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The Marketing of Consumer Information

WE welcome this opportunity to restate our case in support of the value of a marketing perspective being used to guide the development of consumer information programs. We are somewhat distressed that our original article was so severely misinterpreted by Sarel (1983), and will attempt to clarify our position by briefly summarizing and then responding in detail to his critique of our earlier paper. Then we will restate our position in more general terms, thus providing a context within which to evaluate the model and methodology we proposed in the (Capon and Lutz) 1979 paper.

Summary of the Critique

Sarel offers two main criticisms of our model and methodology:

1. The methodology cannot produce useful guidelines for three reasons: the criteria used in the methodology are inappropriate, the product (i.e., information) is of a "special nature," and other important considerations have been omitted.
2. Acceptance of our approach could cause an undesirable shift in research efforts away from "central issues" and toward resolution of methodological problems within our model.

We address most of this rejoinder to the three arguments for Sarel's first criticism. The second criticism is easily countered. It is valid if, and only if, two conditions are met: (a) if Sarel's first criticism is justified—that is, our model is so seriously flawed that it affords no possibility of useful insights, and (b) if our model is already receiving undue attention. The first condition is implicitly rejected in our discussion of why Sarel's substantive criticism of our model is invalid.

Regarding the second condition, we can find no evidence that our proposal has generated any research whatsoever in the three years since its publication, let alone evidence that it has diverted research efforts away from other areas. In fact, the two major position papers on the topic of consumer information that have appeared in the literature since 1979 (Beales, Mazis, Salop and Staelin 1981; Mazis, Staelin, Beales and Salop 1981) failed even to include our paper in their

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reference lists. While we believe this is regrettable, it does indicate that Sarel's concern over the deflection of research is apparently unfounded.

Appropriateness of Criteria

Sarel questions the appropriateness of considering actual usage of information by consumers as an important criterion in the design of an information program. First he argues that it is difficult to measure actual usage (an operational issue) and then posits that actual usage is irrelevant (a conceptual issue). We treat the latter issue first, since it is more fundamental.

Sarel's central theme, following Mazis et al. (1981) is that consumer information may benefit consumers indirectly by causing modifications in market offerings over time. Because marketers perceive actual or potential consumer actions resulting from disclosure of unfavorable product information, firms alter the composition of their products, thus benefiting all consumers (even those who do not personally examine the product information).

Improved product quality, then, is a potential macro-level benefit of a consumer information program, according to Mazis et al. (1981, p. 12). Dunn and Ray (1980, p. 251) also identified this potential benefit of consumer information, apparently independently of Mazis et al.[1] Of considerable interest is the mechanism by which improved product quality is thought to come about. According to Mazis et al., this benefit accrues ". . . whenever new information allows some consumers to alter their choices, thus providing a signal to the sellers to change their products" (1981, p. 12). Hence, the emergence of this macro-level benefit is mediated by micro-level shifts in individual consumers' use of the information.

Mazis et al. (1981) also specified two other benefits of consumer information programs: reduced prices (another macro-level effect) and better consumer choice (a micro-level effect). The reduced price benefit occurs because the new information ". . . may facilitate product comparisons, thereby encouraging competitive market forces" (1981, p. 12), one of which is lowered prices. However, reduced prices are not observed ". . . unless consumers understand the information and alter their decision patterns" (Mazis et al. 1981, p. 12). Thus, this macro-level benefit also hinges on individual consumer behavior.

The final benefit, better consumer choice, therefore becomes the fundamental benefit to consider. Without some sort of micro-level effect, a consumer information program by definition cannot exert any macro-level effects. We chose to focus our model and methodology at the individual consumer level, a decision that in retrospect appears to have been a sound one. In fact, a policy maker wishing to pursue the macro-level effects discussed here would find our methodology useful in that we explicitly noted the probable existence of segments in the market for consumer information (Capon and Lutz 1979, p. 60). Our method would permit policy makers to design information programs targeted at an information activist segment, whose actions would be instrumental in bringing about the desired macro-level effects.

Thus, we deny Sarel's charge that our reliance on micro-level analysis is inappropriate. In fact, it is only through an assessment of individual-level effects that the processes through which the macro-level effects occur can be delineated and understood.

