

People, Not Profit: Ethical Pricing Practices During a Disaster

It's Economics 101: As supply decreases and demand increases, the value of a product or service goes up. When supply increases and demand decreases, the value goes down. This basic rule has helped many c-store owners price their inventory and increase their margins. But sometimes it can get complicated.

WHEN HURRICANE HARVEY HIT SOUTHEAST Texas in late August, it decimated the region, destroying homes and businesses and leaving hundreds of thousands without power. Images of flooded streets, highways, and homes in Houston, the nation's fourth-largest city, dominated the news for days. The cost of the damage is still being assessed, but it most likely will be one of the most expensive natural disasters in U.S. history, with estimates ranging from \$65 billion to a staggering \$190 billion.

Shortly after the hurricane made landfall, reports came pouring in of heroic rescues and hugely successful fundraisers. But not everyone was so generous. Reports of price gouging, including one c-store that was selling gas for \$20 per gallon, also began emerging. The Consumer Protection Division of the Office of the Attorney General of Texas received more than 600 complaints of price gouging within a week.

When a natural disaster strikes, people need a range of supplies, from food and water to gas and shelter. The demand for these basic necessities is high, and the supply is often low. But this is one case where the law of supply and demand clashes with the tenets of basic human decency.



In Texas, offenders who engage in price gouging can face fines of up to \$20,000 per offense plus an additional amount of up to \$250,000 if the victim is 65 or older.

“Anytime catastrophic storms hit Texas, we witness the courage of our first responders and the generosity of neighbors coming together to help their fellow Texans,” Texas Attorney General Ken Paxton said in a statement. “Unfortunately, in the wake of the damage from storms and flooding, we also see bad actors taking advantage of victims and their circumstances.”

What Is Price Gouging?

According to the Office of the Attorney General, price gouging can be defined as “selling or leasing fuel, food, medicine, or another necessity at an exorbitant or excessive price” after a disaster has been declared by the governor. Each violation can cost up to \$20,000 plus an additional amount of up to \$250,000 if the victim is 65 years of age or older.

Retailers can be accused of price gouging for even the smallest items, including a pack of batteries or bag of ice. If a c-store normally sells a bottle of water for \$1.79 but charges \$7.99 following a natural disaster, chances are good someone will accuse the store of price gouging. In general, price increases of 10 percent or more may be considered excessive and subject to close scrutiny by the attorney general’s office.

C-stores aren’t the only businesses accused of price gouging. Some hotels were doubling or tripling their rates during Hurricane Harvey, and a Best Buy in Cypress was selling cases of bottled water for nearly \$43 (Best Buy later issued a statement explaining an employee had erroneously added up the cost of each individual bottle to come up with a price for the entire case, which the electronics retailer usually does not sell). But because c-stores are a one-stop shop for many of the items most needed during a disaster, their prices are closely watched.

“Price gouging is not only reprehensible; it’s illegal,” Gov. Greg Abbott said at a news conference. “If you’re a business, you could be put out of business.”

What Should C-Stores Do?

No one is asking c-stores to give their gas or goods away. Some price increases are to be expected during a natural disaster; after all, c-stores are businesses, and they are subject to market forces. If the supplier raised prices and it’s costing a c-store more to obtain goods, for example, it’s reasonable for a c-store to raise its own prices. In the case of Hurricane Harvey, flooding closed several oil



refineries along the Gulf Coast, limiting supply not only in the region but also across the country. Gas prices jumped accordingly.

When considering raising prices during a natural disaster, consider whether short-term gains outweigh the long-term consequences. It's not easy to build customer loyalty, especially in today's competitive marketplace. If a c-store became known for taking advantage of its customers during their hour of need, even the most loyal customers may consider taking their business elsewhere.

Keep in mind the power of social media. During Hurricane Harvey, reports of price gouging were shared widely on Twitter, Facebook, and other sites. Many included images that made the exorbitant prices difficult to deny. As the saying goes, it takes years to build a reputation and five minutes (or one viral social media post) to destroy it.

The key is to keep increases reasonable. Ask yourself if you could justify the increase if questioned by a government official. Think strategically and consider the true cost to your business. Above all else, remember that c-stores are closely tied to and supportive of their communities.

“At times like these, we must be true c-stores—meaning community stores,” said GAMA COO Shane Walker. “Our customers are our business. We have to be there for our customers and our communities when they need us most.” 🌟

Texas Attorney General Warns Gas Stations Against Fraud in Wake of Hurricane Harvey

Attorney General Ken Paxton issued a warning to gas stations against any attempt to take advantage of Texas consumers by fraudulent action in the wake of Hurricane Harvey.

The Consumer Protection Division of the attorney general's office received more than 600 complaints in one week, many of which involved allegations of high fuel prices in Dallas, including amounts ranging from \$6 to \$8 dollars per gallon.

“Texas law protects consumers from fraud in Dallas and other parts of Texas outside of the governor's declared disaster areas,” said Marc Rylander, communications director for the attorney general's office. “If Dallas consumers are victims of fraud by gas stations, we urge them to contact our agency's consumer protection hotline so that we can investigate and take appropriate action.”

Victims of fraud can report it immediately by calling the attorney general's Consumer Protection Hotline at 1-800-621-0508, sending an email to consumeremergency@oag.texas.gov, or filing a complaint online at www.texasattorneygeneral.gov.

Consumers are encouraged to submit photos and photo copies of gas receipts with their complaints, if possible.