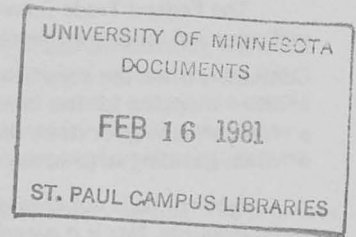


University of Minnesota
 Agricultural Extension Service
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 Edna K. Jordahl, professor and extension specialist, Family Resource Management



CONSUMERISM: Advertising, Contracts and Warranties

When sellers and consumers enter into transactions each of the parties gives something of value to the other. Unless each party is satisfied, a great deal of agitation can develop.

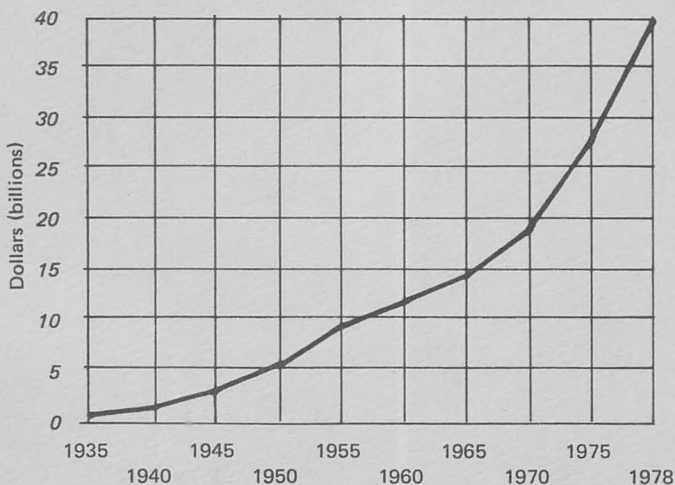
In the past decade many consumer protection laws against clear-cut abuses have been passed by both federal and state governments. Much of the abuse is in the areas of advertising, contracts, and warranties.

Advertising

At least every ten minutes there is a commercial on television. On radio it happens about every five minutes or oftener. Newspapers are full of advertisements, and the consumer is bombarded with advertising almost every second of his waking hours. It makes money for the seller, or at least keeps a business at even keel. Otherwise, advertising costs would not soar.

The following chart shows the rise in costs of advertising over the years. The costs in the United States are much higher than in other countries—it is big business.

Advertising expenditures in the United States*



*Miller, Roger LeRoy, *Economic Issues for Consumers*. St. Paul, MN: West Publishing Company, 1978.

Some advertising is very helpful and is called informative advertising; some is persuasive and is called competitive. There is also false advertising—Bait and Switch is one such form. In this the consumer is lured into the place of business but is switched to a higher priced product. The Federal Trade Commission which monitors advertising considers this type as the most fraudulent. Other deceptions are contest winners, free goods, and merchandise substitution.

The cost of advertising is paid by the consumer as a part of the commodity or service price. To control the costs you pay, have in mind what it is you want, and stick to your choice. Know why merchandise and services are marked down. Be suspicious unless you know the business techniques of the store and merchant.

Advertising is the spoken word or written material calling attention to an item or service which is for sale. The purpose of advertising is to sell. The information given is intended to persuade or stimulate the consumer into active buying. The consumer is made aware of the product or service, his attitude is changed, and then the advertiser expects to sell. It does not force the consumer to buy nor tell him the disadvantages or shortcomings of a product or service.

Advertising is used in all media: newspapers, television, direct mail, magazines, radio, and outdoor signs in that order.

Untruthful or misleading advertising is rare, but it does exist. In their ambitious selling campaigns, advertisers may use half truths or statements with some truths or information missing.

In 1972, the Federal Trade Commission announced its intention to question the validity of the following: (Consumer Alert, June 1972):

- Bayer Aspirin and Bayer Children's Aspirin are superior to the other aspirins in terms of therapeutic effects.
- Cope is more effective for relieving headache pain than any other non-prescription internal analgesic.
- Midol contains an effective anti-spasmodic that helps stop menstrual cramps.
- Both Bufferin and Excedrin relieve pain faster than aspirin and relieve twice as much pain as aspirin.
- Excedrin PM will relieve more pain than aspirin and is an effective mild sedative.
- Anacin is more effective for the relief of pain than any other non-prescription internal analgesic.

The Federal Trade Commission alleges that there is not sufficient and reliable evidence for these claims.

Consumers often use advertising:

- when shopping for less familiar items
- when shopping for items not purchased often
- when spending large sums of money

Advertising is not always neatly packaged in easily understood language. Nor is it always easily found when needed.

The competition created by advertising between businesses leads to:

- better product information—people demand it
- lower store preference—people know what they want
- greater concern about price—people shop around
- increased search—people weigh price against time and energy

Advertising appeals to the consumer in many ways:

- to one's concern about physical needs
"Everybody needs milk"
- to one's desire for social approval
"Put a little life in your breath"
- to one's need for security
"I've got a future looking bright"
- to one's desire to be attractive
"You're not getting older, you're getting better"
- to one's desire to stay young
"My wife, I think I'll keep her"
- to people's concern for loved ones
"Your loved ones are waiting to hear from you"
- to the ego
"For brunettes only"
- to personal interests
"It's the Pepsi generation. . ."

Some worthy resources to help you choose from products or resources are: *Consumer Reports*, *Consumer Research Magazine*, *Money*, *Changing Times*, *Moneysworth*, *Better Homes and Gardens*, *Good Housekeeping*, *Sunset*, and many government publications. Some businesses have information departments which are helpful.

