

# CONSUMERS' PERCEPTIONS OF THE USEFULNESS OF COMPANY COMPLAINT INFORMATION PROVIDED BY THE BETTER BUSINESS BUREAU

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## ABSTRACT

This research investigates consumer perceptions of the usefulness of Better Business Bureau (BBB) information regarding a company's business history and performance. The results of a telephone survey suggest that consumers generally perceive the usefulness of BBB information highly, even more valuable than information provide by friends or family, and generally are most interested in information regarding the number of prior complaints against a company. Several issues for BBB consideration are discussed relating to this information, including the effects of company size on the number of complaints, the potential for categorizing the specific types of complaints, and the advantages and disadvantages of the BBB offering company endorsements.

## RESEARCH OBJECTIVE

The Better Business Bureau (BBB) provides two important services for consumers. The first, and most well known BBB service focuses on consumer complaint resolution. When consumers are dissatisfied with a purchase and are unable to receive an acceptable response from a company, they may file a formal complaint with the BBB. The BBB then contacts the company and attempts to help resolve the consumer's complaint. Prior research has shown, in fact, that when dissatisfied customers decide to utilize third-party agencies to resolve their disputes with companies, the BBB is a popular option (Andreasen, 1988; Cornwell, Bligh & Babakus, 1991; Schibrowsky & Lapidus, 1994; Singh, 1989).

The BBB also offers a second potentially valuable service for consumers. Using data collected from complaints received from dissatisfied consumers, the BBB establishes files for companies in the local area regarding their business history and performance. Consumers

may then call the BBB to obtain this background information regarding companies with whom they are considering doing business. Presumably, when consumers review a company's BBB file and find that it reveals a history of consistently poor customer service, they will not choose to do business with that particular company. Instead, they will opt to do business with a company whose BBB file demonstrates a higher degree of concern for customer satisfaction.

Unfortunately, however, no prior research has explicitly investigated consumers' perceptions of the usefulness of this informational service provided by the BBB. As a result, while the BBB would like to provide appropriate company information that helps consumers make wise purchase decisions, there is a paucity of empirical data regarding consumers' evaluations of this service. This study aims to shed light on this issue by surveying consumers who recently sought company information from the BBB to obtain their evaluation of the strengths and weaknesses of this service. Specifically, the following four major research questions are addressed in this study :

- 1) What specific types of company information are consumers seeking when they contact the BBB?
  - 2) How useful do consumers perceive the information regarding company history and performance currently provided by the BBB to be?
  - 3) When making purchase decisions, do consumers find information provided by outside parties, such as the BBB, or opinions of their friends to be more useful?
  - 4) How do consumers believe this BBB informational service can be improved in the future to help them make better purchase decisions?
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The methodology that was used to collect data to answer these research questions is explained next. Then the key findings from the data, followed by a discussion of the implications for consumer education, are then presented.

### METHODOLOGY

This research was conducted with the cooperation and support of the Better Business Bureau office based in St. Louis, Missouri. This BBB office serves the entire metropolitan St. Louis region, spanning portions of two states and encompassing some 2.5 million people. The St. Louis BBB is considered a leading office in regard to accomplishing its mission. For example, although the St. Louis region ranks 17<sup>th</sup> in population, the St. Louis BBB ranks 14<sup>th</sup> in funding, 5<sup>th</sup> in number of consumer reports issued, and 3<sup>rd</sup> in number of complaints processed (Marable 1995).

Consumers may call the St. Louis BBB office and access company information through two options. If consumers have a touch-tone telephone, they can enter the company's business telephone number and hear a recorded message which conveys the information in the BBB's file for this particular company. If consumers do not have a touch-tone telephone or prefer not to use the automated response system, they can choose to speak directly with a BBB service representative who will read the information in the BBB's file for that specific company. Regardless of whether consumers use the automated system or speak with a BBB representative, they receive the following information:

- a) How long the company has been in business;
- b) How long the BBB has maintained a file for this company;
- c) A summary of the number of consumer complaints filed with the BBB regarding the company during the current calendar year and each of the three prior years; and
- d) The number of these complaints which were resolved, the number of these complaints

which were closed as "disputed" (i.e., the company did not accept the consumer's complaint as being valid), and the number of these complaints which were closed as "no response" (i.e., the company did not respond to the BBB's request for action on the consumer's complaint).

