



**Conference on  
Consumerism – Strategy for Revitalizing the Businesses**

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Consumer Care Systems and Practices:  
The American Consumer Movement  
and the Better Business Bureau



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## **Consumer Care Systems and Practices The American Consumer Movement and the Better Business Bureau**

Good day and thank you for the kind introduction. I can tell you that I was deeply honored to have been asked by FICCI to come to Delhi and present at this conference.

I recently told a friend – himself an expert in customer relations, a former management consultant and now financial services executive – that I was coming to India to make this presentation; he sent me a short email response. He observed, humorously, that going to India to speak about customer relations and customer service was a bit paradoxical.

“India,” he observed, “speaks to more American consumers every day than most major corporations in the U.S.”

Probably true –certainly somewhat profound.

While I couldn’t locate figures on outsourcing customer service call centers from North America to India, NASSCOM<sup>1</sup> Research provided some more comprehensive

**NASSCOM Research**

**2009 Forecast for Indian IT – BPO:**

- Revenue expected to reach U.S \$71.7 billion;
- Employment expected to reach 2.23 million, adding 226,000 jobs.
- Indirect job creation estimated to approach or reach 8 million.
- Further, sector revenues expected to grow from 1.2 per cent of total revenues in 1998 to an estimated 5.8 per cent in 2009.

Source: National Association of Software and Service Companies. See: [http://www.nasscom.in/upload/60452/Executive\\_summary.pdf](http://www.nasscom.in/upload/60452/Executive_summary.pdf)

 Better Business Bureau®  
**Start With Trust™**

<sup>1</sup> National Association of Software and Service Companies. See: [http://www.nasscom.in/upload/60452/Executive\\_summary.pdf](http://www.nasscom.in/upload/60452/Executive_summary.pdf)

numbers. In a 2009 forecast, NASSCOM noted, India's IT-BPO industry (of which outsourced customer service centers are a subset) was expected to generate revenues of 71.7 billion U.S. dollars. During that period, employment was expected to reach nearly 2.23 million, adding 226,000 jobs. The indirect job creation flowing from those 226,000 jobs was estimated to approach or reach 8 million. Further, the report noted that sector revenues had grown from 1.2 per cent of total revenues in 1998 to an estimated 5.8 per cent in 2009.

Given this backdrop – the real world resident Indian expertise in day-to-day customer service operations – I decided to use my time on this program to try and accomplish five broader purposes:

- a) To set the stage with some very broad background on the history of the modern consumer movement in the United States and internationally;
- b) To describe the unique “bridging” role of the North American Better Business Bureau system;
- c) To emphasize that the real role of customer care systems and practices is the creation and maintenance of trust – in companies, products and services and, ultimately, in the marketplace itself;
- d) To briefly explore the role of self-regulation in a borderless economy; and,
- e) To discuss the FICCI | BBB Partnership.

I'll discuss the first two of these – the consumer movement in the United States and the role of the Better Business Bureau – in this morning session. This afternoon, I'll discuss the other three broad purposes.

### **Let's begin with the short history.**

There are two definitions of the term “consumerism” – both listed on the Wikipedia web site. For purposes of this presentation today, I'll use the first:

*"The movement seeking to protect and inform consumers by requiring such practices as honest packaging and advertising, product guarantees, and improved safety standards."*

That's the definition I'll use in this presentation, although we should all recognize that there is a second, now equally important, definition:

*"The theory that a progressively greater consumption of goods is economically beneficial."*

In an age of growing focus on global climate change and the responsible use of natural resources, this second definition – and its many ramifications – is now and will increasingly become critically important to all of us.

Referring to the first definition, “Consumerism” around the world is as old as civilized societies (various “consumer protection” codes show up in many ancient cultures).

In the United States, it is probably fair to say that the first true consumer organization, the National Consumers’ League, was founded in 1899, and it grew out of the social reform and labor movements. Through its first decades of existence, much of its work was focused on worker rights and food, health and product safety issues. The organization was instrumental in helping pass both the U.S. Meat Inspection Act in 1904 and the Pure Food and Drug Act in 1906.

The grassroots Better Business Bureau movement (originally known as “Advertising Vigilance Committees”) began in 1912 in the U.S. state of Minnesota. I’ll come back to the BBB shortly.

In 1933, Consumers’ Research was formed by several engineers interested in protecting consumers from dangerous products and services. That organization became Consumer’s Union, and it published its first Consumer Reports magazine in 1936.

As an aside, in 1930, Mohandas Gandhi was organizing Indian consumers to boycott both the British textile and salt industries. While these were part of a broader political movement – and not efforts to protect Indian consumers from unsafe products – the actions certainly demonstrated the power of organized consumers to influence the production and sale of goods.

In 1960, Consumers International – an affiliation of national consumer organizations from around the world – was created. Several U.S.-based consumer organizations are currently members of this group.

In the period from 1960 to 1970, there was an explosion of interest and concern about a wide range of consumer issues.

In 1963, U.S. President John F. Kennedy enunciated four principles in his Consumer Bill of Rights. These were:

- **The Right to Safety** -- the right to expect your health, safety and financial well-being will be protected;
- **The Right to Information** -- the right to have access to full and fair information and to be protected against false or misleading claims;
- **The Right to Choice** -- the right to make an informed choice among products and services at fair and competitive prices; and,

- **The Right to Be Heard** -- the right to a full and fair hearing and, if possible, a satisfactory resolution when dissatisfied.