Contracts

A contract is an agreement between one or more persons or firms to exchange something of value. "It creates, modifies, or ends a legal relationship." (*Changing Times* Educational Service, "What You Should Know About Contracts.") The contract may be in writing or stated orally. In order to stand up in court, some contracts must be in writing.

The business laws in Minnesota state that contracts must be in writing when:

- the amount is \$500 or more.
- the contract deals with real estate.
- a contract is for a year or more.
- a contract is for marriage.

If such a contract is changed in any way, this too must be in writing. The parts of a contract are:

Agreement - both sides must agree to the terms within the statement.

Value - there must be something of worth for both individuals or groups concerned.

Legal Responsible Parties - all concerned with the agreement must be legally competent. Legal age in Minnesota is 18 for men or women. Soundness of mind also is essential.

Legal Purpose - that which is agreed upon must not be unlawful.

Minors can and often do enter into contracts. An adult entering into a contract with a minor is held responsible for his part of the agreement. The minor on the other hand is not responsible, unless:

- the minor is not living at home and is self-sustaining.
- the agreement concerns a life necessity such as room rent, clothing, medical care.

Basically, there are six kinds of contracts:

Express — when you agree to pay a cleaning woman a specific amount for cleaning a house

Implied — when you eat at a restaurant

Sales — when you buy an alarm clock at a department store
Conditional Sales — when you buy a television set on time and ownership is not gained until after the final payment.

Bailment — when you have a seamstress alter a garment, she performs a service for which you pay

Lease — when you rent an apartment belonging to a second party for a set amount for a specific time

Before either a written or oral contract is finalized:

- know something about the character and history of the other party
- know all the terms of the contract
- know that details are correct (descriptions, due dates, dollar amounts, names, addresses, etc.)

If a contract is written, look for the following:

- names and addresses of those involved
- dates involved, payments, termination, place of delivery, etc.
- specific agreements involved
- description of goods or services involved
- total cost of all charges
- annual percentage rate as in an installment purchase
- penalties for non-payment or non-performance (This is a breach of contract)
- liabilities and responsibilities of each party or parties

When the contract is for a large item and involving a long period of time, hiring an attorney to review the contract is essential.

If one party fails to pay or perform, the other party can sue for damages or withhold his responsibility in the contract.

Warranties

According to the Federal Trade Commission, warranty and guarantee are synonymous. It is a written or implied assurance of wholeness of a product and a promise to supply missing parts or replace unsatisfactory parts by the manufacturer or seller. There are two types of warranties: express and implied.

An express warranty is generally in writing. The promises concern specific statements or claims regarding the quality and performance of goods or services.

An implied warranty is an imposed legal responsibility of the seller or manufacturer for product or services. The seller implies:

- that he can transfer title
- that the item or service has a marketable value
- that the item or service is fit for the intended use

When examining or evaluating a written warranty look for the following:

- Who is making the promise? (manufacturer, merchant, agency)
- What is the guarantee for? (parts, whole item, service)
- Against what is it guaranteed? (defects, failure to perform)
- For how long is the guarantee made?
- What is promised? (replacement, repair, labor, parts)
- Who is responsible for the specific promises?
- What is the buyer's responsibility to effect the warranty?

Warranties differ:

- some are a part of the label
- some are a part of the instruction book
- some are a separate certificate

As you shop for the item or service, ask about the guarantee and compare with others of similar products or services.

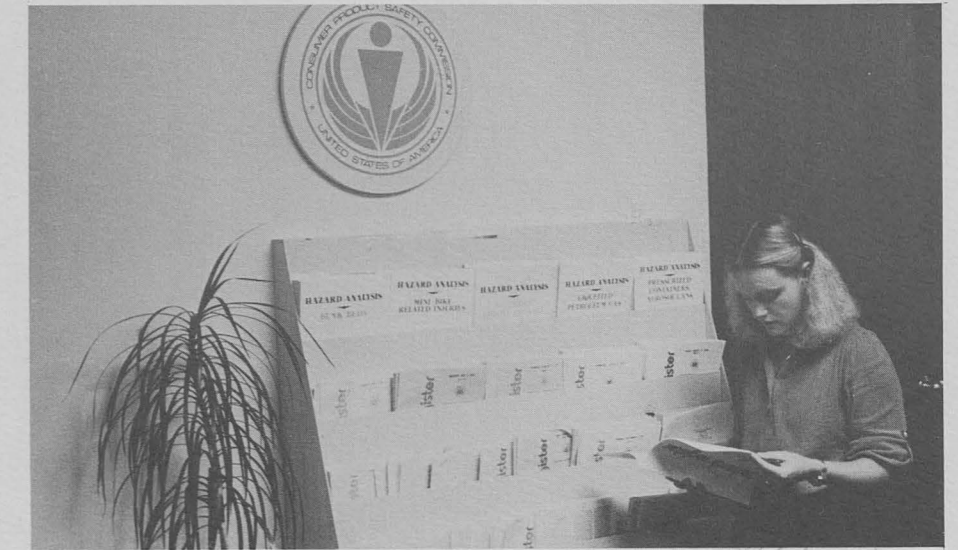
Product information is available on the label.



Fruit juice or fruit drink—which is more nutritious?



Information is available at Consumer Product Safety Commission headquarters.



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editor Leona Nelson
 designer Rose Mauch

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