

# HP and the Black buyer

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*Extracts from an investigation (undertaken by the Natal Coastal Region of the Black Sash) into the hire purchase transactions of the African consumer in the furniture trade.*

**T**HE Westernisation and urbanisation of the African has created a huge market for the goods of the White society.

"Something for nothing", the possibility of obtaining possessions in the form of furniture, easily appeals to the poorer and more ignorant.

But the four-roomed houses of the urban African do not suit the range of Western furniture that many buy.

In Umlazi the estimated actual population in 1974 was 225 000 while the legal population was 160 000. With subletting and lodging, it is often a case of one family per room. Hence there are seldom separate rooms for dining, relaxing and sleeping where the appropriate furniture will be properly used.

● Perhaps the most noticeable finding in the behaviour of the African consumer in the furniture trade has been the lack of budgeting.

The salesmen in general seem to commit up to 20 per cent of a customer's income to repayments on HP.

The salesman finds out his other commitments in nature of wife, family, other HP contracts and each case varies. Yet the bad debt department often noted that the customer had not allowed for seasonal expenses such as returning to school, licences and holidays.

Whereas HP is a commitment on one's income for the next one or two years, and presumes stability of income and health, no allowance is made for mischance.

In a society of largely unskilled labour with a high turnover, failure to pay is often the result of job loss. In Durban more than eight out of 10 African workers performed unskilled labour, only 7,4 per cent of the labour force was skilled.

Through use of a central credit bureau, furniture firms (except one chain group) prevent any customer from overcommitting himself (one example being 20 per cent of income, but policies vary).

The African does not appear to realise that even 20 per cent is far too much when viewed in the light of the average expenditure patterns, and will frequently give false information in order to buy more goods.

In cases where both the husband and wife are wage earners, some firms take into account the wife's earnings to make more credit available.

Thus if one loses his job, the load falls on the single income. (And, of course, the chances of joblessness and default will be greater.)

Cash sales in the African furniture trade are almost unknown. The question asked is not "how much is it?" but "how much a week?" The cost of an item is judged by this. It is generally unknown that the cash price is often one-third less — or that you pay 50 per cent more through HP.

● The granting of credit depends in each case on the picture that emerges of the earnings and the job and residential stability of the customer.

Each firm appears to have different criteria for credit. There does not appear to be any fixed scale for credit allowance.

One firm will grant a man credit while the shop next door has turned him away. There is no minimum income below which no credit is given because it might be deemed that the man needed all his salary for essentials.

There does not appear to be any notice taken of the poverty datum lines, in the lower of which there is no allowance for purchases of such items as furniture. Domestic workers who have board and lodging free and a wage have a greater percentage allowed on their wage.

The result may be that while a man might meet his HP commitments from month to month, he might skimp on the items that should be given priority in his monthly budgeting like food, schooling, clothing, family dependents.

One welfare worker maintained that among the poorer urban families the money that should have been spent on food for a growing family gets spent on HP commitments. The ones who suffered were the children.

The desire of firms to sell and increase profits counters the need to keep a check on credit. Where the customer has no knowledge of budgeting, the onus rests on the credit controller to keep credit tight.

● An easy credit policy and a large bad debt file will go hand in hand. In Durban the firms interviewed were aware of this danger. Although they advertise "easy terms" the passing of credit is very closely controlled. However, all firms have arrears and repossessions and it is in the latter

cases that allegations are levelled against the furniture trade.

The usual causes of arrears were illness, or death of breadwinner; job loss and other unexpected or unbudgeted large expenses.

Since the resaleable value of furniture goods deteriorates very rapidly, it is hardly worthwhile repossessing when the goods have been used for some time. Thus one finds firms that have high repossession rates (due to easier credit) repossessing rapidly in order to recoup some of the value of the goods in good secondhand sales.

Most firms do not like to repossess when only a little of the money is outstanding. Three letters of demand are often sent out followed by a "final notice of intention to proceed to court".

Where actual repossession takes place this is seldom done on a court order. The lorry arrives and the driver says he has come to collect the goods as the buyers cannot pay. The goods are thus usually handed over "voluntarily".

The firms maintain that this is in the customer's interest as he can avoid the legal fees of a court order, which he is liable to pay (thus the man would lose the money paid in, the goods and have to pay the legal costs). As it is, he loses his money paid in and the goods.

The customers do not know that the firms have no right to repossess furniture without an order of court.

Several firms maintained that the condition of the repossessed furniture was atrocious and some had to be junked. The rest was sold on dirt cheap second-hand sales. Whether this is a comment on the use to which the furniture is put or on the *general poor quality of the goods is a moot point.*

One chain store is alleged to repossess the furniture so quickly after arrears that the goods fetch a good price as almost new furniture.

There were a few complaints of "malicious" defaulters. Most maintained that there was a genuine desire to complete the contract. However, there are complaints that it is often hard to trace the whereabouts of the furniture as it has been taken to a reserve and the change of address not given (as required by law).

● A good deal is spent on advertising in the way of sponsoring football teams, beauty competitions or boxers, and free exercise books.

In Durban most firms have some salesmen who go out to the townships to look up old customers and visit contacts newly acquired.

Random selling was felt to bring in bad customers. The salesman would rather call on the next door neighbours of a known customer using his name as a contact. Some firms commented on the importance of maintaining a good personal contact with customers as a great deal of return trade was done.

