one to indicate consumer support for the proposal. However, this conclusion might be reversed if benefits were greatly curtailed because few consumers read the labeling, or if the cost of enforcing the requirement were so high that these costs would offset the value of the benefits.

The assumptions for the third example are: (a) requirement that only flame-proof mattresses be sold, (b) the reduction in fire hazard and added damage to person and property from fire is relatively low as the requirement of flame-proof is not extended to furniture, rugs, draperies, bedding, papers and clothing, and as mattresses are replaced slowly, (c) the added cost of mattresses due to flame-proofing is considerable. Under these assumptions the benefit/cost ratio, as measured on an average annual basis, would probably be less than one and suggest that consumers withhold their support from the proposal.

(6) Prevent the emasculation of consumer bills by deletions and additions. Because of past deletions and additions made in consumer legislation by those who only pretended to support the consumer interest, there are many weak links in the present body of consumer law. Moreover, the time and effort expended year after year to achieve certain legislative objectives have repeatedly come to naught. Some provisions of the consumer bills that are pending today were first introduced during the Nineteenth Century and have repeatedly been deleted from each successive act. Active and informed consumers have a responsibility to see that this game of musical chairs is stopped.

(7) Make certain that consumer laws are enforced. The inadequacy of consumer protection in the past has arisen more from insufficient funds, legislative loopholes, indefinite purpose and uncommitted personnel than from too few laws. For example, FDA is continually shifting staff from one job to another to stretch its limited personnel and funds over more aspects of its mandate. While FTC has recently tried to intensify its work of consumer protection, its commitment is primarily to safeguard competition.

(8) Help check inflation, because with purchasing power eroding, no protection is assured. If the inflation were only demand-pull, consumers could check it as they did during the Korean War. However, as there are also cost-push elements, consumers must not only curtail spending but also make workers realize that moderation in wage demands may be the surest way of increasing their purchasing power.

(9) See that goods are not eliminated from the market if adequate protec-

tion can be achieved in other ways, for whenever a good is removed, competition is reduced and prices tend to rise. Moreover, some consumers are deprived of their first choice and forced to accept the second best.

(10) Unite and speak with one voice. Small differences among consumers must not conceal their oneness of purpose. In uniting to implement the right to be heard, consumers must hold their spokesmen accountable and see that the consumer viewpoint is faithfully presented.

(11) To implement the right to be informed, consumers have a special responsibility to seek consumer education and learn where to look for information and how to evaluate it. Reading labels on goods is essential, for label information usually provides some facts required for rational choice-making and frequently offsets any misrepresentation found in advertising or at the point of sale. Yet many consumers fail to use this source of information. A recent survey of 303 women and teenagers immediately following their purchase of a dress showed that less than one-third could describe accurately the fiber content of the dress purchased, even though this information was given on the label.¹ A follow-up survey six months later showed that only 40% had read and followed the label instructions for care of the garment.² Such findings raise the question: Are consumers looking so hard at how labels can be improved that they are blind to the benefits of existing labels?

(12) Improving communication is a consumer responsibility related both to the right to be heard and the right to be informed. By serving on committees for the standardization and labeling of consumer goods and by participating in deliberations of policy-making groups, consumers can make themselves heard and can also become better informed. By encouraging organizations like MACAP and the former National Consumer-Retailer Council, they can improve communication with business. By exemplifying a thorough knowledge of the facts, penetrating insights, magnanimity and a willingness to cooperate, consumers can make their testimony so invaluable that they will experience no difficulty in being heard.

(13) Make careful plans to implement the right to choose. First, consider values as they will give direction to plans. If values are vague and shifting, expediency will take hold and plans will not bring anticipated satisfaction. Second, plan the use of resources, comparing present with future wants, consumption with capital goods, production with leisure, material with non-material satisfaction, the use of more time and energy with the expenditure of money and the trade-offs between private and public goods. Keep in mind the differences in opportunity costs for each alternative. Third, make comparisons of market alternatives both within a store and among stores. Fourth, exercise controls to realize plans.

While choice between private and public goods relates to what is available, the votes cast by consumers for elected public servants and the information supplied by consumers to those responsible for governmental policies will determine what functions government assumes. Bureaucracies tend to become independent of the electorate and make choices designed to bring aggrandizement and power. However, consumers can counteract this tendency by well-timed and significant testimony and letters.

¹Nancy B. Conklyn, Consumer Satisfaction with Dress Purchases Made in a Large Midwest Department Store, PhD Thesis, Purdue University, June 1971, p. 43.

²Ibid., p. 49.

Choices between public and private goods may be facilitated by the use of cost-benefit ratios. If the b/c ratio for a public good is considerably below the b/c ratio for a comparable private good, the private production should prevail. However, before consumers draw any conclusions, they must identify and compensate for any bias for or against free private enterprise. A thorough understanding of production and consumption under capitalism, socialism and communism is needed to identify bias and intellectual honesty is required to compensate for it.

