

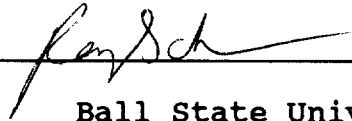
Firm Awareness of the Ball State Better Business Bureau

An Honors Thesis (ID 499)

by

Cammy L. Barna

Thesis Director



Ball State University
Muncie, Indiana
May 1, 1990

Expected Date of Graduation
May 5, 1990

SpColl
Thesis

LD
2489

.24
1990

.B368 Firm Awareness of the Ball State Better Business Bureau

Within the halls of the Whiting Building lies a unique opportunity for students seeking a career in business. The opportunity I am referring to is working for the Ball State Better Business Bureau. I have been actively involved with the bureau for two semesters and the confidence I hold in its benefits have led me to conduct my Honors Thesis on this subject. In particular, I investigate firms' awareness of Better Business Bureau.

The purposes of the Ball State Better Business Bureau are really two-fold. On the one hand, the bureau offers a student insight into real-world business applications. Around fifty students staff the Ball State bureau each semester performing duties ranging from record keeping to pursuing prospective members. As students investigate and act on questionable business practices and carry out day to day operations in the bureau, they obtain excellent professional experience. The Ball State Bureau contains ten departments that each require many skills such as record-keeping and working well with the public.¹ Students who advance within the organization, based on past performance, become managers or assistant managers in the

¹ The Ball State Better Business Bureau departments include: Information Resources, Performance Records, Landlord/Tenant Relations, Advertising Review, Human Resources, Mediation, Public Relations, Membership Development, Office Operations, and Charitable Solicitations.

department of their interest.

The primary purpose of the Ball State Better Business Bureau, however, is to serve consumers and firms. Although the Ball State bureau is unique because it is the only bureau in the world that has been established and run solely by students on a university campus, it still offers a full line of consumer services found in other bureaus located across the country. Like other bureaus across the country, the Ball State bureau strives to improve the relationships between firms and consumers. The bureau becomes involved with firms and consumers through several channels. First, the Advertising Review Department reviews advertising in all media in Delaware County. This department is responsible for investigating questionable advertising claims and seeks corrective action when the bureau considers a claim to be untrue, exaggerated, deceptive, or misleading. When reviewing advertisements, staff members look for such things as the date sales become effective, meanings and sizes of asterisks, and words such as "FREE," "CREDIT," and "LOWEST PRICE GUARANTEED." The Council of Better Business Bureaus publishes the Code of Advertising booklet that contains basic advertising standards intended to guide advertisers, advertising agencies, and advertising media.

If the staff member feels, after doing an advertisement review, that the advertisement should be looked into further, a shopping report is performed. Shopping is a technique used to check advertising claims by having someone look into the

purchase of the advertised product or service. The shopper goes into the store and, acting as a typical customer, inquires about the item in question. A shopping report is then written detailing the shopping experience.

More commonly, however, questionable advertising results in the performance of Advertising Double Checks. After a problem is discovered, an Advertising Double Check form is sent to a firm detailing the area of concern and suggesting ways of improving the advertisement. The Better Business Bureau sends out approximately 20 Advertising Double Checks per month. If the form is not sent back within 14 business days, then a follow-up letter is sent warning the business of a possible change in its assigned code at the discretion of the Performance Records Department. Businesses often do not realize that Advertising Double Checks protect the consumer and business. By ensuring that advertising meets certain standards set forth in the Code of Advertising, this process serves the consumer; by advising against potentially litigious advertising, this process serves the business.

Second, the Public Relations Department also fosters a healthy business environment. This department's staff members send out biweekly Public Service Announcements that give general information to the public on various topics of consumer concern. The public service announcements are broadcasted on ten area radio stations and are based on pamphlets put out by the Council of Better Business Bureaus. Some of these topics include tips

on running a car, health spas, travel packages, and residential alarm systems. Says Katie Richert, Public Relations Manager, "Our department's main concern is keeping the public aware of the Ball State Better Business Bureau and the many services we offer."

Third, consumers contact the bureau when they request information on a particular firm, request information on purchasing a particular type of good, or when they file a consumer complaint against a business. When consumers seek information on a particular business, any bureau employee is allowed to read the performance code the firm has been assigned. The bureau does not act as a reference or give recommendations or endorsements. Rather, consumers must make their own decisions based on facts presented in the code. When consumers seek general information on a particular topic, the Information Resources Department can mail pamphlets to any interested party. Finally, when a consumer wishes to file a complaint against a company, it is the Mediation Department's responsibility to effectively perform the complaint process.

