



# THE ROYAL BANK OF CANADA

## MONTHLY LETTER

VOL. 57, No. 5  
(First published: August 1952)

HEAD OFFICE: MONTREAL, MAY 1976

### *Everyone is a Consumer*

WHATEVER sort of salesmanship is used, the market demand is set by the consumers, and everyone is a consumer. All must have the necessities of life; some of us are purchasers of machinery and the other tools of production; and everyone is in the market for the "little bit extra" which we believe will make us happy.

If history repeats itself, people of thousands of years hence will be judging us, as we do our ancestors, by our middens and our monuments — by the things we discarded and by the things we revered as the most choice symbols of our civilization and culture.

Practically speaking, some people get a sort of built-in bonus with every pay envelope, while others lose part of their salaries every month. It is not only in the choice of things on which to spend earnings, but in the actual spending, that the bonus is won or the loss incurred.

Here is one area where the slogan "what you don't know won't hurt you" is stupid and harmful. Economic ignorance interferes with our happiness in a thousand ways every day. It makes us wasteful, it robs us of satisfactions we should have, it leads us to buy the wrong things, and it causes us to blame our political leaders and our economists for troubles which rise straight from our own mistakes and misjudgments.

Good living is not all dependent upon extensive buying. One's intelligence and one's good taste rank equal with money in making possible a satisfying life.

Much depends upon choice. In our country we have freedom to choose. We can look around at leisure to see what the stores have to offer, and at what price. We may save on this to spend on that. Some will want recreation; others will satisfy themselves with palate-pampering food. Some will put up a big front with plush cars and all that goes with them; others will not care what their neighbours think of their status, and will spend their income on beautiful music, on books, on ballet, or a host of other cultural contributions to life. No one can say who is right and who is wrong in these choices.

This, though, is certain: our income costs too much

in work, which represents the time of our life, to be thrown around thoughtlessly. Those who plan the use of their time and money to get what is for them individually the very best can change the whole level of their living.

Everyone knows with what feeling of sympathetic tolerance we watch the perplexed little child who stands, clutching a dime, before a counter displaying a bewildering choice of candy. But how different are we grown-ups? There are 350,000 possible choices in a big department store; there are 250 kinds of tooth brushes, more than a hundred makes of washing machines, fifty kinds of motor oil; and has anyone counted all the sorts of fountain pens?

We can trust no longer the old ways of judging worth. The thumb-and-finger test of fabrics and flour no longer serves. It was easier to decide between two brooms than between two vacuum cleaners, and between two wash-boards than between two washing machines. How utterly lost are the old techniques when it comes to judging new gadgets!

Most of our purchases are compromises. We may take shoes in a style we do not particularly like so that we may have the size we need for comfort; we may take a newspaper with whose editorial policy we are in violent disagreement if it is the best paper for reporting news. It is not often, indeed, that all the utilities we desire in an article are wrapped up in the parcel we buy without including some features we do not like.

The wise buyer is the person who sees to it that muddy thinking is not allowed to interfere with planning for the greatest bundle of utilities that can be purchased with the money available.

To know precisely what you want is the best possible approach to obtaining value. When the shopper — whether for hosiery or for machinery — has a mental check-list of qualities to look for, he is qualified in three important ways: to get value for his money, to choose the thing that will best accomplish his purpose and to know on what points he may compromise.

The ideal is to put our finger on the few characteristics which count most in our minds. This is

knowledge that comes only after comparison and analysis. Window shopping is not all lost time, because in a stroll down Main Street we soak up impressions about what is on the market. By adding a dash of creative imagination, geared to our idea of what will make us happy, we can mature our ideas into plans that will lead us toward wise purchases.

### *Planning expenditure*

Another way to add to the satisfaction obtained from purchases is by planning spending programmes and allotting certain specified sums to definite areas of expenditure. Those who live a well-rounded life are those most likely to be living a happy life. They decide upon the things worth doing and worth having, and then they apply the principles of good buymanship.

