

CUSTOMER DISSERVICE

THESE DAYS, YOU'RE NOT ALWAYS RIGHT. BU YOU ARE ALWAYS CRANKY AND CONFUSED. HERE'S WHY.

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The modern American consumer is the richest, most catered-to creature in world history. Get in your car: It's far safer and longer lasting than anything your parents drove. Pull in to a superstore: You can choose among 35,000 different items, not the paltry 14,000 offered by the grocery stores of the 1980s. Don't like the price of those sunglasses? Fine, click around the Internet and get them for \$10 less. Want to make sure they are on your doorstep tomorrow morning? Operators are standing by 24 hours a day to take your call. Hey, we consumers must be happy with all this. Otherwise, we wouldn't be fueling what has now been officially deemed an economic recovery by spending just about every penny we've got.

So why are consumers so cranky? Why did consumer confidence plummet last month? Why are complaints skyrocketing at places like the Federal Trade Commission, where fraud reports will top 480,000 this year, up 100,000 from last year? Why does a consumer like Eric Friedman, an otherwise mild-mannered 45-year-old father of two, describe his attempts to find a good deal for a beach hotel stay, a long-distance plan, and a mortgage with words like "confusing," "impossible," and "rip-off"?

Well, because he's like you. Yes, consumers have an abundance of choices--but less time to handle them. A generation ago, married parents put in a combined total of 3,331 hours at work a year and didn't have to spend their free time worrying about 401(k) retirement savings, cellphones, long-distance rates, or Internet access, to name just a few of our new responsibilities. Today's married parents must do all that, plus together they put in 3,719 hours on the job a year.

TREASURE HUNT. True, there are low prices out there, somewhere. But finding them often means clicking through several Web sites, carefully reading the fine print for signs of hidden fees or a scam, and, often, haggling with some poor, underpaid clerk. Most products do indeed last longer. But the quality of service has declined. Those operators who are standing by must not be standing by their phones. Hold times at most company call centers have lengthened excruciatingly.

And consumers who feel ripped off have fewer champions. Just ask Friedman, whose day job is to investigate complaints called in to the Montgomery County, Md., consumer affairs office. Budget cuts have reduced staffing at not just his office but at the consumer offices of local district attorneys and state attorneys general nationwide. All in all, "it is getting much harder to be a good consumer," Friedman says.

It wasn't supposed to happen this way. The deregulation and technological revolution that gave us all these new responsibilities and choices were also supposed to release the genius of the free market, which would drive down prices and create innovative comparison-shopping tools.

But the anticipated information explosion hasn't kept up with consumers' needs. Though several Web sites, such as Amazon, Yahoo!, and DealTime, are striving to become one-stop shopping destinations, each has weaknesses, and you often pay a premium for convenience. A study by Consumers Union found that Travelocity offered the lowest hotel prices more often than its

competitors--but only 29 percent of the time. Consumers who want the best travel deals, CU found, have to click through several discount sites, then check individual airline and hotel sites.

Too often, no amount of clicking or calling will find the needed information because it simply doesn't exist. While state governments will tell you if a doctor is licensed, for example, many keep secret other useful facts, such as malpractice history. And it's almost impossible to learn how a doctor's patients are faring. Only the leading edge of doctors and hospitals track that kind of thing. "There's a lot more information about buying a car than about choosing a doctor," complains Timothy Muris, chairman of the Federal Trade Commission.

Don't expect this problem to be solved soon. For one thing, many economists believe there is an inherent barrier to providing good information. It can take a lot of time and effort to unearth the details needed to, say, save an individual consumer \$10 on a cellular bill. But consumers are reluctant to pay for the research, since one person who buys it can (and often will) relay it to friends free of charge.

Many companies also fight efforts to give consumers the info they need. After all, if consumers could comparison shop easily, they'd typically choose lower prices. So higher-priced and higher-profit companies want to prevent easy price comparisons. New York Attorney General Eliot Spitzer last month launched an investigation into whether mutual fund companies' secrecy about the commissions they pay brokers has snookered investors into choosing unnecessarily expensive mutual funds.

Meanwhile, legitimate marketers and fraudsters alike are taking advantage of souped-up technology to manipulate consumers in unprecedented ways. Gerald Zaltman, a Harvard Business School professor and marketing consultant, uses psychological therapy-like sessions, medical equipment like MRIs, and sci-fi-looking, brainwave-capturing headgear to probe consumers' subconscious reactions to everything from Coca-Cola to Downy Wrinkle Releaser. "Consumers often do not know their own minds," Zaltman says. Though he believes his clients use his research ethically, he does, at times, worry: "Before, the companies were the fishermen and consumers were the fish, and the fish always had a fighting chance. But now the fisherman has dynamite."

KABOOM. Ian Ayres, a professor at Yale's graduate school of management, sees evidence that companies are taking unfair advantage of their new knowledge. "There are lots of hidden, back-end fees" in things like health club and car rental contracts, "which only happen when the sellers know more about you than you do about yourself," Ayres says. Video rental shops increasingly offer 2-for-1 deals to lure customers. But Ayres notes that shops don't warn customers "it's not 2 for 1 on late fees." And while you have every intention of returning movies on time, the shop knows there's about a 1-in-4 chance you won't.

Most worrisome of all is the growing technological mastery of fraudsters, says Lois Greisman, associate director of the FTC's consumer protection office. While credit card companies and government officials race to catch up with the constantly evolving scams, she can't help but marvel at the evil genius of scammers, who create E-mails that look exactly like messages from AOL or Best Buy, tricking consumers into providing credit card information.

