

Chapter One

Introduction

What about the clerk at the store, who catches on to the fact that you don't know how much money to give him or her, for your purchase. Should we pray that the clerk is a honest person? Or hope that the person behind us will help out and be honest about it? — *An informant* (NIFL 1995)

Millions of adults enter the marketplace daily without the literacy skills that many of us take for granted. Consumers who possess limited literacy skills face challenges such as comprehending a loan application for a car purchase, following dosage recommendations for over-the-counter pharmaceuticals, or even differentiating among various brands of canned vegetables at the grocery store — tasks that consumers with greater literacy skills consider simple. The ability to read, write, and comprehend the meanings behind words are assumed to be universal skills in developed countries like the United States. Yet, the statistics on the number of low literate adults in the U.S. are sobering.

More than twenty percent of the adult population, or approximately 44 million adults, are classified as *functionally illiterate* possessing skills below a fourth grade level in reading, interpreting and/or comprehending prose, documents, transportation schedules, or simple mathematical functions (Brace 1995). This estimate includes approximately 11 million adults for whom English is their second language. In addition to those adults classified as functionally illiterate, another 34% of the adult population is considered only *marginally literate* (Kirsch, Jungeblut, Jenkins, and Kolstad 1993). This group is characterized by their limited skills, but unlike the functionally illiterate consumers, they are generally able to “locate information in texts, to make low-level inferences using printed materials, and to integrate easily identifiable pieces of information (*p. iv-v*).” For example, adults at this level are able to determine the difference in price between two items. In total, it is estimated that over half of the adult population in the United States possesses literacy skills below a basic sixth grade level of equivalency (Kirsch et al. 1993).

Few people would suggest that reading, writing, and mathematical skills are unimportant in the marketplace. Quite the contrary, most people would agree that basic literacy skills are essential for consumers to function in an increasingly complex marketplace (Viswanathan,

Harris, and Ritson 1998). The marketplace, brimming with a plethora of written messages, was created for literate consumers (Halatin and Taylor 1994). In the same way that consumers who have limited financial resources face barriers in the marketplace, adults with limited literacy skills face barriers as workers, consumers, and citizens (Kirsch et al., 1993).

Despite the significant number of consumers with limited literacy skills¹, marketing researchers know very little about these consumers and how they manage their marketplace activities. Exploratory research on the marketplace activities of low literate adults painted a paradoxical picture of these consumers' abilities to negotiate their marketplace interactions (Adkins and Ozanne 1997). As expected, limited literacy skills created problems across the domains of product, price, distribution, and promotion. Product choice was limited to familiar brands (e.g., selecting 7UP™ over unbranded clear soft drinks) but even identifying products was sometimes troublesome (e.g., mistaking cat food for canned vegetables). Consumers had trouble understanding prices (e.g., paying \$10.00 for a \$4.99 product) and being able to pay for products (e.g., filling out checks). Retail patronage was constrained to outlets where salespeople were friendly. Finally, the processing of advertising was weighted toward visual processing.

Nevertheless, this exploratory research uncovered examples of low literate consumers doing well in the marketplace. Informants often reported their marketplace successes such as finding items on sale, providing for their families, and being discriminating in their purchase decisions. Many of their marketplace successes entailed the use of often elaborate coping strategies (see discussion of stigma theory in Chapter Two). For instance, these consumers would memorize store layouts. They would go to alternative markets such as flea markets, yard sales, and farmers' markets, where written material is practically nonexistent. Consumers would choose safe markets in which the pricing strategies were uniform or the sales clerks were particularly helpful. Additionally, the data revealed that consumers relied on market mediators (i.e., friends and family members) who could take them shopping, read their mail, and read product instructions and information. This initial work suggests illiteracy does pose problems for consumers and gave some preliminary ideas on how consumers manage. However, this area is under-researched and additional research is needed to understand this problem that influences so many people and has such far-reaching managerial implications.

Research Focus

This research seeks to explore consumers with low literacy skills interacting in a literate marketplace. Specifically, when does low basic literacy translate into low consumer literacy and when are low literacy skills supplemented by other resources so that consumers get what they need and want in the marketplace? Halatin and Taylor (1994) conceptualize consumer literacy as the reading, writing, and numerical skills and abilities necessary for consumers to purchase and use products and services. Halatin and Taylor's (1994) definition of consumer literacy suggests that in order for consumers to be consumer literate they must also be traditionally literate. Recent research (e.g., Adkins and Ozanne 1997, 1998; Viswanathan, Harris, and Ritson 1998) offers evidence that Halatin and Taylor's definition needs further examination and possible extension to include other strategies that consumers use to get their needs met in the marketplace. To accomplish these goals, this research employs a qualitative methodology in which shopping stories are gathered from a wide range of low literate adults for an interpretive analysis. The limited research and conceptualization in the area of consumer literacy signal the appropriateness of a qualitative study in order to build conceptual definitions and theory.