Some authorities say that we can increase the purchasing power of our incomes by 25 per cent if only we develop our buying methods to the efficiency an executive applies in producing the goods we buy.

The consumer's problem is largely one of choosing. Our desires and wants are inexhaustible, but we must decide which ones to gratify. The purpose of careful shopping is to get the most of what we most want. What we choose to want is our own business, but an honest analysis will lead to clear-headed shopping.

Spending for present satisfactions should be weighed against future needs and wants. When we exchange our money for goods, we are converting our past life (or the life of someone else) into present or future satisfaction. We must get as good a return as possible.

Planning expenditures will enable us to build toward something. It may take five years or more to furnish a kitchen or a living-room in the desired way, but unless we know in what direction we are heading we may end up with a kitchen full of gadgets and an inefficient stove, or a living-room full of knick-knacks that collect dust while the chairs still need re-upholstering.

Everyone knows the truth of these principles, but when all has been said the impulsive "I want" is likely to triumph over "It is good." Emotional buying is the greatest wrecker of budgets, and it is of many kinds: the emotional thrill of a fast automobile, of an evening of opera, or of a beautiful dress. How do we bring these emotional impulses within the bounds of a plan looking toward lasting happiness?

The simplest way is to consider what we must *go without* in case we make the particular expenditure under consideration. No one can say that ours are the wrong wants or that we are taking the wrong way of satisfying our wants. All that can be said is that we must weigh carefully and intelligently, and plan purposefully.

Wasteful spending is represented by that part of our dollar bill which does not return us full value, present or future, according to our considered judgment of what is the best contribution to happiness. It would be far better in the long run if we were to save that doubtful part of the dollar bill toward some pur-

chase which would yield undoubted satisfaction. That is why banks have savings departments. They provide a depository for funds where the money is safe from loss and theft and also safe from hasty and thoughtless spending.

Thought is needed when it comes to buying on credit. Good credit is a valuable asset. In private life, it may be a life-saver economically, and in business circles your credit rating is like the rating of you as a person. The way to build credit worthiness is to keep commitments well within your ability to meet them, and then to honour them scrupulously and promptly.

### *Utility*

To most people the word "utility" means something like electricity or water. An economist, asked to explain it, would ask: What is the value of this thing in use? Utility is the aim of economic effort, of invention and of production.

This does not mean that everything should be mechanical or "practical". A rose has value in use, while a metal-turning lathe, useful in its place, would be a nuisance in a living-room.

The life of a utility varies according to the nature of its work. The rose will fade in several days, but a typewriter is expected to last for several years. This is an important consideration to the shopper, because it involves price.

Price is the amount of money for which a commodity exchanges in the market, but it involves far more than that. It takes into consideration how long the article will last; the amount of labour it will save, the degree of satisfaction it will give, the added work it will accomplish — in short, "price" includes the true value of the article to the buyer.

Smart consumers are highly price-and-value conscious. Not only price-conscious, because they know that sometimes better value means higher price, but they consider also whether the return promised by the article is worth the time and effort they or their breadwinners have spent in exchange for it.

### *Quality*

Quality means good material, good design and good workmanship. When it is a factor, quality will give a maximum of service per dollar spent.

Whether or not to buy high quality goods depends upon first considering what advantages quality gives, and then deciding whether these advantages are important to you. It is not sensible to pay for a quality you will not utilize. Is the article to last a lifetime, or only for a summer?

This involves, too, the problem of value per dollar of expenditure. If a tailor listed all the good features that could be incorporated in a suit, and asked us to "tick" all that we should like, we should probably mark them all. However, when he came to tell the cost we should likely say: But I have other things to buy, and I can't spare all that money for a suit; I'll have to

make a choice among all these features. Then we should pick and choose the utilities in the suit that would do us the most good, and let the others go.

It is not possible for a consumer to be sufficiently expert to judge all commodities wisely. He must rely upon the reputation of the manufacturer to make a good product and upon the vendor to represent it properly. The reliable retail merchant investigates the quality of the things he sells, is willing to give dependable assurance as to that quality, and will stand behind his judgment.