Free gifts depending on the value of the purchases are often offered. Pictures of the Zulu kings, or water sets are examples of gifts for small purchases.

While the firm must, by law, put the cash price on the article for sale, the cash price is often left off the firm's sales catalogue. The purpose of this practice is not known, but it must encourage the customer to value goods in terms of "how much a month".

One firm criticised this practice and pointed out how all their catalogues showed cash and HP costs.

These methods may appear innocuous. Concern lies however, in the technique of sales pressure brought to bear on the African. The tremendous desire to sell may override the attention the salesman should pay to the customer's welfare.

Thus the large firm with many retail outlets may become depersonalised and over-anxious to constantly increase sales figures in their effort to be seen to progress and be successful.

● Some firms have a "complaint book" to make the customer feel that the firm is approachable and amenable. There is the complication that many of the African purchasers do not know the norm, or what their rights are in such a complicated transaction, and are likely to take more maltreatment than Whites.

Furthermore, no one reads the fine print on the back of the HP contracts, (printed only in Afrikaans and English, not Zulu) and people rely on the salesman to explain obligations and rights.

Many Africans said they did not know what interest was. Most firms maintained that this was always carefully explained. One firm said it was a mistake to "over-explain" interest as it made the customer nervous of the shop and even suspicious.

If the goods break or prove faulty through no fault of the user, the firm is liable to repair or replace them. However, this is rarely known and the customer may instead stop repaying until he has time to go to the shop and sort out what he must do.

● Most firms were very co-operative about the investigations. Only one firm was wary of any questions, did not answer questions properly and resented any looking around.

One manager complained that the furniture trade was unfairly treated insofar as they were an easy victim for investigations while many other more complex operations such as insurance selling, HP in the motor firms, and funeral businesses went unexamined.

Aware of the unfortunate image that the furniture trade has so easily developed, the furniture traders established the Better Furnishing Council some years ago. Members were given framed copies of the code of the BFC.

The public has reputedly not responded to the campaign, and did not seem to see any value in the fact that some shops were displaying the code of the BFC and would give a fair deal.

Several firms felt that there was nothing wrong with HP transactions in African trade. They felt

that the strict legal demarcations prevented exploitation. They felt that the isolated case of maltreatment was overpublicised and damaged the reputation of the whole furniture trade.

The general manager of a certain chain store maintained that the firm was in business to stay in business, and that this fact alone would prevent overselling or giving the public a bad deal. Reputations would travel in the townships and their dependence on return trade would make the firm serve the customer fairly.

● It is a moot point whether the African consumer population is developed enough to act as the check on the various aspects of HP that are not covered by law.

There is no retail price maintenance and while the African public buys on terms available and does not shop around, the competition is unlikely to be enough to act as a brake on the firms that sell poor quality furniture at relatively higher prices, with easier credit facilities.

There are many variables in the HP African market and it is highly unlikely that enough competition exists to curtail firms that oversell and/or sell furniture with high mark-ups.

One supplier said that they issued recommended price lists (of kitchen stoves) but had no way of making firms abide by these.

● With the opening up of the homelands to White enterprise one wonders whether the commercial experience of rural Africans is enough to act as a curb on overselling and overburdening the customer. There is hardly likely to be enough competition to ensure fair quality and price levels.

It does seem likely that an African is more likely to ensure fair treatment by avoiding the firms that obviously put tremendous emphasis on selling.

The smaller firm with a manager/owner is more likely to provide a personalised service — the manager is often on the floor to grant credit and talk to people in arrears and the firm is unlikely to be pushing ahead.

The nature of the debt collection department is also important. Legally one can repossess after three months when the customer has fallen in arrears, but most firms are not quick to repossess.

The smaller firm is more likely to have a personal relationship with the customer and to give him time where there are personal problems and a desire to pay.

## OBITUARIES

MISS BETTY LEVY, a founder member of the Black Sash, died in Bloemfontein on April 16, 1975. Betty was a librarian at the Bloemfontein library for 40 years, and was Chief Librarian from 1946 to 1972.

She was dear to all — loved and respected by all who knew her, irrespective of race, colour or creed. Bereft of all her dear ones, and never in perfect health, she always thought of others first.

Even during this last year, almost completely confined to bed, she would say, "I'm fine thanks — tell me about yourself."

Thus, with her deep perception, wisdom and compassion for all mankind, she gave of her best to people, helping morally and mentally and even financially too, those whom she knew personally of the millions of unjustly underprivileged people in this land.

Her sympathies were always with the underdog, and with the work being done by the Black Sash, to which she gave her unstinted support. She will be sadly missed by all who knew her.

THE NEWS of the tragic death in Iran of OLIVE WYNNE came as a great shock to all those members of the Black Sash who enjoyed the privilege of knowing her.

She was one of its staunchest and most devoted members and we shall miss her very much. There are few women with Olive's qualities. She was warm, always helpful and a source of strength to everyone at all times.

We came to rely on her stalwart support and unflagging enthusiasm, for she never faltered, either in principles, courage or endeavour.

She was the treasurer of the Waverley Branch for many years, keeping the books with meticulous care, and her death leaves an irreplaceable gap in their lives.

She had many other interests, and she and her husband were keen travellers and amateur archaeologists.

We extend our warmest sympathy to her husband and children and to her sister, Dora Hill, to whom she was, above all, a companion.