In addition, if a company has consistently been uncooperative with BBB requests for complaint resolution in the past, inquiring consumers will be informed of this fact when they call for information. For even more severe cases in which the BBB believes a company has generated an inordinately high number of consumer complaints which have been unresolved, the BBB will generate a customized information file that inquiring consumers will hear when they call for information. This customized information file will discuss the specific nature and pattern of complaints filed by consumers against the company, and possibly an explicit warning from the BBB to avoid doing business with that company. Of the over 3,000 companies with BBB information files in the St. Louis BBB office, fewer than 850 companies currently have these customized information files.

Also, for each company information file the BBB includes a standard reminder to consumers that they should consider a company's size and the length of time a company has been in business when using the BBB's information to compare companies.

It is important to note that, while the BBB's goal is to provide consumers with company information to improve their purchase decisions, the BBB does not explicitly endorse any particular companies. Therefore, consumers must evaluate the company information provided by the BBB and draw their own conclusions as to whether or not these are good companies with whom to do business.

Approximately 300 consumers calling the BBB office for information regarding local companies were contacted by BBB representatives within 1 hour of their initial call. A telephone survey was successfully completed with 216 of these consumers. These telephone interviews were conducted by BBB representatives who were specially trained in interviewing techniques for this

study. When contacted by a BBB interviewer, the consumers were asked to verify that they had in fact recently called the BBB for company information. The consumers were then asked if they would be willing to participate in a short interview over the telephone to answer some questions regarding the services provided by the BBB.

## FINDINGS

### Specific Company Information Sought by Consumers

Respondents were asked to indicate what types of specific information they were seeking when they contacted the BBB. As Table 1 shows, consumers were most interested in determining the number of prior complaints filed against the company and information regarding the company's reputation for honesty :

**Table 1**  
**Types of Information Sought by Consumers**

Number of prior complaints:	171/216 (79.2%)
Company's reputation for honesty:	102/216 (47.2%)
Length of time in business:	40/216 (18.5%)
Resolution status of prior complaints:	30/216 (13.9%)
Quality of company's products or services:	27/216 (12.5%)
Company's use of misleading advertising:	4/216 (1.9%)
Company's use of deceptive selling tactics:	6/216 (2.8%)
Other types of information:	9/216 (4.2%)

### Perceived Usefulness of BBB's Information

Next, respondents were asked to evaluate how useful they perceived the BBB's current reporting format for company information to be. Using a 1-10 scale (1 = not at all useful; 10 = very useful), the mean response was 8.45. Of the 216 respondents, over one-half (122) rated the BBB's current reporting format the maximum value of 10.

### Comparative Usefulness of Information from Outside Parties vs. Opinions of Friends

Respondents were first asked if any of their friends or relatives had provided them with any information about this company. Only 43 of the 216 respondents (19.9%) reported that they had

received company evaluations from these personal sources. Next, respondents were asked which source (information provided by some outside party, such as the BBB, or the opinions of friends and relatives) they consider to be generally more useful when evaluating a particular business. As Table 2 shows, the respondents perceived information provided by outside parties, such as the BBB, to be more useful:

**Table 2**  
**Usefulness of Information from Outside Parties vs. Opinions of Friends**

Outside party:	93/216 (43.1%)
Equal usefulness:	69/216 (31.9%)
Opinions of friends:	46/216 (21.3%)
Not certain:	8/216 (3.7%)

### Consumers' Recommended Improvements in BBB Information

Finally, respondents were asked if there was any information beyond what the BBB currently provided that they would like to receive. Given the respondents' generally favorable evaluation of the BBB's current reporting format, it is not surprising that relatively few consumers suggested potential improvements. The improvement that was mentioned most often (15 respondents) was for the BBB to also report the specific types of complaints (e.g., misleading advertising, deceptive selling practices, poor quality products) lodged against companies, instead of just the number of complaints filed.

## DISCUSSION

Overall, the findings from this study show that respondents generally perceived the BBB's current reporting format to be very useful. In particular, the BBB's provision of information regarding the number of prior complaints lodged against a company is highly valued by consumers. Apparently consumers believe that the number of complaints filed against a company in the past is a good measure of a company's general attitude toward customer satisfaction. Consumers may believe that this information regarding the total number of prior complaints gives them some

indication of the relative likelihood that they might also experience problems if they decided to do business with this company.

