Chapter I

Introduction

Background Information

A consumer is an individual who possesses the purchasing power and desire for a product or service (McNeal, 1987). Consumerism begins in childhood and continues throughout life. Youth are encouraged to participate in the consumer role at an early age (Ward, Wackman, & Wartella, 1977). They are expected to begin buying things and spending their money when they are very young. Youth need to know how to be more effective consumers, how to comparison shop, and how to learn from their mistakes.

A recent national study showed that most high school students are graduating without basic consumer education knowledge. The Consumer Federation of America (CFA) and American Express (Brobeck, 1993) conducted a nationwide test of consumer knowledge about consumer credit, checking/savings, automobile insurance, automobile purchase, housing rental and food purchase, and found understanding of these topics to be limited. In addition to answering only 42% of the questions correctly, the students also scored an average of 16 percentage points below adults on the same test (Brobeck, 1993). “Financially illiterate high school seniors are not prepared to cope with the world of consumption,” said Stephen Brobeck, CFA Executive Director. “Educators, government, consumer advocates and business leaders must work much harder and in closer cooperation to prepare these students for participation as consumers in the marketplace” (Consumer Federation of America, 1991).

Although teens compose a small percentage of the consuming population their influence greatly exceeds their numbers. Teens collectively spend about $106 billion per year in purchases for themselves or for their families (Arndorfer, 1995). Teens are inexperienced as consumers and generally have received very little training in the area of being a competent consumer. Teens compose an important segment of the consuming population and they need training and guidance to develop the skills needed to become competent consumers. Understanding how to make decisions, use resources wisely, and exercise rights and responsibilities in the marketplace is important to economic survival and growth. Consumer education empowers individuals to take responsibility for
themselves. By acquiring these skills early in life, teens enter the complex marketplace more prepared and able to successfully manage their resources. According to a 1995 survey by the National Coalition for Consumer Education, 90% of the students stated that it was “very important” or “important” to learn about consumer information in school and 87% of the students believed there is not enough consumer information provided in high school classes (United States Office of Consumer Affairs, 1991).

Recognizing the need for this education, in 1998 a Virginia Senator proposed state legislation requiring consumer education in schools. Although they directed the State Department of Education to develop guidelines by July 1, 1999, the Legislature and Governor decided that this content is not important enough to include in a consistent manner through the Standards of Learning. However, researchers have found that lower personal bankruptcy rates exist in states where personal finance education is provided in schools and that such education leads to higher personal wealth later in life (Mandell, 1998).

**Needs Assessment**

Needs assessment is a fundamental component of curriculum design. Understanding the knowledge base, as well as the perceptions and desires, of the delivery audience are critical to the success of educational programming. A “need” can be defined as the discrepancy between “what is” and “what ought to be” (Issac & Michael, 1981). “Assessment” describes the status of phenomena at a particular point in time (Best, 1981). Therefore, “needs assessment” is fundamentally a process which determines the concerns or needs of a reference group and which then becomes the basis for defining program goals and developing curriculum (Jenkins, 1993).

**Virginia Cooperative Extension**

Virginia Cooperative Extension is a public educational agency, operated under cooperative sponsorship of local governments, Virginia Polytechnic Institute and State University and Virginia State University, and the U.S. Department of Agriculture (Virginia Polytechnic Institute and State University and Virginia State University, 1996). The purpose is to provide research-based information and resources to the local citizens.
Extension programs are designed to target the specific needs of all citizens of the Commonwealth regardless of race, color, religion, sex, age, national origin, disability, or political affiliation (Virginia Polytechnic Institute and State University and Virginia State University, 1996). Virginia Cooperative Extension focuses programs and priorities according to the central issues of today and tomorrow as they affect or will affect the people of Virginia.

The youth development education program of Virginia Cooperative Extension is 4-H. The mission of 4-H is to assist youth, and adults working with those youth, to gain additional knowledge, life skills, and attitudes that will further their development as self-directing, contributing, and productive members of society (Virginia Cooperative Extension, 1996).

**Statement of the Problem**

Educators know that the better they understand their students, the better they can meet those students’ needs. When teachers understand the knowledge base of their students, the education they offer can be targeted to the specific needs of the students.

The need for consumer education is critical for three reasons. First, real income is not increasing for the lower 90% of earners; as a result, discretionary income is shrinking (United States Office of Consumer Affairs, 1991). The more skilled consumers are, the more they are able to obtain with their money. Also, there is an increasing need to save money for personal retirement. Effective consumer skills can help people reach their immediate consumption needs/goals and still have money to invest. Second, skilled consumers improve the competitiveness of American business (United States Office of Consumer Affairs, 1991). American consumers are wasting billions of dollars on the products and services of inefficient companies. And third, poor management of resources exacts an emotional, as well as a financial, cost on consumers, resulting in stress and family friction to the particular detriment of children (United States Office of Consumer Affairs, 1991).

To be competitive in the global market, U.S. businesses must be competitive at home. Skilled consumers reward efficient, innovative businesses, thus assuring true
competition in the marketplace (United States Office of Consumer Affairs, 1991). Also, workers who have personal finance problems negatively affect their employer’s bottom line (Garman, Leech, & Grable, 1996). Achieving the level of consumer competency needed to increase American competitiveness requires first creating a demand for consumer education, and then shaping consumer education programs to meet that demand (United States Office of Consumer Affairs, 1991).