Turning to the operational issue Sarel complains that actual usage may be difficult to measure and that passive acquisition of information by consumers may be a problem. He misunderstands our aggregation procedure and, as a result, incorrectly assumes that our model necessitates a measure of usage frequency. Sarel also appears to misperceive the role of any decision model as an aid to, rather than a replacement for, a decision maker.

While we do not underestimate the difficulties of collecting data regarding consumer behaviors, perceptions and desires for the purposes of operationalizing our model, we fail to see why our methodology is more subject to those problems than any other form of market research survey. Our framework is firmly grounded in current marketing theory and practice; to reject our method on the grounds that it is difficult to ask consumers what they use, what they like or what they perceive is to drive a stake through the heart of the marketing concept.

The decision about the exact specification of usage vs. nonusage rests with the policy maker and the particular aims of the potential program. In some cases, careful examination may be the criterion, in others mere exposure, and in still others, use of the data in product evaluation. Our model does not dictate the degree of stringency the policy maker utilizes in operationalizing the framework. It is important that the policy maker decide on the appropriate definition of usage prior to entering into the research effort.

Whichever definition of usage is incorporated, the methodology as outlined results in a single binary entry for each consumer, based on his or her self-reported usage of the information. As described in our previous paper (Capon and Lutz 1979, pp. 63–64), the policy maker's Action Matrix (E) is first derived for each consumer in the sample, resulting in sug-

[1]These authors had not contemplated this macro-level benefit in 1978 when they presented papers at the American Marketing Association workshop, "The Effect of Information on Consumer and Market Behavior" (Ray and Dunn 1978, Salop 1978). Apparently the improved product quality benefit has been identified only recently in the marketing literature.

gested policy actions falling into the three general categories of information deletion, information creation and consumer education. Obviously, no information program would be aimed at a single consumer, so aggregation proceeds by clustering consumers on the basis of their Matrix E entries (Capon and Lutz 1979, p. 66). If a segment of information activists had been identified previously, a tabulation of Matrix E entries should reveal the degree to which new information should be provided, measured by concentrations of "information creation" entries in particular cells. Thus, the model is designed to function with only binary usage data, aggregated on the derived Matrix E values. This procedure is conceptually analogous to clustering consumers based on desired benefit bundles or utility functions derived from conjoint measurement procedures.

Finally, it should be noted that while the model can be used to identify segments in the information market, it is not intended to dictate which segments, if any, are to be served; those decisions ultimately rest with the policy maker. Sarel's lament that the model does not provide clear-cut decisions about which information to provide represents a very naive criticism of any decision model, particularly one that is designed to operate in the public domain. It is clear that political considerations will always operate in the consumer information domain; our concern in 1979, which we still hold today, is that political considerations are virtually the only force driving many decisions. We had hoped that our model, incorporating proven marketing principles, would serve as a means for counterbalancing these political forces. We certainly never envisioned our model as something that would remove the politics from the policy making process. Sarel is incorrect in characterizing our framework as an attempt to provide an "automatic response" or "magical formula" that supplants the policy maker.

Special Nature of the Product

Sarel argues that because consumer information is a public good, it is not subject to the same sorts of analyses as are private goods, due to the absence of the price mechanism. In reality, of course, individual consumers do pay a price for using information; the price may not be measured exclusively in monetary terms but in other forms such as time, the effort of thinking, and annoyance (Capon and Lutz 1979, p. 62). While the price factor was introduced in our earlier paper, we did not explicate it fully, for the sake of simplicity.

In our model, incorporation of the price variable would proceed in much the same fashion as in a new product design effort. After identifying key potential information "products" using our methodology, the demand for each of these could be assessed by asking consumers in the target segment how much time, effort, annoyance or even money (Dunn and Ray 1980) they would be willing to expend for the information.[2] This approach is analogous to a new product design procedure that first pinpoints prospective products by evaluating product attribute profiles (with price absent), and then follows up with demand analysis of the top product candidates tested at various price points.