To these original four, President's Gerald Ford and Bill Clinton added a fifth and sixth, which were:

- **The Right to Education** – the right to have access to programs and information that help consumers make better marketplace decisions; and,
- **The Right to Service** – the right to convenience, to be treated with courtesy and respect, to responsiveness to needs and problems and to refuse any services offered.

Five of these have nearly identical parallels in the six rights specified in the Indian Consumer Protection Act of 1986. A sixth – the right to redress – became a part of U.N.-adopted consumer bill of rights and appears in the Indian act.

In 1968, the last of the major consumer organizations in the U.S. was founded – the Consumer Federation of America.

### **How does Better Business Bureau, fit into all this?**

As I mentioned earlier, the Better Business Bureau is a relatively unique social movement of sorts – an organization founded by business people (mostly advertising and marketing professionals) in the early 1900's to build public trust and root out the fraudulent claims that were so common in that period of U.S. history.

As a benchmark, the first Advertising Vigilance Committee – precursor to the BBB – was formed in 1912, sandwiched in time somewhere between the creation of the U.S. Food and Drug Administration in 1906 and the U.S. Federal Trade Commission in 1914.

What made the Better Business Bureau movement so unique was that these were private agencies, formed by local businessmen in individual communities who were concerned about business ethics, truth in advertising and restoring and building public trust. From its inception, the BBB has been – and remains – almost exclusively funded by business.

The Better Business Bureaus were heavily involved in the “truth in advertising” movement. In the 1920's – particularly in New York City, with the cooperation and support of the New York Stock Exchange – the BBB system was heavily involved in exposing securities frauds and assisting in the establishment of voluntary industry standards.

During the 1930 years of the Great Depression, the Second World War and post-war 1940's, BBBs were extremely active in managing processes to develop standards of advertising and selling in a number of industries. It was a testament to their exceptional work that many of these voluntary sets of standards ended up later being promulgated as Trade Regulation Rules by the U.S. Federal Trade Commission.

During its first 50 years, the BBB system was almost alone among private and public agencies in its increasing focus on services to benefit the public (consumer education, consumer complaint processing and "name and shame" public reporting on companies).

In the 1960's, however, the public clamor for safer products, better services and greater efforts at consumer protection caught many public agencies – and the Better Business Bureau – flatfooted.

By the end of that decade, the BBB system responded, merging its local and national efforts into one new "coordinating" body, the Council of Better Business Bureaus. That organization – which I represent – developed and introduced a new array of marketplace services. Within the space of five short years, the CBBB had accomplished the following:

- In cooperation with the three major U.S. advertising associations (the American Advertising Federation, the American Association of Advertising Agencies, and the American Advertising Association), the CBBB became the enforcement arm of the National Advertising Review Council.
- Developed a national consumer arbitration program, adopting practices that had long been used in the U.S. for labor relations disputes to small (and not so small) consumer disputes;
- Created a "Philanthropic Advisory Service" to evaluate and report on charitable organization soliciting from the U.S. public – measuring them against a set of voluntary standards developed by leaders in the charitable community;
- Created and spun off a new organization – the Society of Consumer Affairs Professionals (SOCAP) – to provide to ". . . provide for and promote the exchange of ideas, expertise and opinions relevant to consumer affairs and to aid business in anticipating, recognizing and responding to consumer needs, desires and expectations."

More recently, the CBBB has developed self-regulatory programs to resolve automotive warranty disputes, to review advertising directed to children, food and beverage advertising and childhood obesity issues, and created online reliability and privacy "trustmark" programs.

Today, we now have 110 BBB offices in United States and 14 in Canada – each with a unique service area. Each of these offices is an independent not-for-profit corporation supported primarily by accreditation fees from a total of roughly 400,000 businesses.

These local BBB offices provide reports on nearly 4 million unique businesses at [www.search.bbb.org](http://www.search.bbb.org); during 2009, over 70 million pre-purchase reports on companies were provided (mostly online) to consumers. Consumer complaints are initiated primarily online at [www.bbb.org/us](http://www.bbb.org/us), handled by the BBB office nearest company. In 2009, the BBB system is likely to have handled over 1 million such disputes.

The Better Business Bureau system is supported by accreditation fees and corporate partner grants – all of which are provided by business. Nearly all the BBBs services (particularly its public education, information and complaint handling/dispute resolution services) are delivered to consumers. The BBB has served as a bridge between the business and consumer communities, and as such, it exists in a delicate balance. Should it bend its policies and practices too far toward its funding sources, it will lose consumer trust – and its accreditation will hold diminished value for those same businesses. However, should its policies be seen as being too stringent and restrictive, businesses won't seek accreditation – and its value to consumers as a source of information will be diminished. That the organization is on the verge of celebrating its 100<sup>th</sup> anniversary in 2012 suggests that it has navigated these difficult waters remarkably well.

I want to end this portion of my presentation here to allow time for any questions or comments before the next presentation.

After lunch, I'll focus briefly, but more specifically, on

- a) The real role of customer care systems and practices is the creation and maintenance of trust – in companies, products and services and, ultimately, in the marketplace itself;
- b) A brief exploration of the role of self-regulation in a borderless consumer economy; and,
- c) The FICCI | BBB Partnership.

Are there comments or questions?