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Better Business Bureau's rating system attacked

POSTED: 5:00 PM FRI, NOVEMBER 12, 2010
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 DAILY RECORD BUSINESS WRITER

The Better Business Bureau's rating system has come under attack for being little more than a "pay-to-play" system that gives higher grades to those paying an annual fee.

An ABC News investigation took issue with how the consumer advocacy group rates businesses in markets across the country. Also, Connecticut Attorney General and U.S.



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Senator-elect Richard Blumenthal sent a letter Friday to the Arlington, Va.-based Council of Better Business Bureaus about its letter-grade system, a method it adopted last year in place of the previous satisfactory/unsatisfactory ratings.

The national organization and its local chapters, including the Better Business Bureau of Greater Maryland, denied the allegations and defended the ratings as a useful tool for consumers.

Blumenthal said his review found that BBB members' grades include extra points unavailable to nonmembers, a practice he called unfair to consumers who assume the companies are being judged equally. Blumenthal wants the organization to either stop linking ratings to membership or, failing that, to tell consumers when a company's grade was influenced by joining the BBB. Dues range from a few hundred dollars to more than \$5,000, depending on a business' size.

"This financial influence is potentially harmful and misleading to consumers," said Blumenthal, who wants the group to change its rating system by mid-December.

Alison Southwick, spokeswoman for the national BBB, said its officials have been talking with Blumenthal and believe they can satisfy his concerns.

"We disagree with his characterization that BBB does not adequately disclose the fact that accredited businesses financially support BBB," she said.

Angie Barnett, president and CEO of the Better Business Bureau of Greater Maryland, also denied that the organization exchanged rating points for dues.

"I do not perceive the BBB or the BBB of Greater Maryland as being pay-to-play," Barnett said. "Businesses pay an annual fee to 'join,' or become affiliated with our organization. We're not government-funded and this allows us to be a neutral third party.

"Everyone pays for accreditation, colleges and all kinds of other agencies are issued accreditation all of the time, and there has to be a fee for it," she added. "When we accredit someone, we're making sure they're doing the right thing, and we're holding them accountable when they don't."

Blumenthal's letter came as ABC News reported that it was airing an investigation Friday on its "20/20" news magazine program into BBB ratings. The Los Angeles Times, several consumer-oriented websites and other media outlets also have reported on questions over the new rating system since it was introduced last year.

The network said it had videotaped instances in which two Los Angeles business owners were promised, and later given, A+ ratings if they paid \$395 membership fees. ABC also

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reported that a group of Los Angeles business owners paid \$425 to join the BBB as a fake company called Hamas – named after the Islamic militant group – and secured an A- grade.

The organization rates business with a letter grade and a plus or minus designation, with an A+ being the highest score and an F the lowest. The BBB uses a point system to score businesses. Grades are based on a point system, with points awarded or removed depending on things like how long the business has been in existence, and other factors. Another important factor in the scoring system is complaints against the business – how many, if any, are there and how does the business responds to them.

According to statistics provided to The Daily Record by the BBB of Greater Maryland, there were 1,515 A+ graded business in Maryland, all of which are accredited by the group. An additional 418 accredited business received A or A- grades. Only four companies were in the B range, the lowest a company can be ranked and still be accredited.

Of the 8,277 companies with files at the Maryland BBB that do not pay them dues, 34 percent received an A or A- grade, according to the statistics. By comparison, 1,875 of unaccredited businesses earned an F rating. In the middle, about 32 percent of businesses that are not members received a B- to B+ rating.


Non-accredited business earning A grades from the BBB include Jos. A. Bank Clothiers Inc., Sandy Spring Bank, Legg Mason Inc. and olive oil distributor Pompeian Inc. Those earning grades in the B range include Under Armour Inc. and Martek Biosciences Corp. The BBB of Greater Maryland said it did not have “sufficient background information” on Under Armour and Martek, both of which are publicly traded companies.

According to literature on its national and branch websites, the BBB says members are not guaranteed higher ratings. However, it says, those companies are closely reviewed when they apply – and that, along with their pledge to follow BBB standards, gives the BBB more confidence and information, which might affect the ratings.

“It is not true that it’s a simple pay, we revoke and we deny applications,” Barnett said. “We don’t just sign everyone up for accreditation – we review and analyze the business applications.”

Barnett said the BBB of Greater Maryland has revoked the accreditation of three businesses in 2010 to date, and pulled a total of eight in 2009. An additional 20 were not renewed this year for various infractions. Barnett also said 11 requests for accreditation were denied so far in 2010.

Accreditation, or dues, make up the bulk of the BBB’s operating revenues in Maryland. In 2009, according to the group’s Form 990 filed with the Internal Revenue Service, members

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paid the BBB of Greater Maryland \$719,977 in dues. This was down from \$811,173 paid in 2008.

The dues paid are based on the number of full-time employees at the company. The annual fees in Maryland range from \$399 for a one or two person size company to \$3,500 for companies with more than 1,500 employees.



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COMMENTS

Sierra says:

Gee, I wonder how long it too these Einsteins to figure out, that the BBB Bozos were actually placing their profits before the people they were supposed to be protecting? Fool me once shame on you, fool me twice, shame on me!

Posted on 11/13/10 at 5:11 pm

Bob says:

Horay, it's about time!!!!!! When I was a business owner I used to get calls from the BBB telling me that someone had inquired about me and would I like to join. If I agreed to pay them money they would tell people \he's a member in good standing\. If you don't pay the BBB money they say \we never heard of him\. The BBB extorts money from honest business owners.

Posted on 11/14/10 at 4:47 pm

JC says:

I recently filed a complaint with the BBB against a business. Because the BBB couldn't render a solution, they advised me to go to arbitration for a fee of \$100.00. If I had that kind of money, I wouldn't have had a complaint filed against the company, so I told them I would go to small claims court instead. Because I didn't go to arbitration and instead went to small claims, they dismiss the complaint against the company and the company keeps their A rating intact. I am sorry, but if this company handled this problem in the past the same way as they did me, and the previous person also had to take them to small claims, I would want that noted on the BBB site so that the same situation wouldn't happen to someone else. Apparently the Attorney Generals office did receive a complaint against this same company but couldn't give me details.

Posted on 11/17/10 at 8:56 am

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