INSTITUTE for MARKETPLACE TRUST™
2016 ANNUAL REPORT

BUILDING TRUST TODAY FOR THE MARKETPLACE OF TOMORROW
OUR VISION
A trustworthy marketplace where consumers and businesses engage and prosper
OUR MISSION
To educate and protect consumers, establish best practices and ethical standards for businesses, solve complex marketplace problems, and advance trust in the marketplace.

WE DO THIS BY

› Providing financial and digital literacy initiatives for the general public and the military community

› Creating and delivering consumer protection programs that address scams, deceptive advertising, and subpar marketplace behavior

› Convening experts and multiple stakeholders to establish guidelines and best practices

› Providing ethics education for students, adults, businesses, and industry associations

› Honoring outstanding businesses as marketplace role models

› Conducting research that challenges assumptions and delivers new insights about how to address marketplace problems
2016 LEADERSHIP

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Director of Human Resources (retired)
Southern Company

SECRETARY
David Weiss
President and CEO (retired)
BBB of Cleveland

TREASURER
Nick LaRusso
Vice President of Business Development
Pearson

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Support for BBB Smart Investing & BBB Military and Veterans Initiative is Provided by:
FINRA Investor Education Foundation/SmartInvest.org

Support for Digital IQ is Provided by:
Acxiom
Merck
Nielsen Corporation

Support for BBB Scam Tracker is Provided by:
Target, Inc.

Support for Business Ethics is Provided by:
Facebook

General Support for BBBI is Provided by:
Bridgestone Americas
Expedia
Ferrero
JM Smucker Company
Mars
Mission Pharmacal
Pep Boys
Pfizer
Todd Ruback
Unilever and
Council of Better Business Bureaus
2016 was a year of substantial accomplishment for the BBB Institute for Marketplace Trust (Institute). We developed a tangible and purposeful going-forward strategy, established ourselves as a provider of high-impact research on marketplace fraud, and, with a new President of the Institute, laid a foundation for increased funding and financial sustainability. In all, we are in a strong position to accomplish our mission: to provide research and education about ethical marketplace behavior, develop industry best practices and guidelines, educate consumers, and promote marketplace trust.

Our strategy is a simple one. Its focus is to leverage the resources of the BBB enterprise in the service of vulnerable populations, in four portfolios of work:

- Consumer protection
- Financial literacy
- Ethical business practices
- Marketplace research

Our current and ongoing programs already advance this strategy, and prospective programs will be assessed according to these criteria. The added focus will concentrate our contributions where they are most needed, while offering potential sponsors and funding entities a clear, worthwhile value proposition. Among the year’s highlights was the publication of *Cracking the Invulnerability Illusion: Stereotypes, Optimism Bias, and the Way Forward for Marketplace Scam Education*, a truly groundbreaking study that debunks the widely held myth that our nation’s elderly are the primary victims of scams. Using crowdsourced data gathered from the public through the BBB Scam Tracker tool and other research data, the whitepaper demonstrates that in fact millennials fall victim to scams more than any other age cohort, while people in their prime earning years lose the most money when they fall for a scam. These well-documented and counter-intuitive findings resulted in a remarkable volume of news coverage, including Forbes, CBS News, the Today Show, Good Morning America, Consumer Reports, as well as recognition by leading academics, regulators, and law enforcement.

Much of this year’s progress is attributable to the Institute’s new President, Genie Barton. Ms. Barton brings six years of BBB success to the Institute, most recently as Vice President and Director of BBB’s Online Interest-Based Advertising Accountability Program and mobile marketing initiatives. With degrees from Princeton and Oxford and a law degree from George Washington University, Ms. Barton’s experience includes innovative leadership in the private and public sectors as well as a record of building cutting-edge programs for BBB. The Institute is fortunate to have her farsightedness and energy, as well as her deep relationships with corporate and consumer stakeholders. At the end of 2016, the Institute embarked on a three-year strategic plan to build diversified and stable financial support from corporate and foundation donors to effectively execute its mission and maximize the reach and impact.
of its programs. The strategic plan also calls for new partnerships with other not-for-profit institutions to share and amplify resources and for leveraging the grassroots network of more than 100 BBBs in the U.S., Canada, and Mexico to distribute our educational and consumer protection materials in their communities.

The Institute is also improving metrics to measure impact. Under the leadership of our new president and with the guidance of a committed and active board, the strategic plan will help the Institute grow and make significant contributions to promoting ethical business behavior and protecting consumers in our increasingly complex marketplace.