Sarel's view is that all consumers pay (equally) for consumer information, that the benefits of such information accrue to everyone, and that it is impossible to have multiple forms of consumer information for the same product category.[3] However, it is clear that some consumers are prepared to pay more for information, when price is conceptualized more broadly. Further, it has been demonstrated that not all consumers benefit equally from consumer information. For example, higher socioeconomic classes utilize open dating information more frequently than lower socioeconomic groups (Capon and Lutz 1976, Monroe and LaPlaca 1972). Perhaps if the package data were accompanied by a color code (a different version of the same information), a greater number of consumers could benefit from the open dating information.

Other Important Considerations

Sarel's final set of arguments against our model purports to deal with important issues overlooked by our model:

1. The need to incorporate a time dimension in the evaluation of consumer information programs;
2. The need to assess the macro-level market effects in addition to micro-level effects (an issue also raised in an earlier section of his comment); and
3. The need to investigate consumer perceptions and misperceptions, understanding and use of information (i.e., the realm of consumer information search and processing).

The time dimension argument is irrelevant, since it deals with program diffusion and hence addresses program evaluation once a program is in place. Our model is aimed at program design; we fail to see the relevance of the time dimension to this effort. Sarel does not elaborate on his comment, so we can only assume that he simply misunderstands the purpose of the model.

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[2]Beales and Salop (1980) have offered a unique suggestion for lowering the price of information to consumers by selling objectively produced information to advertisers for dissemination in their advertising programs.

[3]Sarel argues both for and against segmenting the market for information, making it impossible to know where he really stands on the issue.

With respect to his second argument, we have demonstrated earlier in this rejoinder that the analysis of long run macro-level effects rests on a thorough understanding of short and medium run micro-level effects. Hence, although our 1979 paper did not anticipate or explicitly deal with macro-level effects, we believe that our model and methodology are nevertheless useful to the policy maker who wishes to include improved product quality and/or reduced prices among the goals of a consumer information program.

Sarel's third argument—that our model neglects consumer information processing as an important consideration in the design of information programs—represents a serious miscomprehension on his part of how such knowledge might be accumulated. Therefore, it is not surprising that he offers no constructive approaches to the investigation of these important issues. In fact, by providing an approach for building a solid descriptive data base on a segment-by-segment basis, our model is exactly the type of approach that is needed to address the process issues. Without adequate description of consumer information utilization, explication of the processes underlying such utilization is impossible: description precedes explanation. To date we have seen no other attempt to provide a comprehensive description of consumer information use. Sarel has certainly not offered an alternative approach. Hence, while we agree that explanation of consumer behavior is the ultimate goal, we stand by our model as a logical first step in pursuit of that goal. Of course, we do not argue that our model is the only one that might be used to take that first step.

Concluding Comments

In conclusion, Sarel's comment on our 1979 paper raised many criticisms, most of which prove to be vacuous and offer no constructive steps for alleviating the supposed shortcomings. While we have dealt in detail with his various criticisms, we feel that it is appropriate to summarize the thinking that guided our previous paper and forms the most meaningful context for the evaluation of the merits of our approach.

Our model was intended to bring a marketing perspective to the design of consumer information programs. The need for such a perspective is critical, given the decidedly nonmarketing orientation of most policy makers.[4] We believe our model can provide a more balanced approach.

The model was firmly grounded in modern marketing theory and incorporated generally accepted and widely utilized principles of market research. Hence, it is subject to the same drawbacks and limitations as most consumer oriented marketing decision making, but to no greater or lesser degree. Like marketing in general, a large portion of our model's value may lie in the general philosophical approach rather than the particular details of the methodology.

We have offered one possible marketing based approach to the design of information programs. Although there are undoubtedly others, we believe that our marketing based model is conceptually sound.

The model as proposed incorporates a micro-level perspective based on the goal of better consumer decision making. However, because it recognizes segments in the market for information, the model provides a mechanism for addressing the more recently identified macro-level goals of better product quality and reduced prices. Hence, it serves as a useful framework for empirical tests of these hypotheses about market behavior in response to consumer information.

Finally, it should be clear that our model is intended to be a decision aid, not a decision maker. Like any marketing decision model, it is designed to assist the policy maker in making reasoned decisions about the best course of action for achieving desired objectives. We hope that our model may yet achieve some recognition among consumer information providers and be of assistance to them in designing more effective consumer information programs.

[4]An exception to this rule is described by Lovelock (1978).

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