The relevance of this research to the marketing discipline is briefly examined in the next section. A more thorough explication of the research's potential implications and contributions for public policy makers and the academic communities appears in the final chapter.

The Importance of Studying Low Literacy in a Marketing Context

Earlier it was noted that despite the significant number of adults with limited literacy skills, marketing researchers know very little about how these consumers manage their marketplace encounters. Developing a conceptual framework of the relationship among basic literacy, consumer literacy, and various marketplace behaviors is relevant to three constituencies: business practitioners, academic researchers, and public policy makers.

Business Practitioners

The literacy of workers actuates a company's productivity and profitability (Reese 1996). Illiteracy costs businesses over two hundred billion dollars each year in the loss of productivity,

¹ The terms "low literate consumers" and "low literate adults" are used interchangeably throughout this dissertation to refer to those consumers with limited basic reading, writing, and numeracy skills.

the increase of job-related accidents, poor product quality, and lost management and supervisory time (LVA 1995; Reese 1996; Verespej 1996). The United States Department of Labor suggests nearly 75% of the unemployed are functionally illiterate, which hinders the United States' ability to remain competitive in the global economy and maintain the highest standard of living in the world (LVA 1995).

The basic literacy skill level of employees influences the production, manufacturing, and distribution functions of a company. In fact, business executives admit that limited literacy skills of the workforce are significant contributors to American companies coming up short in comparison to foreign companies (Halatin and Taylor 1994). A recent study by the American Management Association found that 36% of job applicants tested by major U.S. firms in 1998 lacked sufficient reading and math skills to do the job they sought — a 17% point increase over 1996 figures (Grimsley 1999). Further, nine out of ten Fortune 1000 CEOs believe low literacy skills of employees are a major problem in the business world; ironically, fewer than 40% of CEOs feel that the problem exists in their own companies (Reese 1996). Executives may not want to acknowledge low literate employees as a problem in their workforce because they “fear it will cast doubt on the quality of their companies’ products and services” (Reese 1996, p. 14). Alternatively, employees may effectively hide their inability to read from their employers. As technological innovations continue to alter the manufacturing and service industries, this second scenario is potentially dangerous not only to the company’s long-term profitability but also to the employees’ productivity, job security, and safety. Employees’ advancement is hindered when low literacy prevents them from participating in educational programs designed to improve their marketable skills. It is estimated that only 8-10% of those adults needing remedial training and re-training on literacy related skills seek it (Beder 1991; LVA 1994).

Another problem, directly relevant to marketers, is that millions of low literate consumers cannot read about the companies’ product and service offerings. Marketing communications, through vehicles such as advertisements, promotional pieces, and direct mail solicitations, may also be unread or miscomprehended (Harrison-Walker 1995). Further, customer satisfaction is potentially diminished by the consumers’ inability to read directions for proper product use and maintenance. The relevance of low literacy levels to academic researchers is discussed next.

Academic Researchers

Within our discipline considerable research exists on the consumer decision-making process². The dominant research paradigm assumes that consumers go through a five-stage process (i.e., need recognition, search, evaluation, purchase/choice, and post-purchase behavior) when making decisions in the marketplace (Kaufman 1995). Many studies concentrate on exploring the conceptual link between a consumer's recognition of a need or want and their resultant search activities (cf. Bettman 1979; Bruner 1986; Engel, Kollat, and Blackwell 1968; Howard and Sheth 1969). Other research focuses on the evaluation of alternatives, post-purchase behaviors, and consumers' satisfaction and dissatisfaction (cf. Arnould and Price 1993; Babin and Griffin 1998; Gardial et al. 1994; Mooradian and Olver 1997). These studies assume a basic level of literacy and comprehension by the consumers (e.g., many of these studies use samples of college students).

In the first two stages, need recognition and search, consumers are "assumed to make choices based on their own preferences, using marketing information available through advertising, in-store promotions, and other communications" (Kaufman 1995, p. 43). It is assumed that both market information and retail outlets are available. Nevertheless, research on a variety of disadvantaged consumer groups³ provides evidence that this assumption of access to goods, services, and information is wrong in many cases. Similarly, consumers with low literacy skills face constraints in their decision-making capabilities. Previous exploratory research shows that consumer product choice is influenced by store or brand loyalty, simplified pricing strategies, courteous employees, and a variety of other factors independent of the written word (Adkins and Ozanne 1997, 1998; Viswanathan, Harris, and Ritson 1998).