Sincerely,

Howard Winkler
Chair, Board of Directors
BBB Institute for Marketplace Trust
I was appointed president of the BBB Institute for Marketplace Trust in July, 2016. In those first six months at the helm I developed a deep appreciation for the achievements of the Institution I have been entrusted to lead and the dedication of its small, mission-driven staff. I am excited by the opportunities for innovation, growth, and service to the wider community that lie ahead.

Our name describes our mission: to advance “marketplace trust.” In the 21st century marketplace, there are many new challenges to both businesses and consumers in creating and maintaining trust. My background in technology and privacy policy, self-regulation enforcement, and consumer protection has taught me the complexity of addressing these marketplace challenges. Yet however complex this marketplace may be, its health and prosperity depend on trust between businesses and consumers. Building and maintaining trust in today’s fast-paced marketplace calls for new approaches, but solutions will always require educating businesses about ethical and fair practices, calling out bad actors, and recognizing those who serve as role models to their peers, as well as protecting consumers and teaching them how to protect themselves.

The Institute is the youngest entity in the BBB enterprise. This gives us the nimbleness to move quickly. We can respond to the issues of today and tomorrow, adapting our programs and initiatives to changing demographics and needs. We can join hands with others in special projects where our expertise, and that of the greater enterprise of which we are a part, can help advance common goals, enrich the work of other not-for-profit organizations, and provide new support for underserved populations.

Our place in the BBB enterprise provides unique advantages and strengths. We serve as the 501(c)(3) educational arm of the Council of Better Business Bureaus, the umbrella organization for the BBB enterprise and the national leader in accountable and independent self-regulation. The Institute also works closely with the over 100 BBBs in the U.S., Canada, and Mexico, transforming local ideas into international initiatives. We also train BBBs to deliver educational programs and resource materials in their communities, where they have close ties and strong engagement with businesses, consumers, local media, and law enforcement.

The Institute is a unique champion of both consumer and business interests. We listen both to the voice of ethical and community-spirited businesses and the voice of the consumer so that we can serve both sets of stakeholders. Fraudulent and unethical practices not only...
harm consumers, they disadvantage good businesses and undermine trust. Our programs are designed to combat these problems and build a better marketplace for all.

In the pages that follow, you will find an overview of the work we have done in 2016 and get a sense of its impact in protecting and educating consumers, providing businesses and individuals with guidance on ethics, and addressing marketplace problems through innovative research.

Sincerely,

Genie Barton
President
BBB Institute for Marketplace Trust
CONSUMER PROTECTION

BBB AdTruth
Following the successful launch of the AdTruth site in late 2015, this past year the Institute created an educational campaign to teach consumers about misleading and deceptive advertising and about the services BBBs offer to report bad advertising practices and research trustworthy businesses. We worked throughout the year to shape the future of the program, taking steps to integrate it into BBB’s system-wide Ad Review program, where BBBs investigate and work to combat deceptive ads in their communities.

This work led to content additions in the form of entertaining video vignettes which explain specific misleading advertising tactics through examples and user interactions. The videos engage consumers and empower them to expand their knowledge.

Further content growth is underway. The Institute and a task force of BBBs are working together to create a national advertising reporting mechanism for consumers that will also provide a database for research into trends in deceptive advertising techniques. Once the expansion is complete, AdTruth’s database will seamlessly integrate into the international BBB system, providing BBBs throughout North America with additional consumer reports for their Ad Review programs. The database will also create a strong feedback loop linking consumer reporting of potential advertising abuses, the Institute’s research, and the Institute’s consumer education activities and producing new insights into such areas as trends in deceptive advertising.

Our television Public Service Announcement (PSA) campaign ranked in THE TOP 10% of all PSAs tracked by Nielsen in 2016.

AdTruth PSAs aired 14,863 times in local and national media markets across the country, equating to 217,829,114 AUDIENCE IMPRESSIONS.
Digital IQ began as a partnership between leading corporations and CBBB to provide consumers with the practical knowledge they need to navigate the digital world safely and take advantage of its benefits. In 2016 Digital IQ became part of the Institute. The Institute is continuing to craft new Digital IQ content to equip individuals from novice to advanced users with a range of digital tools, including interactive quizzes, videos, and articles.

After the launch of Digital IQ’s first set of educational modules, entitled “Savvy Shopping,” in 2016 Digital IQ conducted a Website Usability Study with Nielsen to assess gaps in consumer knowledge and determine next steps to expand the program’s curriculum. The study revealed that many consumers felt that they needed help with learning simple online skills. To meet this need, Digital IQ designed a digital inclusion program called “Digital Basics.” Digital Basics provides quizzes on internet navigation that demonstrate keyboard commands and the functions of the various icons and other symbols seen on websites. Other quizzes are in the works.