The Mediation Department acts as a liaison between the consumer and the business. The complaint process begins when the consumer completes the Official Consumer Complaint Form. The Ball State bureau receives approximately twenty complaints per month, excluding January when more complaints are filed because of Christmas related purchases and services. The department then screens the complaint to determine if it is

within the bureau's purview. The complaint is then presented to the firm for its response. If the company does not respond in fifteen working days then the department issues a certified letter to the company and a Verification of NO Response to the consumer. If the company responds to the complaint, the department issues a Verification of Action form to the consumer to determine their degree of satisfaction. The case is closed thirty working days from the day the Verification of No Response or Verification of Action is sent to the consumer. Anywhere from ten to 20 cases are closed each month at the Ball State bureau. If a consumer is not satisfied with the firm's response and is still willing to pursue the case, the complaint is sent through the Rebuttal Process. Arbitration is used if the consumer cannot be satisfied and the firm is willing to cooperate. The Central Indiana Bureau handles all arbitration cases.

Finally, firms may initiate contact with the bureau. Firms are provided with the same opportunities as consumers to seek out information from the bureau that will aid in the development of sound business - consumer interaction. More often than not, the extent of a business' contact involves becoming a member of the Better Business Bureau. However, this initiation can be valuable to a firm because consumers are informed of the firm's membership in the Better Business Bureau. A business may become a member of the Better Business Bureau by filling out a Membership Identification Agreement that can be obtained in the

bureau or can be delivered by a bureau employee. A firm must pay annual dues in advance and continuously adhere to the standards of membership. Standards of membership include supplying background information, responding promptly to all complaints, cooperating with the Code of Advertising and many other requirements that assure the consumer that the firm is dependable.

Many firms, however, are unaware of the Ball State Better Business Bureau or its services. This thesis is an attempt to measure firms' awareness of the bureau. This thesis is similar to the Honors Thesis submitted by Constance Alexander in 1982. Alexander conducted an awareness study of the Ball State bureau by surveying Ball State students and permanent residents of Delaware county. She compiled results in three categories: 1) overall awareness of the Ball State Better Business Bureau by students and residents; 2) awareness of the Ball State Better Business Bureau by residents only; and 3) awareness of the Ball State Better Business Bureau by Ball State students. Alexander concluded that in the case of overall awareness, people were aware of the existence of the bureau but they did not realize the full range of services offered nor have they utilized these services in the past. The results from Delaware county residents indicated an awareness level lower than that of all persons surveyed; results from Ball State students indicated an awareness level higher than that of all persons surveyed.

In the following sections, firms' awareness of the Ball State bureau is measured. In section 1, the methodology of the thesis is discussed. Section 2 discusses the results of the thesis. Section 3 summarizes the thesis and suggests further research topics.

Section 1. Methodology.

Our population are firms that deal with Ball State students. We randomly drew our sample of 50 firms from the yellow pages in the Ball State directory. We reasoned that firms that deal with Ball State students would be more likely to know about the Ball State bureau because of students awareness of the bureau. Furthermore, We reasoned that these firms must have a substantial student clientele or they would not list their firms in the yellow pages. We chose our sample of 50 firms by using a table of random digits. We randomly chose a column and listed the numbers in that column. We then looked at the first two numbers in the random digit to find the page number in the yellow pages that we would pick. Then we used the last two digits to pick how far down the column we should go. For instance, the number 1638 led us to page 16, the third and eighth business down. Since the Ball State Yellow Pages only has 40 pages we often used the second and third number in the random digit to select the page. Finally, if the second and third number did not give us a page that we could use we used the third and fourth numbers in the random digit. Often we threw away the random digit and went to the next one. We continued in this manner until we obtained fifty numbers. Out of the fifty numbers we called we was only able to use 42 firms in our analysis. The reasons we excluded eight firms from our sample is because six firms would not respond to the survey, one firm had its phone disconnected, and we inadvertently repeated

one of the firms in our sample. The telephone survey that we used is given below:

Survey

Hello, my name is Cammy Barna and I am a Ball State student conducting a survey on business awareness of the Better Business Bureau. Could I please speak with the manager? Your business' name will be kept confidential and not associated with any response. Could I please have a minute of your time?

