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PRODUCT DIVERSITY AND PRICE STATISTICS

Our knowledge of the factors that explain changes in the prices of particular goods and services can only be extended by increasing, very considerably, the amount of information available on the variation in prices at a given time and the variation in price changes over time.

There is a quality range in most products purchased by consumers and within each quality level there are numerous varieties, distinguished by fashions, styles, and brands. The diversity in qualities and varieties complicates the measurement of price changes and, increasingly, has limited the determination of meaningful measures of the absolute level of prices to those commodities that are produced in recognizable and standardized grades. The range of qualities and the number of varieties, for some products, differ little from place to place and change slowly over time. The compilation of price statistics for such commodities and services presents no great difficulties in concept, measurement, or interpretation. Take salt for example. The determination of the average price of salt or of the average change in the price of salt in a given location is not likely to stir up controversies about definition and accuracy among economists and statisticians. Products like salt, sugars, vinegars, and chlorine bleaches are, however, becoming more and more exceptional. The qualities and varieties of the things consumers buy are being increased continuously and the differences between qualities have become more and more difficult to define either for identification in statistical measurement or for the understanding of the consumer. As it becomes more difficult to discriminate among quality levels, the distinction between qualities and varieties, that is, styles and fashions, becomes blurred.

The quality of a product is, in some way, associated with its price. Consumers, given sufficient purchasing power, are willing to pay more for higher quality. It costs more to produce goods of better quality, judged by some of the attributes that are generally recognized as distinguishing levels of excellence in workmanship and performance. The variation in prices charged for some one commodity in a given metropolitan district at a particular time cannot, however, be taken to represent quality differences judged by consumer preferences or the costs of production and distribution. Within a metropolitan district there are different locations, sections, or areas, where low-income, middle-income, and upper-income consumers try to satisfy their wants. The varieties of products to be found differ among locations and within locations between types of establishment. So do the prices, for what appears to be equivalent articles or services.

Changes in the prices of different varieties of a product are not likely to be uniform over a metropolitan district because new variants appear at different times in the locations where the various classes of consumers do their shopping. The new variants may and probably do affect the prices of the product in those locations. Under the circumstances consumers have no way, presently, of knowing whether a price change is quite general or how persistent it is likely to be, or even, in some instances, whether a price change has taken place. If new brands appear and familiar brands disappear, the possibility of comparing prices is eliminated.

Within the present program for the collection of price statistics by the Bureau of Labor Statistics there are some methods for describing the variation in prices and in price changes that could improve the analytic potential and contribute to local consumers' understanding of price developments.

The range in prices for specific goods and services among different types of establishment in different locations in metropolitan districts could be used to describe the consumers' alternatives with respect to quality and varietal differences. Such summary descriptions might lead to questions on marketing practices that require explanation. If the range of prices for standard brands of coffee were higher consistently in supermarkets of middle-income suburbs than in central city locations catering to a similar population, the explanation might be found in the relative number of brands that are stocked.

Similar schemes for describing the ranges in price changes could be developed. When the prices for particular products change the effects on different classes in the population can be judged by such locational classifications of the reporting establishments. A knowledge of the concentration of price changes by location and type of establishment could contribute to our understanding of the impact

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