As part of our digital inclusion initiative, the Institute partnered with a creative platform which hosted a crowd-sourced video contest entitled “Share Your Digital ‘Aha!’ Moment!” Contestants submitted short, original videos in which family members and friends learn new digital skills from one another. The eight winning videos are a mix of heartwarming, funny, and touching short stories. In 2017, these videos will be part of a
social media campaign where digital natives will be encouraged to share these videos with others and to create their own “Digital ‘Aha’ Moments!” This campaign will draw novice users to the Digital IQ website where they will find written instructions and other resources to improve their digital skills and knowledge. It will also encourage advanced digital users to reach out and teach others new ways to access and use digital resources.

Digital IQ also hosted an event on Capitol Hill on the importance of basic digital education, featuring opening remarks from a member of Congress and a panel of technology policy and education experts who provided Hill staffers with an understanding of the issues involved in providing digital access to vulnerable populations. Panelists noted that new Internet users were more likely to take better advantage of connectivity if they were also provided with educational resources and training, in addition to subsidized broadband access.

This past year, the Institute also began a new set of online articles for more sophisticated digital users, explaining the “World of Sensors” and the new world of the Internet of Things, including connected cars, smart homes, and RFID tags. These articles will be added to the Digital IQ website in 2017.
Dishonest marketplace schemes and fraud are a major source of economic loss. The burden is borne by individuals and legitimate businesses and the harm affects us all. The perpetrators of scams unfairly compete with bona fide businesses, undermining marketplace trust. BBB Scam Tracker puts the public in the driver’s seat, empowering those who have been exposed to a scam to speak up and warn others. Their reports are shared on an interactive online “heat map” that enables users to see what’s happening in their communities. Staying abreast of current scam types and techniques is a crucial way to protect consumers, and BBB Scam Tracker is a powerful tool in educating consumers and fighting fraud.
The volume of data collected through BBB Scam Tracker has dramatically enhanced BBB’s ability to understand and respond to current trends in the scam landscape. More than 30,000 scam reports were filed in 2016. These reports were used to inform research, educational content, and alerts. The data were also shared with law enforcement to drive investigations. In 2016, BBB also began sharing BBB Scam Tracker data with the Federal Trade Commission for inclusion in the agency’s Consumer Sentinel, a database used in criminal investigations.

Our 2016 BBB Scam Tracker Annual Risk Report provides fascinating insights into the first full year of BBB Scam Tracker data collection. The Risk Report was the first research monograph to introduce a new three-dimensional measure of scam risk – the BBB Risk Index. Past attempts to compare scam types by relative risk have generally consisted of simple rankings by frequency of exposure. This volume-based approach fails to acknowledge the multifaceted nature of scam risk. In fact, the risk posed to a given population by a particular scam type can best be understood by considering three dimensions: exposure, susceptibility, and monetary loss. By combining all three, as we have done with the BBB Risk Index, we are able to gain a far more meaningful measure of the relative risk of a given scam type.
"SURPRISE! M illennials more likely to be scam victims than boomers" - FORBES.COM

Outreach and Media Influence Grows
In 2016, BBB Institute staff delivered numerous speeches and presentations throughout the United States and provided media interviews related to BBB Scam Tracker data and research.

Speaking Engagements
› NCFTA Cyber Crime Forum
› New York State Cyber Security Conference
› IBM i2 Summit for a Safer Planet
› Consumer Action Consumer Empowerment Conference
› FINRA State of Financial Fraud in America Conference

Major Media Coverage
› CBS News
› The Today Show
› World Journal (largest Chinese language newspaper in U.S.)
› Consumer Reports
› World News Tonight

Recognition
BBB Scam Tracker was honored with the 2016 ASAE “Power of A” Gold Award
SNAPSHOT OF 2016

- Total Number of BBB Scam Tracker Reports: 32,781
- Susceptibility (i.e., % of reports that included $ loss): 18.8%
- Median Dollar Loss: $274

TOP 5 MOST RISKY SCAMS

1. **Home Improvement Scams**
   - Door-to-door solicitors offer quick, low-cost repairs and then either take payments without returning, do shoddy work, or “find” issues that dramatically raise the price.

2. **Fake Check Scams**
   - You deposit a phony check and then return a portion by wire transfer to the scammer. The stories vary, but you will often be told you are refunding an “accidental” overpayment.