1. How many years have you been in business?
2. What proportion of your customers are Ball State students?
 - a. less than 25%
 - b. between 25% and 50%
 - c. between 50% and 75%
 - d. between 75% and 100%
3. How many customer complaints do you receive in one month?
4. What proportion of your complaints come from Ball State students?
 - a. less than 25%
 - b. between 25% and 50%
 - c. between 50% and 75%
 - d. between 75% and 100%
5. Did you know that the Better Business Bureau of Muncie is located on the campus of Ball State University?
 - a. yes
 - b. no
6. Were you aware that the Ball State Better Business Bureau serves all residents and businesses in Delaware County?
 - a. yes
 - b. no
7. Have you ever had dealings with the Ball State Better Business Bureau?
 - a. yes - go to question 8.
 - b. no - go to question 9.
8. If so, what was the nature of that dealing? If more than one dealing, please state each dealing.
 - a. consumer complaint - How many _____?
 - b. membership drive.
 - c. advertising inquiry - How many _____?
 - d. other.
9. What services of the BBB are you aware of?
10. What do you feel is the primary purpose of the BBB?
11. What do you feel the primary purpose of the BBB should be?

Thank you very much for your time and cooperation!

The abbreviations for the data can be summarized by the following table:

Yrs	Years in business.
Prop	Proportion of a business' customers that are Ball State students
Comp	The number of complaints received in one month.
Perc	Percentage of a firm's complaints that come from Ball State students.
Loc	Location of the Better Business Bureau.
Awar	Awareness of the Better Business Bureau serving Delaware County.
Deal	Dealings with the Better Business Bureau.
Nat	Nature of dealings with Better Business Bureau.
Serv	Services of the Better Business Bureau
AcPurp	Actual purpose of the Better Business Bureau.
ExpPurp	Expected purpose of the Better Business Bureau.

We grouped the answers to the open-ended questions, 9, 10, 11, into broad categories as defined below.

9.

- a. Provide information about businesses.
- b. Investigate consumer complaints.
- c. Mediate between business and consumer.
- d. Do not know.
- e. Other.

10, 11.

- a. Provide information about businesses.
- b. Investigate consumer complaints.
- c. Mediate between business and consumer.
- d. Protect consumer.
- e. Help consumer, business, or both.
- f. Do not know
- g. None.
- h. Other.

The raw data on the 42 businesses is provided in the appendix.

Section 2. Results.

In this section, we summarize our results. To compute the results, we used the statistical package, Minitab. The statistics we computed were the mean, variance and correlation of responses. We did not do hypothesis testing of the mean, variance, and correlation. This thesis is only a preliminary analysis of the business awareness of the Better Business Bureau. A more complete analysis with a larger sample would provide much stronger relationships and hypothesis testing would be more appropriate. We are not so interested in the strength of our numbers. We are more concerned with what a limited sample suggests about the signs or direction of our numbers. For instance, we are not so interested in the exact correlation between two variables. Rather, we are interested in whether the correlation is positive or negative.

a. Background information about the businesses.

In this subsection, we provide background information about the firms in our sample. This background information includes the number of years a firm has been in business, the proportion of a firm's customers that are Ball State students, the number of complaints a firm receives in one month, and the percentage of a firm's complaints that come from Ball State students. First, firms in our sample have been in business on average for 15.37 years. The oldest firm is 73 years old and the newest firm is 7 months old. One-half of the firms have been in business for more than 10.25 years; one-half of the firms have

been in business for less than 10.25 years.

Second, twenty-four firms or 58.54% of all firms report that students account for less than 25% of the firm's customers. Nine firms or 21.95% of all firms report that students account for between 25% and 50% of the firm's customers. One firm or 2.44% of all firms report that students account for between 50% and 75% of the firm's customers. Finally, seven firms or 17.07% of all firms report that students account for between 75% and 100% of the firm's customers.

Third, firms receive on average 2.714 complaints per month. Seven of the firms or 16.67% of all firms reported that they received no complaints during a given month. The maximum number of complaints received by a firm in the sample is twenty. One-half of the firms receive no fewer than 2 complaints per month; one-half of the firms receive no more than 2 complaints per months. Twelve firms or 28.57% of all firms receive 2 complaints per month.

Fourth, thirty-five firms or 85.37% of all firms report that complaints from Ball State students account for less than 25% of all complaints. No firms report that complaints from Ball State students account for between 25% and 50% of all complaints. Two firms or 4.88% of all firms report that complaints from Ball State students account for between 50% and 75% of all complaints and four firms or 9.76% of all firms report that complaints from Ball State students account for between 75% and 100% of all complaints.

Fifth, we would predict a priori that the number of years in business would be correlated negatively with the number of complaints. On the one hand, a firm that has been in business for some time should know how to avoid complaints. On the other hand, firms that have too many complaints do not survive that long. Our results confirm this a priori prediction but the correlation between the two variables is weak, (correlation between the two variables is $-.079$).