Consumers are apt to take the responsibility for shopping too lightly. In the research already cited, Dr. Conklyn found that 69% of those buying a dress had shopped at no other store before making the purchase. These consumers may have thought that it does no good to shop around as accurate comparisons are impossible and price and quality differences among stores are insignificant. However, the facts contradict such ideas. Shoppers can obtain sufficient information about goods to make inter-store comparisons meaningful and economical. The principal difficulty actually lies in the amount of time consumer thereby. However, this expenditure can often be kept under control by careful selection of store on the basis of information acquired through pre-shopping.

(14) The right to choose carries a personal responsibility for accountability. If a consumer knowingly chooses something that is deleterious to himself, he perverts the intent of his freedom of choice. If his choice causes harm to others he is socially irresponsible and his choice brings an economic shift in factors of production to less productive uses.

(15) Consumers have a responsibility to encourage invention, ingenuity, industry and technology and not stifle there for fear of "over-choice." As employment and levels of living rise, goods become more plentiful and the right to choose can be more fully enjoyed.

(16) Expand opportunities for choice by reducing waste. Cut overhead costs by more careful handling of goods. Make planning pay off in fewer returns of goods. Avoid credit delinquencies that add to overhead costs.

Report shoplifting, keep on the alert for offenders, and be willing to be a witness to the crime. If shoplifting were eliminated, over two billion dollars in overhead costs would be saved. This saving is not likely to occur so long as many consumers, afraid of getting involved, refuse to report offenses, serve as a witness and give testimony. Without witnesses there are no convictions, for courts convict only on evidence and not on hearsay. FDA, FTC, Postal Frauds Division, and Better Business Bureau have all experienced the frustration of not being able to obtain court convictions of those who defraud consumers because consumers were afraid to "get involved" and give testimony relating to their experience with the criminals.

(17) Control the expansion of retail facilities and the lengthening of store hours. For without adequate control, spiraling overhead costs can increase prices and reduce the ability of the consumer to choose. Control can be exercised through a local organization representing all businesses and consumers in the shopping area. The local store owner, the franchiser, and the local store manager of a corporation that spans the nation or the globe all have an important role in this organization. Consumers have a special contribution to make as they have no special interests as competitors, are good innovators, not bound by traditional political jurisdictions, and can recognize regulations that are in line with net benefits to consumers. Local control is preferable to state or federal control, as flexibility is needed to balance the potential loss in competition with the potential gain from lower fixed costs, and as the mix to be controlled varies with such locality.

(18) Reduce prices by conserving natural resources and checking pollution. While pollution controls may cause prices to rise temporarily, the long-run effects will be lower prices, for with less waste supply will increase. In instituting controls, be mindful of practical constraints and moderate the speed of action accordingly.

(19) Make justice, honesty and consideration of others a personal responsibility, for free markets, that give meaning to the right to choose cannot function effectively unless these qualities prevail.

(20) Reduce the time needed to carry out responsibilities. Otherwise, many consumer responsibilities will not be met. To bring about reductions in time, evaluate each expenditure of time and determine where economics can be made. Also investigate such questions as the following: How much will shopping time be shortened if relevant label information is standardized as to type, placement and size of print? How much detail can be placed on a label before the expenditure of time reading it offsets the value of the information? Would consumer abstracts lead to a significant saving in time used to obtain facts needed to evaluate legislative proposals? Can time be saved by more group study and division of labor by consumers? How can consumer education be made an effective means of helping consumers find and process consumer information more rapidly? How much time would be saved and process consumer information more rapidly? How much time would be saved if the standard physicians handbook of drugs and comparable sources of information about other commodities were made readily available to consumers where they make purchases. How much saving in time would be realized by making unit pricing easier to read? How can the time consumers spend in committee meetings be reduced? How can schedules be maintained so that consumers who give testimony at public hearings do not have to wait endlessly before they are called? What types of professional assistance could save the time of consumers in carrying out their responsibilities?

Returning again to the questions initially posed, the following conclusions can be drawn from the twenty consumer responsibilities discussed. 1. Consumer responsibilities can be clearly defined in relation to consumer rights. 2. Consumers' successes in carrying out responsibilities have been too limited to let them swell with pride but too many for discouragement, and the prognosis for the future is good. 3. While the expenditure of time in carrying out responsibilities raises problems, the possibilities of reducing the time required offer both a hope and a challenge. 4. Consumer freedom of choice is expanded as a result of the exercise of consumer responsibilities and the market that is essential to this freedom is safe-guarded. 5. Consumer responsibilities demonstrate that the traditional American way of solving problems by individual action is still viable and vital.