3. **Employment Scams**
   - You are led to believe you are applying or have just been hired for a promising new career while you have, in fact, given personal information or money to scammers for “training” or “equipment.”

4. **Online Purchase Scams**
   - These cons often involve purchases and sales on direct seller-to-buyer sites. A buyer may send a fake check, or a seller may simply never deliver the item.

5. **Advance Fee Loan Scams**
   - A loan is guaranteed but, once you pay upfront charges, such as taxes or a “processing fee,” the loan never materializes.

HIGHLIGHTS BY AGE

- Susceptibility decreases with age, but when losses occur, they are higher in the older age groups.

1 The formula for calculating the BBB Risk Index is Exposure X Susceptibility X Median Loss/Overall Median Loss X 1,000.

2 Excludes scam types with less than 30 reports for the specified group.
Marketplace Research

Marketplace scams affect one in four households annually. The estimated loss to individuals and families is $50 billion each year, yet most consumers believe it can’t happen to them. In 2016, the Institute surveyed consumers in the U.S. and Canada to identify the stereotypes and misperceptions around scam victimization that are a barrier to effective outreach and targeting of at-risk populations. Using survey data as well as data gathered through BBB Scam Tracker, we found that, contrary to widely held beliefs, millennials rather than seniors are most likely to have been scammed.

The results of this research were published in a groundbreaking 2016 BBB Institute paper, *Cracking the Invulnerability Illusion: Stereotypes, Optimism Bias, and the Way Forward for Marketplace Scam Education*, which reframed the way consumer advocates and educators approach this problem. The new paradigm in fraud prevention education is both positive and empowering – citizen heroes speaking out, telling their stories to help warn others while at the same conveying the message that scams can happen to anyone.

**TOTAL NUMBER OF BBB SCAM TRACKER REPORTS**

32,781

**SUSCEPTIBILITY (I.E., % OF REPORTS THAT INCLUDED $ LOSS)**

18.8%

**MEDIAN DOLLAR LOSS**

$274
FINANCIAL LITERACY

BBB Smart Investing
2016 saw the continuation and growth of BBB Smart Investing, our landmark financial education program that provides individuals with the necessary tools and resources to make informed investing decisions and avoid fraudulent or unwise financial schemes. The main offering under this important program is “Outsmarting Investment Fraud,” funded by a generous grant from the FINRA Investor Education Foundation.

The Institute provides in-person training for BBBs across the country. This training gives BBBs the expertise to conduct presentations, workshops, and campaigns in their service areas that provide consumers with helpful information and resources to encourage wise investing. Through dynamic in-person training, online resources, and video documentaries, current and future investors learn:

› Who fits the profile of a potential fraud target
› How to identify the persuasion tactics fraudsters use
› How to reduce risky behaviors by asking questions and checking information
› Simple steps to take before any investment decision

Since the program began in 2012, more than 37,000 audience members and countless others have benefited from the program’s advice to help them to secure their financial future.
The Center for Character Ethics

The BBB Institute affirmed its commitment to ethical business leadership and trust in the marketplace by fully integrating the Center for Character Ethics (CCE) into its suite of programs available to businesses large and small and to local BBBs across North America. The CCE provides the BBB enterprise with a research-tested model and practical, easy-to-implement assessment tools, education, training, consulting, and recognition of business leaders who value the importance of positive ethics in shaping and growing today’s enterprises.

The Center’s offerings are designed for business leaders, secondary and post-secondary school educators, students, and individuals, providing a proven course of action for individual and business ethics that mirrors the BBB Standards of Trust. They include:

- BBB TRUST! Assessment: An employee survey designed and field-tested for participants to measure, evaluate, and benchmark their organization’s ethical culture.
- BBB leadership forums and summits: Professionally-facilitated sessions to put interpersonal and organizational ethics to work.
- BBB In Pursuit of Ethics: A scenario-based training program that generates in-depth discussion of ethical dilemmas with group audiences. Using reenactments of real-life situations, the audience addresses everyday ethical dilemmas by making decisions for the characters and directing the discussion. The program can be scaled for high school, college, and professional CEU ethics learning levels.
- BBB Laws of Life Essay Contest: Middle school students reflect on and write about the principles they believe are important to live by, such as courage, perseverance, forgiveness, and honesty.
- BBB Students of Integrity Scholarship Awards: Scholarships are awarded to high school seniors who personify high character through leadership, community service, overall personal integrity, and academic achievement.
Honoring Outstanding Ethical Practices: International Torch Awards for Ethics

The International Torch Awards were established in 1996 to promote ethical business practices, to heighten public appreciation of outstanding businesses, and to build trust in the marketplace. An independent panel of judges selects award winners based on their engagement with their customers, the training and other benefits they provide to their employees, and their role as responsible citizens of their communities. Honoring the award winners and celebrating their achievements at an annual event is an integral part of the Institute’s ethics programming.