Finally, as expected, the firms that had the lowest proportion of students as clientele had the lowest percentage of complaints from students. 95.83% of the firms that have 25% or fewer student clienteles report fewer than 25% of their complaints come from Ball State students. Out of the seventeen firms that report a higher percentage of students as customers, only 5 report that more than 25% of their complaints come from Ball State students.

b. Firms' Awareness of the Ball State Better Business Bureau.

In this subsection, we discuss our results on firms' awareness of the Ball State Better Business Bureau. First, 31.71% of all firms surveyed had dealings with the Ball State Better Business Bureau. Of those firms that had dealings with the Better Business Bureau, 84.62% knew that the Better Business Bureau of Muncie was located on the campus of Ball State University. 53.57% of the firms that had no dealings with the Better Business Bureau knew the location. Moreover, dealings with the Better Business Bureau and knowing the location of the

better business bureau is positively correlated with correlation equal to .300 as expected. We would expect this result because workers at the bureau identify the bureau as the Ball State Better Business Bureau.

Second, of the thirteen firms that had dealings with the Ball State Better Business Bureau 30.77% had been contacted by the Better Business Bureau because of consumer complaints. 30.77% of the firms report dealings with the Better Business Bureau consisted of advertising inquiries. 15.38% of the firms had been contacted by the Better Business Bureau through the Bureau's membership drive.

Third, 71.43% of all firms were aware that the Ball State Better Business Bureau served all residents and businesses in Delaware county. A curious result, however, was the nine firms that did not know where the Ball State Better Business Bureau was located did know that the Ball State Better Business Bureau served all residents and businesses in Delaware county. The question we ask is how can businesses know the Better Business Bureau is run by Ball State but not know where it is located. One possible explanation is that businesses do not know where on the campus the Bureau is but do know that it is located somewhere on campus.

Fourth, the higher the percentage of complaints from students, the more firms knew that the Better Business Bureau was located on the campus of Ball State University. 100% of all firms that had 50% or more complaints from students knew the

location of the Bureau. Only 60% of firms that had less than 50% of their complaints from students knew where the Bureau is located.

Fifth, we would expect a priori that firms that had a greater percentage of complaints from students would also be more likely to have had dealings with the Better Business Bureau since students can easily stop by the Bureau between classes. Our results do not confirm our expectations. 84.62% of firms that receive 25% or fewer of their complaints from students had dealings with the Better Business Bureau. 85.19% of firms that receive 50% or more of their complaints from students had no dealings with the Better Business Bureau.

Sixth, 34.15% of the firms are aware that the Better Business Bureau provided information to consumers. Five of these fourteen firms had dealings with the Ball State bureau. Three of these 5 firms had been contacted by the bureau because of a consumer complaint or advertising inquiry. 34.15% of the firms reported that the Better Business Bureau is a place for consumers to complain when they had a problem with a business. Three of these 14 firms had dealings with the Better Business Bureau. Two of these three firms had been contacted by the bureau because of a consumer complaint or advertising inquiry. 4.88% of the firms reported that the Better Business Bureau mediates between businesses and consumers. Both of these firms had dealings with the Ball State bureau. One of the firms had been contacted by the bureau because of a complaint. 21.95% of

the firms were not aware of the Better Business Bureau's services although two of these 9 firms had dealings with the Better Business Bureau.

c. Purpose of the Better Business Bureau.

In this subsection, we discuss what firms perceive as the purpose of the Better Business Bureau and what they feel the primary purpose of the Bureau should be. Sixteen of the firms believed the current purpose of the Better Business Bureau is what it should be. But firms differed on what they thought the primary purpose of the Better Business Bureau was. 21.43% of the firms believed the bureau's purpose is to provide information. 23.81% of the firms believe that the Better Business Bureau's purpose should be to provide information. 14.29% of the firms felt the purpose of the Better Business Bureau is to handle consumer complaints. 4.76% of the firms felt that handling complaints should be the Better Business Bureau's primary purpose. 11.90% of the firms felt the Better Business Bureau's purpose is to act as a mediator between the firm and the consumer. 11.90% of the firms believed that this should be the Better Business Bureau's purpose. 21.43% of the firms felt that the Better Business Bureau protected consumers. 16.67% of the firms felt that consumer protection should be the Better Business Bureau's primary purpose. 14.29% of the firms felt that the better Business Bureau helps consumers, businesses, or both. 14.29% of the firms felt that this should be the Better Business Bureau's primary purpose.

Section 3. Conclusion.

The purpose of this thesis is to measure firms' awareness of the Ball State Better Business Bureau. Although the results obtained are preliminary because of limited time and budget constraints, we believe that these results suggest important relationships that can be strengthened with further research.