Once consumers obtain market information, it is assumed that they are able to make comparisons among alternatives in their consideration set. Consumers facing difficulty deciphering nutritional value labels on food products or synthesizing information from printed materials (Bishop 1991; Kirsch et al. 1993), may find it troublesome to compare similar products. Low literacy skills may also prevent consumers from knowing about substitute

² Readers are referred to Bettman, Johnson and Payne (1991) for a review of this body of literature.

products. Thus, factors constraining search may also constrain the consumer's ability to make comparisons among available alternatives (in absolute terms in the number of alternatives available and in relative terms in being able to accurately use the market information.)

Low literacy skills may impact the consumers' ability to choose the appropriate product or service to satisfy their perceived need. For example, consumers with limited abilities to read and interpret warning labels on medications and comprehend proper product usage, face impaired abilities to select the best product for their specific needs. Additionally, the physical well being of these consumers is potentially endangered. Once a choice is made, low literate consumers often cannot judge claims of performance against actual performance, which jeopardizes customer satisfaction and loyalty. Low literacy skills thus impact the post-purchase behavior of many consumers. Hence, *it appears that the traditional decision making process may not accurately reflect the decision making process of low literate consumers.* Perhaps instead of the traditional five-stage process, these consumers operate in four stages of need recognition, purchase, post-purchase and then evaluation of alternatives. The search stage may not occur or external search may be narrowed to interpersonal sources such as friends and family for this consumer group. Or, perhaps information search primarily occurs after post-purchase evaluation. The findings from the current research offer insight into the consumer decision making of low literate consumers.

Public Policy Makers

Low literate consumers face risks, including the risk of potential physical harm, which may necessitate additional consumer protection initiatives. Observed problems of specific consumer groups such as children, the elderly, or the poor typically serves as the impetus for changes in administrative (i.e., bureaucratic agencies' regulations), statutory (i.e., congressional and legislative enactments), and judicial (i.e., legal interpretations) laws. The development of the resulting policy legislation may also take into consideration the education and skill levels of the target consumers the policy is designed to "protect." For example, the Food and Drug Administration (FDA) seeks over-the-counter (OTC) pharmaceuticals labels written in "plain English" that are easily understood by ordinary consumers, even those with low or limited

³ Cf. Alwitt (1996), Goodman (1968), Hudson (1993), and Snow and Anderson's (1993) work on the poor; Wilson's (1987) work on African American inner city dwellers; Andreasen's (1975) research on the disadvantaged; Edin

comprehension ability (Farley 1997; Morris et al. 1998). The comprehension abilities, level of educational attainment, and/or level of sophistication of consumers are taken into consideration in the formulation of other initiatives such as the Nutritional Labeling and Education Act (NLEA) and various advertising regulations. Similarly, the courts continue to examine these comprehension issues when deliberating the merits of product liability cases (Morgan and Riordan 1983; Morgan, Schuler, and Stoltman 1995).

Thus, observed instances where the lack of basic literacy skills potentially adversely affects consumers' well being are incorporated into initiatives within the various policy making bodies. In addition to the situations described above, recent research (Adkins and Ozanne 1997, 1998) suggests that limited basic literacy skills also compromises the consumers' well being in more benign situations, such as eating at a local restaurant or staying at a hotel. A more complete understanding of consumer literacy may interest public policy makers and could aid in the development of future policy programs.

The remainder of this dissertation is organized into five chapters. Chapter Two begins by examining what it means to be a literate adult. Next, the existing research on low literate consumers is reviewed. This review is followed by a summary of selected research from the field of adult education illustrating the pervasive impact of low literacy on people's lives. Social stigma theory, from the fields of sociology and social psychology, is then introduced as a potential theoretical framework to expand our understanding of the impact of low literacy in the marketplace. A thorough explication of the methodology employed in this research appears in Chapter Three. In Chapter Four, initial support for stigma theory is presented followed by a presentation of the coping strategies. Chapter Five includes an expansion of the concept of consumer literacy followed by an interpretation of the themes using Link and Phelan's (2001) reconceptualization of stigma. The low literate consumer is presented as an active participant in the marketplace. The dissertation concludes with a discussion of the research contributions and the implications to various constituencies, as well as limitations and future research opportunities in Chapter Six.

(1993) and Hill and Macan's (1996) study of welfare recipients; and Hill's (1991) investigation of the homeless.