In one thing the consumer must be specific. Instead of saying he wants a "good" article, let him tell particularly what he expects the article to do. Very few things have just one general quality; we need to choose the special advantages we desire, and tell the merchant clearly what we want.

In buying food, of course, general quality grading is very useful. Many Canadian foods carry a distinctive grade marking, either on the container or on the product itself. The standards are established and enforced by the Department of Agriculture, Ottawa.

Another useful guide to shoppers is the brand system. Instead of buying utterly unknown sorts of goods from bulk stock (which may be done safely by people who are excellent judges of value) the ordinary consumer will find it more satisfactory to purchase goods to which the maker has signed his name.

Besides making shopping easier, this makes it safer, because the brand name carries with it the idea of a constant level of quality. The owner of the brand name has invested largely in his factory and in advertising, and if he allows his quality to fall off his brand may become a warning rather than an invitation. He must live up to his standards.

### *Standard of living*

The standard of living of any person or family is the choice pattern decided upon. It includes the necessities of life (according to the individual selection of what is necessary); education, amusement, security, maintenance of health, and almost anything that anyone wishes to bring under the rubric "standard of living". An increase of the number of luxuries or of the quality of goods which members of a family or of a society choose as being necessary to their enjoyment of living indicates a rise in their standard of living.

Those who overshoot the mark in defining their standard of living will be made unhappy by their inability to achieve all they hope for. Extravagant spending on a few of the items entering into living will produce intense unhappiness.

There are no substitutes for happiness. It is something that has to be striven for. There was an ancient Greek jest: A man who was invited to attend a show where there was an actor who could exactly counterfeit the nightingale said: "Son, I have heard the nightingale itself."

The wise consumer knows that nothing can take the

place of a reality which is available to him. He may indulge in a fleeting pleasure once in a while, but he knows that in all probability that indulgence means he will have to forego the satisfaction of wants which may be more important.

Food, clothing and shelter cover the primary wants, things which are essential to living. To increase their pleasures, people have added delicacies in food, ornateness in dress, and sumptuousness in housing. To the extent that they have done so, and in keeping with their social environment, men and women have burdened themselves with the need to keep up a show in a thousand and one ways which they consider "necessary" to their happiness.

Sometimes things are bought because they are considered necessary to maintain social position. Even two generations ago, the provision of physical comfort was the ideal. Today, every group has its own ideas of what is the best way to be happy — and, to their sorrow, many groups think the best way is to spend more money on things that make a show. Keeping up with the Jones's explains much wasteful consumption, and many heartaches.

### *Helps to wise buying*

When it comes to choosing between goods of a similar character, what guarantees have we as to quality and quantity and their relation to price? What information is available to the customer, how reliable is it, and how should we take advantage of it?

Our natural questions are: How much are we getting, how safe is it, what is its size and fit, what does its name mean, what is its worth relative to other similar things?

Not all of these questions can be answered specifically in the case of every article. We cannot tell by looking at a vitamin capsule what vitamins it contains, or how many. We cannot tell by examining an electric motor how it will stand up under the service to which we propose to subject it. No mere looking at a television receiving set will tell us what broadcasts it will bring in efficiently. We cannot be specialists in all the great variety of things we must buy; we must depend upon what we can learn from the salesman or from the label.

There is no substitute for informative labelling. It is all very well to have a company or an organization mark a commodity "tested and approved", but that is not enough. The customer should be enabled to judge for himself on the basis of clearly presented facts. "Blurbs" on style and colour are beside the point in most cases where quality is a factor: the consumer requires assurance about durability under the conditions to which he will subject the product. Then, within the price range his planning has dictated, he can choose the style and colour and other subsidiary features he desires.

Labels are the most convenient, most explicit, most accurate, and most reliable source of information to

which a consumer can turn. Confidence is built in the consumer by informative labels, because here is no high-pressure salesmanship, no advertising persuasion, but just a plain statement of qualities and values.