**Purposes of the Study**

This study was designed to help those persons developing and delivering consumer education curriculum understand the needs of Middlesex High School Students. The areas of consumer issues, consumer credit, checking/savings, automobile insurance, housing rental, food purchasing, and automobile purchase, that were identified to be a concern can be addressed. This knowledge could be incorporated into consumer curriculum and use to develop programs adapted to this community. The results from this study could be useful to Virginia Cooperative Extension (VCE) as a justification for its programs that relate to consumer education. VCE may be able to promote the 4-H programs that it has to offer through the school and reinforce in-school offerings with community based education.

The purpose of this study was to examine the consumer knowledge of high school students from Middlesex County, Virginia and to determine the needs of this community utilizing a consumer knowledge survey developed by the Consumer Federation of America and American Express. The consumer issues were defined as consumer credit, checking/savings, automobile insurance, housing rental, food purchasing, and automobile purchase.

**Research Questions**

The basic questions to be addressed in this study were:

1. What are the similarities and differences in consumer knowledge among the four grades of high school?

2. What are the similarities and differences among the grade levels in high school on the credit portion of the consumer knowledge survey?
3. What are the similarities and differences among the grade levels in high school on the checking and savings portion of the consumer knowledge survey?
4. What are the similarities and differences among the grade levels in high school on the auto insurance portion of the consumer knowledge survey?
5. What are the similarities and differences among the grade levels in high school on the housing rental portion of the consumer knowledge survey?
6. What are the similarities and differences among the grade levels in high school on the food purchase portion of the consumer knowledge survey?
7. What are the similarities and differences among the grade levels in high school on the auto purchase portion of the consumer knowledge survey?

**Delimitations of the Study**

This study was delimited to the student population enrolled at Middlesex High School in Middlesex County, Virginia. The location was chosen because the researcher was recently hired as the new Middlesex 4-H Extension Agent. The investigator was unfamiliar with the rural county in Eastern Virginia and was concerned about the students' consumer knowledge. Because this was a new community to the investigator and there were no existing data, there was a need for an assessment of the consumer knowledge needs of Middlesex County.

The subject matter of this survey was broadly grouped as Consumer Knowledge. More specifically, the questionnaire was delimited to six areas: consumer credit, checking/savings, automobile insurance, housing rental, food purchasing, and automobile purchasing. A broader survey measuring all aspects of consumer topics would have resulted in an instrument of unsuitable length for use in a secondary school situation.

**Limitations of the Study**

One limitation of the study was that it was concerned only with the high school students enrolled at Middlesex High School in Middlesex County, Virginia. This restricted the extent to which the results could be generalized to students of other communities. However, because a lack of research existed in consumer education at the
high school level, these data may prove useful in further development of community consumer education programs that will be adopted by other similar counties.

As a result of using an existing questionnaire, the study was limited to the questions included in the survey instrument. The fifty-two item objective survey contained six very broad subject areas. It was difficult to assess the total understanding of the subject matter by a few questions. Each segment of the survey could have been developed in more depth, which would further the understanding of what consumer knowledge the students had. However if the survey showed more detail, it also would have been longer. Survey researchers have found that respondents are usually unwilling to take the time to answer more than 60 to 70 questions (Brobeck, 1993).

The questionnaire, itself, could have been another limitation. The Consumer Federation of America and American Express developed the test for high school seniors only. The subjects participating in the study ranged from freshmen (ninth grade) to seniors (twelfth grade). The wording of the more difficult questions may have been too challenging or confusing to the younger age group. However, due to the comparison of each of the grades and to the national data the questionnaire could not be changed.

Furthermore, the population that was being examined in the study was minors. For the youth to participate in the research, parental/guardian Informed Consent and child’s written Informed Consent or “assents” were required. The consent forms had to be sent home and returned to the school. Unfortunately, some prospective participants lost or misplaced the permission letter and some parents refused to let their child take part in the survey. The day chosen for answering the questionnaire there were children out of school for various reasons. These things diminished the participation number and may have resulted in a sample which did not adequately represent the entire student body of Middlesex High School.

**Definitions**

Definitions are included to increase the understanding of the terms used in the study.

**Consumer.** A consumer is an individual who possesses the purchasing power and desire for a product or service (McNeal, 1987). A consumer, according to the MIT
dictionary of modern economics, is any economic agent responsible for the act of consuming final goods and services (Alhabeeb, 1996).

Consumer education. Consumer education is the process of gaining knowledge and skills to manage personal resources and to participate in social, political and economic decisions that affect individual well being and the public good (Bannister, 1996).

Consumer knowledge. Consumer knowledge is a relevant and significant consumer construct that influences how consumers gather and organize information, and ultimately, what products they buy and how they use them (Cordell, 1997).

Consumer credit. Consumer credit is a business transaction widely used by individuals, families, retailers, financial institutions, and many others involved with distributing goods and services to the ultimate consumer. It is the financial device through which many Americans acquire what they want, when they want it, and pay for it out of future earnings (Jeries, 1988). Consumer credit is non-business debt used by consumers for expenditures other than home mortgages (goods, services, or money) are received with payment to be made in the future (Garman and Forgue, 1997).

Summary

This study was designed to examine the knowledge high school students from Middlesex County, Virginia have about consumer issues and determine the needs of this population. The consumer issues included are consumer credit, automobile insurance, checking/savings, housing rental, food purchase, and automobile purchase. The remainder of the thesis is organized in the following chapters. Chapter II is a discussion of the review of literature. Chapter III describes the methodology of the study. In Chapter IV the data are reported and there is a discussion of the findings from the research. Chapter V is the summary and conclusions of the study.