Consumer woes have been compounded by an overzealous and poorly thought-out drive to deregulate many industries. Since the "Reagan revolution" of the 1980s, government and employers have been taking more decisions out of the hands of bureaucrats and dispersing them to consumers in the belief that a free and competitive market would generate more innovation and

lower prices. That theory has often been proved right --look at the fall in long-distance rates. But energy deregulation allowed Enron and others to cheat Californians to the tune of \$50 billion.

Other efforts at giving consumers new choices and responsibilities have floundered as well. Employers are pushing employees to bear more costs and do more shopping for healthcare in the hopes of reining in skyrocketing costs. But medical inflation is in the double digits. And no wonder. People who are sick or facing an emergency will pay any price to get better. They don't have energy or time to shop for a cheaper lab test or to fight their insurer, says Mary Jane Stull, a patient advocate in South Bend, Ind. After more than 20 years in the health insurance business, Stull says the bureaucracy, the billing confusion, and the denials of care "are only getting worse."

NO JUSTICE. Maybe none of this would be so bad if angry consumers had somewhere to turn to get justice. But except for the big ramp-up of the Securities and Exchange Commission's investor protections (which occurred only after years of underfunding contributed to widespread investor deceptions and Wall Street scandals), the assistance and enforcement picture is grim. Ohio's state government just eliminated funding for its popular nursing home ratings and has cut back the number of investigators who handle the growing number of nursing home complaints. Complaints are also up in Wisconsin, where consumer prosecutors are down--from four to two.

And though the FTC, the nation's premier consumer protection agency, has slightly increased its budget in recent years and won plaudits for finally tackling annoying telemarketing calls, its staff of 10,500 is having trouble finding solutions to the 100,000 new spam complaints forwarded each day. "Spam is the worst consumer protection problem I have encountered," says FTC chief Muris.

When the founder of the modern consumer movement, Ralph Nader, considers today's time-stressed, underinformed, underprotected, and spam-deluged consumers, he feels frustrated that they aren't even crankier. But he also sees hope. "The next step," he says, "is to band consumers together as a civic force with the use of the Internet."

That may be exactly what's starting to happen. Just ask Keith Lichtman, a New York City interior designer who was getting socked with big cellphone bills for exceeding his allotted 500 minutes. A friend who frequents the FatWallet Web site came to his rescue. Users there were reporting great deals if they called Sprint, asked for the cancellation department, and threatened to cancel. Lichtman tried it, and sure enough, Sprint gave him a plan better than any it is currently advertising, more than doubling his minutes for the same price.

The unexpected bargain made Lichtman realize his days of stress-free shopping are over. Now, he suspects he overpays anytime he hasn't done research, asked for an "unadvertised special," or negotiated with the salesperson. The Internet, while a great aid, doesn't really solve the main problem: "It is exhausting, being an expert in everything." But that's the way the world is going, so you may as well embrace it, he figures. The other day, he politely requested--and got--a senior citizen's discount. Not bad for a cranky 43-year-old consumer.

DRIVING A HARD BARGAIN

PROBLEM: A car salesman added several hundred dollars' worth of "document preparation fees" to the price ROBERT KRUGHOFF agreed to pay for a new car.

BATTLE PLAN: Krughoff read the contract, caught the extra fees, and wouldn't pay. "Document preparation fees" are nothing but extra dealer profit, he says.

SUCCESS: Immediate.

LESSONS LEARNED: Car shopping has greatly improved for consumers, Krughoff says. He ought to know. Krughoff founded Consumers' Checkbook, which researches hundreds of services from San Francisco to Boston, and CarBargains, which charges \$190 to solicit dealer bids for car shoppers. Consumers who want to do their own legwork can pay as little as \$12 for Consumer Reports' analysis of a car's wholesale cost. They can also use the CarBargains strategy: Call five dealers, ask for a price--and tell them you're collecting bids from competitors.

ALL IT TOOK WAS 35 CALLS AND 4 LETTERS

PROBLEM: A credit card company reneged on its 2-for-1 airline ticket deal, sticking JODIE BERNSTEIN with a \$2,000 bill.

BATTLE PLAN: Calls (about 35) and letters (one each) to the airline, the bank, the Federal Trade Commission, and the comptroller of the currency.

SUCCESS: It took a month, but she got a full refund, a letter from the comptroller's office, and a call from an assistant to the bank president, each promising an investigation.

LESSONS LEARNED: "Get it in writing," says Bernstein, the FTC's director of consumer protection during the Clinton years. "Get the name of the person you are dealing with on the phone. Document everything. Find out the restrictions. When you have a dispute with a bank, send a letter to the comptroller and to the FTC. You have to be assertive. And, of course, you can always talk to a reporter."

PITHY POWERPOINT

PROBLEM: A booked-up hotel gave away TOM FARMER's "guaranteed" room, and, though it was 2 in the morning, balked at finding him someplace else to stay.

BATTLE PLAN: Farmer insisted the reluctant night clerk find him another room. Back at his Seattle home, the business consultant drafted a humorous PowerPoint presentation, "Yours is a very bad hotel." He E-mailed it to the hotel manager and a few friends.

SUCCESS: Within days the PowerPoint E-mail was being forwarded around the world. Panicked hotel executives called to ask, "What do you want?" His answer: Retrain the hotel's workers.

LESSONS LEARNED: Be brief, reasonable, and humorous.