In 2016, BBB Institute presented the International Torch Award for Ethics to four outstanding businesses judged by a panel of experts to demonstrate the highest ethical values not only in their relationship with their own customers and employees, but in their service to their communities. They serve as role models for businesses throughout North American demonstrating how every business can help to build marketplace trust. The winners were:

- Harley-Davidson Motor Company, Milwaukee, WI
- Jon Wayne Service Company, San Antonio, TX
- Victory Auto Service & Glass, Fridley, MN
- Merry Maids of Metro, Dartmouth, Nova Scotia

“COLLECTIVELY THIS AWARD PUT A BIG SMILE ON ALL OF OUR FACES AND CONFIRMS THAT WHAT WE ARE DOING AND HOW WE ARE DOING IT IS GETTING NOTICED AND BEING RECOGNIZED. WE WANT TO KEEP IMPROVING AND ENCOURAGING OTHER BUSINESSES TO STRIVE FOR THE SAME BECAUSE, IN THE END, EVERYBODY WINS!”

- JEFF MATT, PRESIDENT AND CEO
  VICTORY AUTO SERVICE AND GLASS
## 2016 FINANCIAL SUMMARY

Statement of Financial Position as of December 31, 2016 and 2015

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<tr>
<th>Assets</th>
<th>2016</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
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<td>$ 396,775</td>
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<td>Accounts receivable</td>
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<td>Due from affiliated organization</td>
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<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 342,518</strong></td>
<td><strong>$ 396,775</strong></td>
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<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Due to affiliated organization</td>
<td>$ -</td>
<td>$ 41,126</td>
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<tr>
<td>Accrued expenses</td>
<td>6,869</td>
<td>-</td>
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<tr>
<td>Deferred revenue</td>
<td>-</td>
<td>20,000</td>
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<td><strong>Total liabilities</strong></td>
<td><strong>6,869</strong></td>
<td><strong>61,126</strong></td>
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<table>
<thead>
<tr>
<th>Net Assets</th>
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<tr>
<td>Unrestricted</td>
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<td>(148,155)</td>
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<tr>
<td>Temporarily restricted</td>
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<td>483,804</td>
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<td><strong>Total net assets</strong></td>
<td><strong>335,649</strong></td>
<td><strong>335,649</strong></td>
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</tbody>
</table>

| **Total liabilities and net assets**    | **$ 342,518** | **$ 396,775** |
Statement of Activities for the year ended December 31, 2016 and 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
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<tbody>
<tr>
<td><strong>Unrestricted Net Assets</strong></td>
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<tr>
<td><strong>Revenue</strong></td>
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<tr>
<td>Grants &amp; contributions</td>
<td>$385,189</td>
<td>$124,000</td>
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<tr>
<td>Other revenue</td>
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<tr>
<td>In-kind contribution</td>
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<tr>
<td>Net assets released from restrictions</td>
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<td>639,205</td>
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<tr>
<td><strong>Total Unrestricted Revenue</strong></td>
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<td>763,216</td>
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<tr>
<td><strong>Expenses</strong></td>
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<tr>
<td>Program Services</td>
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<tr>
<td>Marketplace Trust</td>
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<td>704,831</td>
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<td>Supporting Services</td>
<td></td>
<td></td>
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<tr>
<td>Management &amp; general</td>
<td>381,170</td>
<td>200,238</td>
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<td>Fundraising</td>
<td>2,116</td>
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<td><strong>Total Supporting Services</strong></td>
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<td><strong>Total Expenses</strong></td>
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<td><strong>Change in Unrestricted Net Assets</strong></td>
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<td><strong>Temporarily Restricted Net Assets</strong></td>
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<tr>
<td>Grants &amp; contributions</td>
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<td>463,850</td>
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<tr>
<td>Net assets released from restrictions</td>
<td>(382,605)</td>
<td>(639,205)</td>
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<td><strong>Change in Temporarily Restricted Net Assets</strong></td>
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<td>(175,355)</td>
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<td>(324,293)</td>
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<td>Beginning of year</td>
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<tr>
<td>End of year</td>
<td>$335,649</td>
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