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Information Report: The Better Business Bureau



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## Introduction

In the business world, marketplace trust is a growing concern between households and firms. This establishes the need for a non-biased organization to improve trust between the two parties. The notable Roman Councilman, Cicero once addressed this issue. He wrote, "All things should be laid bare so that the buyer may not be in any way ignorant of anything the seller knows." Cicero recognized the need for common ethical standards in the marketplace. The Better Business Bureau fulfills Cicero's requests adequately.<sup>1</sup> The Better Business Bureau's mission is "to be the leader in advancing marketplace trust."<sup>2</sup> They promote trust by: encouraging and supporting good business practices, educating consumers and businesses, celebrating marketplace role models, setting standards for marketplace trust, and creating a community of trustworthy businesses and charities. Their vision is to create, "An ethical marketplace where buyers and sellers trust each other."<sup>3</sup> The intended audiences of this report are current businesses, consumers, and investors. By reading this information report, readers will be able to learn about the BBB, and how their support will create a more ethical and trusting marketplace in Baltimore, Maryland.

## Background

In 1872, people first took interest in creating a more ethical marketplace. What sparked this revolution was the fact that congress recognized people utilized the post office for articulating fraud amongst consumers. At this time, the government dictated this

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1. Wansley, Charles. "History and Traditions." BBB.org. <https://www.bbb.org/boston/get-to-know-us/vision-mission-and-values/history-and-traditions/> (accessed November 4, 2016).

2. "Mission and Vision." BBB.org. <http://www.bbb.org/boston/get-to-know-us/vision-mission-and-values/> (accessed November 4, 2016).

3. Ibid.

practice unconstitutional. In 1880, the first company to take note of the mistrust in the market was *Farm Journal*. They published a statement to the public, which validated the trustworthiness of advertisements in the magazine. *Farm Journal* was the first magazine to propose this idea to their consumers that they were trustworthy. As a result, buyers and sellers came to a common understanding that it is crucial for a business to establish its credibility before interacting with the public.<sup>4</sup>

In 1906, the first major dispute of false advertising took place. The founder of Coca-Cola, Samuel Dobbs was accused of false advertising, and as a result the company was put on trial. During the trial, the company's lawyer acknowledged, "Why, all advertising is exaggerated. Nobody really believes it." This sparked Dobbs' idea to create higher standards for the advertising industry. In hindsight, Samuel Dobbs' case was the driving force behind the creation of the BBB.<sup>5</sup>

Just a few years succeeding the trial, Dobbs' efforts resulted in the adoption of the "Ten Commandments of Advertising." In 1912, the National Vigilance Committee first established the Standards of Practice. This committee was able to eliminate abuses within the Pharmaceutical Industry, and eventually tackle various abuses across many other industries. The Standards of Practice still remain apparent today. In 1913, The Advertising Men's League—predecessor of today's Advertising Club of New York—was the first to set up a committee devoting its time to eliminate abuses and creating advertising codes and standards. The committee consisted of thirty-three businessmen, civic leaders, and

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4. Wansley, Charles. "History and Traditions." BBB.org. Accessed November 4, 2016. <https://www.bbb.org/boston/get-to-know-us/vision-mission-and-values/history-and-traditions/>

5. Ferrell, O. C., John Fraedrich, and Linda Ferrell, *Business Ethics: Ethical Decision Making & Cases*. (Australia: South-Western, 2014), 477.

university professors. These innovative men published a pamphlet called, "A War With Dishonest Advertising." One hundred cases were analyzed within six months. In most of them, satisfactory conclusions had been made, which called for a procedure to eliminate false advertising.<sup>6</sup>

This controversial issue of false advertising gained substantial momentum in these early years and more people began to grow concerned. As a result, many small Vigilance groups were created in order to represent people across the U.S. Just a few smaller groups were: Better Advertising Bureau, Indianapolis Ad Club, and National Vigilance Committee. Eventually all the small groups merged and they formed the Better Business Bureau in 1921. Just seven years later, the non-profit went international. They established headquarters in Canada and Mexico City.

