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Why the BBB Changed Its Rating System

A conversation with the nonprofit about its new letter grades, how the process works, and how to make it work for your small business

By [Karen E. Klein](#)



The [Better Business Bureau](#) is handing out report cards to businesses, and getting a good grade can help differentiate a small firm from its competitors. Until this year, the BBB gave companies either a "satisfactory" or "unsatisfactory" label, says Steve Cox, vice-president of communications for the nonprofit's national umbrella organization, the Council of Better Business Bureaus. He spoke recently to Smart Answers columnist Karen E. Klein about how the new system of letter grades can provide consumers with confidence about a small business. Edited excerpts of their conversation follows.

Q: The BBB Reliability Report now goes beyond the pass/fail system for its company integrity ratings to include a letter grade, from A+ down to an F. Why make that change?

A: We felt like our ratings weren't giving enough information. We decided to change with the times so we could give consumers a better snapshot of a trustworthy business. Consumers want more than marketing spin or a few comments about a business posted on the Internet. And rightly so, because given tough economic conditions, they literally can't afford to make bad buying decisions.

Q: Why should a small-business owner go through the process of getting rated by the BBB?

A: Getting the letter grade helps differentiate a business and it helps consumers find a trustworthy business more easily. There are so many sites online these days that consumers are using to make their purchasing decisions. If you're not rated, it's almost like you don't exist. And small companies need to do everything they can to differentiate themselves from their competition.

Q: A lot of those [consumer review sites](#) include slams on individual businesses that may not be justified, but can have a big effect on sales.

A: Absolutely. That's why our grading system is based on a set of objective criteria and standards developed during the 100-year life of the bureau. We have 16 elements we evaluate, weighted based on importance. It's a very fair, objective ratings system that is standards-based and fact-based, not opinion-based.

Q: How would small-business owners get their companies rated through your system?

A: Just go to our main Web site, type in your Zip Code and you'll get the page for the BBB in your area. Contact them and ask them to prepare a rating for your business. You don't have to be a member to do that; We have more than 4 million business ratings in our database. We also let consumers initiate the process of rating a company, or filing a complaint.

Q: What's the process of the ratings system?

A: The business fills out a standard business questionnaire, including questions about the type of business, how long it's been operating, what kind of licensing it has, and whether that license has ever been suspended. There are 16 elements that go into the letter grade that's produced. The BBB takes that information, assesses it, plugs it into a ratings formula and generates a reliability report with a rank associated with it.

Q: Is the rating based just on self-reported information, or is there verification that you do?

A: We verify the information provided and validate it through cross-checking information we get from local, state, and federal agencies. We also check with other agencies to find complaints that may have been filed against the business.

Q: How long does it take to get a business rated?

A: It depends on the volume of requests we get, but typically it's probably six to eight weeks.

Q: How can small companies that get good ratings use them strategically in their marketing and sales efforts?

A: We encourage companies to advertise their letter grade in their marketing and in their business. Be proud of it! Mention it to your customers and potential customers. Sometimes consumers are more wary of small businesses that they don't know as well as the larger brands. Getting a good grade can really help.

We also like them to take the next step and become an accredited member of the BBB.

Q: What does that involve?

A: It's a more thorough evaluation and a more in-depth process. Accredited firms sign a contract that says they agree to adhere to BBB standards, including resolving consumer complaints with BBB. It involves a fee that varies, depending on the size of the business and other factors.

[Karen E. Klein](#) is a Los Angeles-based writer who covers entrepreneurship and small-business issues.