The label is precise as a guide to choices between similar goods, but because it says so much in so few words the consumer needs to pay attention to it. He should ask himself: Exactly what does this label say? What does it claim for the goods? What does it not say? What authority stands behind it? When a label makes specific, plainly factual statements, the manufacturer or merchant is trying to do a reliable job.

### *Consumer education*

The new wealth of goods and services from which we can choose gives consumers the finest chance in all history to live well, if they can learn to use the opportunity fully.

The first lesson is that no true values are impaired by learning the truth. When the old thumb-and-finger method of appraising goods is not sufficient to establish their worthiness we need to go further afield. We need to call upon sources outside ourselves: magazine articles, newspaper surveys, advertisements, booklets, and all other sorts of guides. What we seek is to get what we want, that will give us the greatest satisfaction, at a reasonable price.

There is no substitute for keeping our eyes and our ears open and our senses on the alert, but we should also use all the aids provided by producers to give us a basis for judgment. Whether a given purchase is simple or complex, the principle of good shopping is always the same. It lies in getting information about many comparable offerings, with emphasis upon the features that are important to us, so as to have points upon which to base a decision.

Experience may be a useful teacher, but when it comes to buying goods and services experience may be expensive. Anyone who will make the effort to find out exactly what to look for and how to identify it can save most of the tuition fee. There is a great difference between the amount of satisfaction we get out of purchases per dollar when we are alert and intelligent about what we buy, and what we get if we are slipshod and ignorant.

### *Sources of information*

The first lessons about buying are undoubtedly learned in the home and in the school. Children will, in the natural course of events, become purchasers and users. What they observe at home makes a lasting impression upon their judgment.

A young person who cannot select tooth-paste or -powder intelligently, or even know whether it serves any useful function, is certainly not qualified to judge the paces of an automobile or the durability of a piece of production machinery.

It is suggested in the *Annals* of the American Association of Political and Social Science that courses

in biology, chemistry, physics, engineering and economics might be more closely integrated with life. Science classes might test electric toasters, can-openers, and household rubber, leather and paper; they might analyse soap, cosmetics, shoe pastes and prepared flours. Small work benches might take the place of stamp collections. We might get away from utter dependence upon what we hear and read.

Advertising will help the person who is in earnest about shopping efficiently. Awareness of goods and services that are available is an important part of the shopper's knowledge, and the wise shopper uses advertisements to his advantage. Much advertising is of educational value.

Consumers' organizations help, too. So long as they give impartial judgments about goods they have tested efficiently, they contribute to knowledge. The Better Business Bureau, for example, established in 1911, exists to protect people from what is unfair or misleading, and to increase public confidence in business by striving for better consumer satisfaction through accurate representation of products and services.

There are many laws for the protection of buyers. They tend to make the market safe for the consumer, safe against fraud, misrepresentation, irresponsibility, exorbitant prices, restraints on trade, and deleterious commodities.

Waste in consumption is enormous. To refrain from buying needlessly, to conserve what one has, to avoid unnecessary returns, to think before buying so as to get precisely what is needed: these precautions by buyers will result in a better market at lower prices.

Intelligent consumers can help to make distribution cheaper, and it is in their interest to do so. It will save time and it will cut down the cost of serving them if consumers know in advance what they want. Ruth Barry complains in her book *The Wise Consumer* about the buyer "spending fifteen minutes deciding between two shades of blue and then finally buying pink."

A decent customer wishes to deal openly and honourably with those who serve him. He realizes that he needs to use the credit and return privileges of the store with care. Both of these add to the cost of operating the store, and that cost is somewhere included in the cost of goods.

Indiscriminate returning of goods, depreciated perhaps by careless handling and packing, snowballs into a big red-figure item on the store's books.

The merchants themselves can help by making their advertising fully informative, providing labels that tell the necessary facts, and training salespeople to be sincere assistants to the customers.

There is no substitute for honesty and fair business ethics on either side of the counter. The customer who has trained himself to recognize quality and to make judgments will find that, in the occasional case wherein goods fail to live up to what was reasonably expected of them, he has plenty of means to protect himself.