During World War II, progress slowly declined in the advertising field. Businesses were concerned with war, not improvement of the marketplace. As a result, economic growth and bureau revenue stagnated. After peace was announced, the BBB initiated the War Savings Protection Program, which helped to protect the millions of dollars earned by servicemen and war industry workers. This implication still remains an integral part of the organization as they remain proud protectors of American consumers today. In a message to delegates at the 1990 Annual Assembly of the Council of Better Business Bureaus, President George Bush stated:

Over the years, Better Business Bureaus have effectively promoted truth and fairness in the marketplace and, in so doing, have earned the confidence and gratitude of the American public... By encouraging high standards of business you

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6. Wansley, Charles. "History and Traditions." BBB.org. Accessed November 4, 2016. <https://www.bbb.org/boston/get-to-know-us/vision-mission-and-values/history-and-traditions/>

make a healthier, stronger economy. At the same time, you also demonstrate how effectively nonprofit organizations can serve the public without requiring the use of taxpayers' hard earned dollars. On behalf of a grateful Nation, I salute you.<sup>7</sup>

Bush's statement summarizes how the Better Business Bureau benefits not only consumers but also strives to better the U.S. economy and marketplace. The BBB's extensive history illustrates how long this issue has been apparent in society. Ever since the official formation of the BBB in 1921, this non-profit has aided both consumers and firms to better ethics and standards in the marketplace. Many who serve the Better Business Bureaus continue advocate for honesty and fairness.

### **Rating System**

The Better Business Bureau uses a letter grade scale to record how trustworthy and ethical companies are operating. But you may be wondering, how does this system work? Ryan Foster, a writer for *Tucson Business Insider*, answers this question. This system uses grades A+ through F to rate a company. The letter grade is computed by seventeen different factors. Each factor is weighed by importance by the BBB, and all of these factors produce a grade. The most distinguishing factor is complaint history, which usually drives a business's letter-grade rating.<sup>8</sup> Foster expands upon many other factors as well, he writes, "One of those standards require the company to have a B rating or above to maintain accreditation. If a company is getting a lot of complaints regularly and not responding to

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7. Wansley, Charles. "History and Traditions." BBB.org. Accessed November 4, 2016.  
<https://www.bbb.org/boston/get-to-know-us/vision-mission-and-values/history-and-traditions/>

8. Ibid.

them, chances are their rating will be lower than a company who responds to the complaints and makes good on their shortcomings.”<sup>9</sup> This system ensures many consumers that businesses have paid attention to the complaints they have received. Foster also expands upon additional factors the BBB takes into consideration while rating a business. He states, “We also look at several other factors such as advertising, government actions, licensing and business practices.”<sup>10</sup> This ensures what consumers see on the website is reflective of the quality of service they will receive from that business. Companies strive to receive exemplary ratings from the BBB in order to make the marketplace a trusting community between buyers and sellers.

### **How Does the BBB Support Itself?**

The BBB makes money so they can provide services to consumers. CNN Money conducted an investigation on the Better Business Bureau in 2013 to understand how this non-profit earns millions in revenue. CNN Money claims, “The Better Business Bureau may be a nonprofit, but behind the scenes it's a money-making machine—squeezing big money out of businesses in exchange for its coveted stamp of approval...” furthermore, “That approval, known as ‘accreditation’ doesn't come cheap. In 2013 alone, the organization raked in nearly \$200 million in revenue—most of which comes from the very businesses it oversees, according to a CNN Money analysis of IRS filings from the BBB's 102 U.S. bureaus and national office.”<sup>11</sup>

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9. Ibid.

10. Ibid.

11. Blake Ellis and Melanie Hicken, “How the Better Business Bureau rakes in millions,” *CNN Money*, September 30, 2015. Accessed December 2, 2016. <http://money.cnn.com/2015/09/30/news/better-business-bureau-millions/>

This nonprofit is able to operate primarily because of “membership fees paid by companies,” as well as collecting profits from local branches, and charging the federal government for utilizing their information.<sup>12</sup> Membership fees vary depending on the size of a business. CNN Money states, “membership fees range from hundreds of dollars to more than \$10,000 a year. Beyond that, members can pay for plaques boasting their BBB accreditation, special seals of approval for their company’s websites and even preferential ad placement with the BBB...”<sup>13</sup> It also collects membership dues from each of its local BBB branches, with amounts reported on tax forms ranging from a few thousand dollars to \$170,000 a year, depending on the size of the bureau. The BBB even charges the federal government for access to some of its consumer complaint information.<sup>14</sup> From this information provided by CNN Money, it is proven that the BBB uses their immense funding to provide consumers with the services they need to be more knowledgeable and informed about various companies.