One-half of the firms surveyed indicated that Ball State students represented less than 25% of their clientele. One reason for this low patronage by students is that students are from local areas and often rely on business in their local neighborhoods or hometown. In this case our population is too narrow. An interesting extension would be to survey a sample of all Delaware county firms. Moreover, because of this low patronage by Ball State students, firms also report that less complaints come from Ball State students. This figure, however, could also be the result of a lack of initiative on the students' part to correct unfair business practices. Furthermore, students may not choose to utilize the bureau when initiating a complaint as evidenced by the lack of correlation between the percentage of complaints that come from Ball State students and the percentage of firms that have had dealings with the Better Business Bureau. Indirectly, business awareness of the Ball State Better Business Bureau could be increased by promoting student use of the bureau.

Curiously, some firms knew of the Ball State Better Business Bureau but could not identify its location. By

stressing the exact campus location, the Whiting Building, the bureau would promote easier access, increased use, and more awareness of its services.

Only thirteen firms reported past dealings with the Ball State Better Business Bureau. The largest percentage of these dealings were the result of consumer complaints and advertising inquiries. Membership drives accounted for only 15.38% of bureau-business interaction. Emphasis on membership development would increase firms' awareness of the bureau and promote the idea that the bureau exists to help both firms and consumers.

Further research into this area requires an increase in the number of firms surveyed and an increase in the scope of the sample of firms. Surveying only firms that are listed in the Ball State Directory limits the accuracy of the results especially when such a large number of students are from local areas and rely on a larger pool of firms.

ROW	YRS	COMP	PROP	PERC	LOC	AWAR	DEAL	NAT	serv	ACFURP	EXPURP
1	15.0	2.0	1	1	2	2	2	*	2	1	1
2	11.0	2.0	1	1	2	1	2	*	4	1	4
3	5.0	0.0	2	1	1	1	1	4	2	4	4
4	25.0	0.5	2	1	1	1	1	3	1	3	3
5	73.0	0.5	1	1	1	1	1	2	1	8	8
6	30.0	0.0	1	1	1	1	2	*	4	1	1
7	10.0	20.0	1	1	2	1	1	1	2	2	2
8	16.0	12.0	1	1	1	1	1	1	1	1	1
9	0.5	2.0	1	1	2	2	2	*	1	1	1
10	4.0	0.0	1	1	2	2	2	*	1	5	3
11	14.0	3.5	2	1	1	1	1	3	2	2	2
12	4.5	2.5	4	4	1	2	2	*	4	2	6
13	5.0	3.5	*	*	2	1	2	*	1	1	1
14	1.5	2.0	2	1	1	1	2	*	4	1	1
15	20.0	1.5	2	1	2	2	2	*	4	1	1
16	2.0	2.0	4	4	1	1	2	*	4	1	6
17	3.5	2.0	1	3	1	2	2	*	2	4	8
18	15.0	5.0	3	1	1	1	2	*	2	3	8
19	42.5	2.0	1	1	1	1	2	*	1	4	8
20	20.0	15.0	1	1	1	1	2	*	2	2	8
21	18.0	3.0	1	1	1	1	1	2	3	5	4
22	19.0	2.0	2	1	2	2	2	*	4	4	5
23	70.0	1.0	1	1	1	1	2	*	5	3	3
24	40.0	0.0	1	1	1	1	2	*	1	8	1
25	4.0	2.0	1	1	2	1	1	4	2	2	8
26	4.0	1.0	1	1	2	1	2	*	2	4	8
27	20.0	2.0	4	1	1	2	2	*	2	5	5
28	3.0	5.0	1	1	2	1	2	*	1	7	8
29	25.0	0.0	1	1	1	2	*	*	5	8	8
30	7.0	1.0	1	1	1	1	1	3	2	8	4
31	23.0	4.5	1	1	1	1	2	*	2	7	8
32	3.0	1.0	4	1	1	1	1	4	1	6	1
33	5.0	2.0	4	4	1	1	1	3	1	4	4
34	15.0	1.5	1	1	2	1	2	*	1	3	3
35	5.5	2.5	4	3	1	1	1	1	2	4	4
36	9.0	0.5	1	1	1	1	2	*	3	3	3
37	25.0	2.0	2	1	1	2	1	1	1	5	5
38	8.5	1.0	1	1	2	2	2	*	4	5	5
39	5.0	0.0	2	1	2	1	2	*	1	5	5
40	4.5	1.5	4	4	1	1	2	*	2	2	5
41	4.0	2.5	2	1	2	1	2	*	4	4	4
42	10.5	0.0	1	1	1	2	2	*			

Appendix: Raw Data