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REMARKS BY

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AND

DIRECTOR, U.S. OFFICE OF CONSUMER AFFAIRS

BEFORE THE

NATIONAL RETAIL MERCHANTS' ASSOCIATION

AT THE

NEW YORK HILTON HOTEL

NEW YORK CITY

MONDAY, JANUARY 11, 1982
2:15 p.m. to 3:30 p.m.

"NRMA"

Good afternoon. It is a pleasure to be here today. I'd like to thank your Consumer Affairs Chairman, Stanley Winkelman, for giving me this opportunity to set the agenda for the consumer affairs session. Also, my sincere appreciation to Tracy Mullin, NRMA's Vice President and Associate Director for Government Affairs, for the fine program coordination.

The topic for discussion this afternoon is "The Profitability of Consumer Affairs." I'd like to talk briefly about my thoughts on this subject.

Last year I met with several hundred groups representing millions of consumers, the elderly and disabled individuals. One question that was often asked was: "Is the consumer movement dead?"

In the minds of the questioners, consumerism was not getting the same media attention it once received. One reason was that the focus of consumers had shifted from specific problems in the marketplace to the overriding problem of inflation. Second, as noted so eloquently in a recent Harvard Business Review article by marketing professors Paul N. Bloom and Stephen A. Greyser, the consumer movement has matured—something I've been saying for the last five years..? That means consumers no longer yell, scream and picket the way they used to gain attention.

And the reason for that is they don't have to. If they have a problem or a recommendation, we have the established retail and manufacturing channels available to see that consumer views are considered. Consumer opinions, on proposed policies are sought before, not after, a corporate consumer decision is made. So we are making progress every day even though the media isn't always there to chronical the improvements.

So let me assure you that the consumer movement is not dead; it has merely become more sophisticated and mature!

A 1980 study sponsored by the Food Marketing Institute found that slightly over half a random sample surveyed / considered themselves consumer activists or potential consumer activists. This was a higher--(not a lower--) percentage than was found in four surveys done since 1974. Today more people consider themselves consumer activists! These people are your customers!

I also want to report that Consumerism is alive and well in Washington.
I see other evidence that consumer affairs is an integral, essential part of government agencies and major corporations. For example, *Pres Reagan appointed me Chm of* the Consumer Affairs Council, a group of consumer advisors to top federal agency officials. The Council has worked effectively to represent consumer interests on a national level. We were all pleased that President Reagan chose to continue this essential

coordinating group for federal consumer affairs programs.

In the business world, major corporations have hired executives who belong to an organization called the Society of Consumer Affairs Professionals in Business (or, SOCAP). In fact, just two hours ago, I spoke to the New York SOCAP group. I'm told that nationally SOCAP has over 2,000 members, most of whom represent consumers from inside the corporate structure.

In the Reagan Administration, the notion of consumerism is broadly defined. We ^{believe} ~~understand~~ that consumers are also workers, investors, retailers, farmers, producers and taxpayers. We want to make certain that all consumers -- consumers of private and public goods -- get a fair shake.

President Reagan believes that the major problem concerning consumers is too much government. While regulation is necessary to protect vital areas such as food and health safety, too much regulation actually has an adverse effect on the consumer by causing higher prices. And along with more regulation comes more government spending -- spending which has contributed to the largest, most serious consumer problem of all--inflation. We know that government action is not always the solution to consumer problems; in fact, it has been in large measure a part of the problem in the past.

The focus of consumerism in the Reagan Administration is on cooperation -- on the need for business and consumers to sit down and work through differences together. Government should be involved only as a minor party.

I don't think the relationship between consumers and business need be adversarial. At times, in the past, the term "pro-consumer" was synonymous with the term "anti-business." Similarly, at least a few consumer activists have considered a discussion of corporate profit close to indecent. They seemed to think consumer affairs should be a type of philanthropy. I don't ^{agree} ~~disagree~~ -- ~~and won't~~ ~~tolerate~~ -- that sort of mind set. The responsibility for good consumer affairs belongs to business and will benefit business.

We are at a turning point in the way we view consumer affairs. So I put forth the topic, "The Profitability of Consumer Affairs," because I believe consumer affairs can have a maximum positive impact on the bottom line. If your consumer affairs department doesn't have this impact, we'd like to give you some ^{today} ideas on how you can make it ^{more} productive -- and ^{then} measure the results.

Let's forever put behind us the notion that customer service departments exist to placate the nuisances that must be dealt with. Business owes itself much more than cosmetic

consumerism. An aggressive consumer affairs program will serve the needs of both customers and business.

You'll be interested to know that the U.S. Department of Commerce's Office of Consumer Affairs is holding holding meetings around the country on improving customer relations and profits. One such meeting will be held here in New York on January 26. The workshop, on truth in advertising, is co-sponsored by the New York Better Business Bureau and American Express.

The nice thing about state and local meetings is that the participants can focus on special subjects of interest -- for example, complaint handling, advertising, warranties, or credit practices -- and local laws and resources. It's also a way to create a cooperative environment between the local business person and the local office of consumer affairs.

To promote better communications among business, consumers and government, my office is providing leadership and coordinating efforts on behalf of National Consumers Week, April 25 through May 1. The Week will focus attention on the fact that consumers are the center of economic activity, a fact you know well. What we're saying is that the Administration's emphasis on increased productivity and capital investment is not an end in itself. By creating more employment, by producing more and better goods and services,

the consumers -- (and that includes all of us) -- benefit.

National Consumers Week will also focus attention on consumer and economic education and information. We believe that informed consumers are good business and good for business. Consumers who use credit wisely, limiting its use to what they can safely and surely pay back, who choose products and services that meet their needs and values, are the kinds of customers you want. We hope you will take part in National Consumers Week by promoting it in your ads, preparing consumer education materials and providing speakers for school and community programs.

I'm eager to hear today's speakers. They are experts in organizational consumer affairs. John Goodman is president of a company named Technical Assistance Research Programs or, as we call it, TARP, which consults with a long list of corporate executives and government agency officials to evaluate and improve customer service operations. In fact, my office funded a comprehensive five-year study by TARP on government and business complaint handling. John has recently completed an impressive survey for the Coca-Cola Company on word-of-mouth advertising. I won't preempt him by telling you his findings.

David Schoenfeld is the Consumer Advocate for the J.C. Penney Company. Penney's is well-known for its attention to

quality in products and services. David helped to build that reputation. He will give us a concrete look at the profitability of consumer affairs from the perspective of a manager who must justify the importance of his office on a day-to-day basis.

Let's begin first with John Goodman.

(John goes on for 40 minutes)

Thank you, John.

David...

(David speaks for 20 minutes)

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