### **How to Get Involved**

The BBB provides many ways to get involved like becoming an arbitrator or sponsor, and supporting the BBB Educational Foundation. The goal of arbitration is to “resolve business/consumer disputes quickly and economically as an alternative to the court system.” This professional activity requires a great deal of communication and reasoning skills.<sup>15</sup> Another way to get involved is by becoming a sponsor. Becoming a

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12. Ibid.

13. Ibid.

14. Ibid.

15. “Become an Arbitrator.” BBB.org. Accessed December 2, 2016 <http://www.bbb.org/bbb-dispute-handling-and-resolution/become-an-arbitrator/>

sponsor “aligns your company with our reputation of fairness, supports the BBB’s consumer protection programs and supports our business review program...which protects consumers making purchasing decisions.”<sup>16</sup> There are three levels of sponsorship (gold, silver, and bronze) that companies can chose from, and each one has corresponding benefits. The final way to get involved is by supporting the BBB Educational Foundation. It is a “non-profit, charitable organization whose mission is to enhance consumer awareness and marketplace confidence through education, community interaction and the exchange of information.”<sup>17</sup> The BBB recognizes these as the primary three ways to get involved in the organization.

### **How does the BBB serve a use in Baltimore?**

Just a few years ago, Wells Fargo agreed to pay millions of dollars to Baltimore to settle a landmark lawsuit. This lawsuit addressed the racial inequality minorities faced in the housing market. Specifically, many banks including Wells Fargo deceived African American families to invest in subprime mortgages. This unfair practice propagated a cycle of inequality, which many Baltimore residents still find themselves in today. The BBB has taken steps to ensure this malicious, unfair behavior will no longer damage our society, specifically the residents of Baltimore. In response to this case, the BBB has stripped Wells Fargo of its accreditation, and provides consumers with negative reviews and ratings on the bank. Ranae Merle, from *The Washington Post* states, “The bank also lost its Better Business Bureau accreditation...the bureau has also has received more than 4,000

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16. “Become a Sponsor.” BBB.org. Accessed December 2, 2016. <http://www.bbb.org/detroit/get-involved/become-a-sponsor/>

17. “BBB Educational Foundation.” BBB.org. Accessed December 2, 2016. <http://www.bbb.org/detroit/get-involved/become-a-sponsor/bbb-educational-foundation/>

complaints about the bank over the last three years and of 107 customer reviews it has received, all but four were negative.”<sup>18</sup> A spokesman for the Better Business Bureau in the San Francisco Bay area proclaims, "It means they no longer meet the standards of trust."<sup>19</sup> This proves the BBB does not tolerate companies who violate their beliefs, mission, and values. The BBB assures many Baltimore residents that the nonprofit aims to maximize trust in the marketplace by rejecting the accreditation of Wells Fargo, and providing negative reviews on the company.

### **Conclusion**

The BBB is a non-profit organization that aims to advance marketplace trust between buyers and sellers. After many corrupt and unethical practices it is crucial that society recognizes the need for this organization in Baltimore. By analyzing the nonprofit's history, operations, and ways to get involved, one can see why it is beneficial to support this group in our local community. Hopefully in the future, the BBB can abolish all unethical practices and make the marketplace a safer place for businesses and consumers.

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18. Merle, Renae. "Even the Better Business Bureau has disowned Wells Fargo" Washington Post [http://go.galegroup.com/ps/i.do?p=AONE&u=loyoland\\_main&id=GALE|A467221380&v=2.1&it=r&sid=ebsco&authCount=1](http://go.galegroup.com/ps/i.do?p=AONE&u=loyoland_main&id=GALE|A467221380&v=2.1&it=r&sid=ebsco&authCount=1) (accessed December 2, 2016).

19. Ibid.

## Annotated Bibliography

"BBB Educational Foundation." BBB Educational Foundation. Accessed December 02, 2016.