However, while this may be true to an extent, the BBB may wish to consider if these data regarding number of consumer complaints filed in the past should be weighted by the relative size of a company. That is, all other things being equal, it is reasonable to expect that larger companies with more customers will have more customer complaints than smaller companies with fewer customers in the same industry. For example, which company has a better customer service record-- a large auto dealer (sells 2,000 cars annually) with 5 complaints or a small auto dealer (sells 200 cars annually) with 2 complaints? The BBB does recognize this reporting problem and includes a standard disclaimer in each company's file that cautions consumers that the size of a company may impact the number of complaints which the BBB receives. However, it is doubtful that consumers have adequate information to personally determine the relative sizes of competitive companies in an industry and then weight accordingly the BBB information that they obtain. Thus, with the BBB's current emphasis on reporting only the absolute total number of consumer complaints filed against a company, larger companies face an inherent disadvantage as compared to their smaller competitors.

Another potential solution to this problem of only reporting the total number of complaints filed against a company is to also report a company's complaint resolution performance as compared to other companies in that specific industry. For instance, if the BBB's records show that 80% of all consumer complaints filed with the BBB against auto dealers are successfully resolved, then the BBB could report how a specific auto dealer performed as compared to this norm. With this approach, when consumers called for information regarding a particular auto dealer, they would receive data concerning the total number of complaints filed against that company, the percent of these complaints that were successfully resolved by that dealer, and the percent of complaints that are successfully resolved by all local auto dealers. It may be quite useful to consumers to learn that a particular auto dealer resolved 95% of its consumer complaints when the average among all

local auto dealers is 80%.

The potential improvement most often requested by respondents in this study was for the BBB to provide more details regarding the specific types of complaints filed against companies. The BBB could create a coding system in which each consumer complaint is classified into discrete categories (e.g., misleading advertising, deceptive selling practices, poor quality products). Further information could also be provided in the form of member-reported complaints. But this more elaborate system would also add to the complexity of the BBB's operations and increase their operating expense. Given the relatively small number of respondents who requested this additional information, it is doubtful at this point in time if the BBB would be wise to utilize its resources to provide this enhanced service for all of the companies in its files.

Finally, perhaps the biggest issue facing the BBB pertains to possible BBB endorsement of local companies. Following the number of complaints, the second most requested piece of information sought by the respondents pertained to a company's reputation for honesty. As currently structured, consumers who contact the BBB must analyze the information provided and draw their own conclusions regarding a company's reputation for honesty. Only in relatively rare and extreme circumstances will the BBB include in a company's file an explicit warning to consumers to avoid doing business with that company.

Rather than taking this cautious approach, could the BBB potentially offer to consumers its explicit endorsement of those companies with superior records and its warning to avoid those companies with comparatively poor records? The data in this study suggest that consumers would value the BBB's explicit endorsement or condemnation of specific companies. However, if the BBB did not move in this direction, there are clearly legal and operational issues that must be carefully considered. For instance, if the BBB did offer an explicit condemnation of a particular company, could the owners of that company take legal action against the BBB and charge it with unfairly harming its reputation? What standard (i.e., number of complaints) would the BBB have to set to reasonably "prove" that consumers should be warned to avoid a company? Conversely, what

standard must a company meet to deserve the BBB's endorsement? Also, from an operational point of view, because the BBB is funded from dues paid by local member companies, how would companies respond to this new reporting format? Almost certainly those companies that receive condemnations from the BBB will sever their BBB relationship if they are currently dues-paying BBB members. Moreover, how many companies that do not receive a BBB endorsement will no longer support the BBB because they perceive that the BBB is unfairly favoring their competitors who receive such an endorsement? This is clearly not an insignificant issue. If the BBB loses financial support from a large number of local businesses, its ability to pursue its fundamental purpose could be severely undermined.

### CONCLUSION

This is the first study to analyze how effectively the BBB is fulfilling its mission to provide useful information to enable consumers to make better purchase decisions. Fortunately, it appears that the BBB's current program works reasonably well in that regard. Consumers perceive that the BBB is providing a valuable informational service that helps them to be better consumers in the marketplace. In fact, consumers place more value on this information than on the personal information they could potentially receive from their friends.

While there are some potential improvements that the BBB could consider for the future, each of these possibilities must be evaluated carefully against the increased financial and legal risks involved. As an organization that must rely on funding from member companies, the BBB must carefully balance its efforts to provide consumers with useful information and its responsibility to member companies to respect their legitimate business interests.

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