<http://www.bbb.org/detroit/get-involved/become-a-sponsor/bbb-educational-foundation/>.

This webpage from the BBB helped me understand the ways that a reader could potentially get involved in the nonprofit.

BBB Logo. February 2, 2015. In Milwaukee Journal Sentinel. February 2, 2015.

<http://archive.jsonline.com/blogs/news/290543091.html>.

This photo is the BBB's logo. It helps the overall appearance of the information report.

"BBB Ratings." BBB Ratings. Accessed December 02, 2016.

<https://www.bbb.org/canton/get-consumer-help/rating-faq/>.

In addition to Foster's rating system source, I utilized the Ratings webpage from the BBB. It gave me more of a professional and factual perspective on the matter instead of opinionated.

"Become an Arbitrator." Become an Arbitrator. Accessed December 02, 2016.

<http://www.bbb.org/bbb-dispute-handling-and-resolution/become-an-arbitrator/>.

This webpage from the BBB helped me understand ways to support the organization, learn the definition of arbitration and it's use in the BBB.

"Become a Sponsor." Become a Sponsor. Accessed December 02, 2016.

<http://www.bbb.org/detroit/get-involved/become-a-sponsor/>.

This webpage from the BBB helped me understand how sponsoring the organization could benefit the business.

Blake Ellis and Melanie Hicken, "How the Better Business Bureau Rakes in Millions,"

CNNMoney, accessed December 02, 2016,

<http://money.cnn.com/2015/09/30/news/better-business-bureau-millions/>.

This news article helped me learn how the BBB makes money, and how the nonprofit allocates their resources to consumers.

Ferrell, O. C., John Fraedrich, and Linda Ferrell. "Case 17." *Business Ethics: Ethical Decision*

*Making & Cases*. Australia: South-Western, 2014. 476-77. Print.

The book *Business Ethics: Ethical Decision Making and Cases* helped me look up background information on false advertising of Coca-Cola and Samuel Dobbs. It was

useful because it taught me Samuel Dobbs is an influential figure in the creation of the Better Business Bureau.

Foster, Ryan. "BBB— Our Ratings Explained." Inside Tuscan Business 4 Mar. 2016:

13. Seeker. Web. 29 Nov. 2016.

This scholarly journal provided insight to helped me explain how the BBB operates by using the rating system and the factors that distinguish each company's grade. It was useful to have this source because I was able to interpret how the nonprofit used the rating system from a different perspective other than the BBB website.

"History and Traditions." History and Traditions. Accessed November 27, 2016.

<https://www.bbb.org/boston/get-to-know-us/vision-mission-and-values/history-and-traditions/>.

This webpage was found on the BBB. It provides a tremendous amount of information on the nonprofit's history and background. It helped me understand the need for the Better Business Bureau and clearly communicate it to my audience.

Merle, Renae. "Even the Better Business Bureau has disowned Wells Fargo." Washington Post, 20 Oct. 2016. Academic

OneFile, go.galegroup.com/ps/i.do?p=AONE&sw=w&u=loyoland\_main&v=2.1&id=G

ALE%7CA467221380&it=r&asid=3192284aa4d72495c396634b38c3f00e. Accessed  
4 Dec. 2016.

This news article shed a new light on Wells Fargo that I never knew much about. It also helped me understand the relationship between the BBB, Wells Fargo, and it's relation to Baltimore.

Hi Dr. B,  
Attached is my information report with your suggested revisions. I give you permission to post it to the web.  
Thank you again,  
Samantha Lulov

	Date	Task	Time (hours)	
Work  Total time 16.5 hours	11/4	Research- Stasis worksheets	2	Log  spent:
	11/13	Audience analysis	1	
	11/20	Research	2	
	11/27	Intro paragraph	1	
	11/28	Background paragraph	2	
	11/29	Rating system paragraph	1.5	
	12/2	How Does the BBB Support Themselves paragraph	1.5	
	12/2	How to get involved paragraph	1	
	12/2	Baltimore paragraph	1.5	
	12/4	Conclusion	1	
	12/4	Fixing citations/ Bibliography and Work log	1	
	12/5	Editing	1	