

Rebategate: exposing a multi-million-dollar scam

By Bruce A. Love

Deception, lies, and cover-ups! No, this is not another article about the outing of Watergate's infamous "Deep Throat." I am referring to the con game some retailers call rebates.

This week, I had to make several computer-related purchase decisions. My computer was having memory issues, my wireless network was experiencing "a failure to communicate," and my mom's printer was beginning to sound like the Lakemont Park roller coaster. In short, I was a retailer's dream - a customer ripe for the picking!

Before making technology purchases, I usually comparative shop online to determine fair market prices. I think this approach to getting a good deal has something to do with my Scotch-Irish ancestry (we're "frugal"). I factor in the cost of buying online (price plus shipping costs, minus state sales tax in some cases), and weigh any online price savings against the ability to get the item today if I go to a local retailer.

One additional factor that can influence my purchase decision is the prospect of getting a rebate. Rebates are not the same as coupons or discounts. Rebates are checks mailed to the customer after the purchase and worth millions to American consumers. Unfortunately, the effort to get a rebate can be grueling, and many consumers fail to follow through with the necessary rebate requirements.

The rebate process usually goes something like this: locate the rebate form (in store or online), fill it out, cut out the UPC code from the packaging, make a copy of the sales receipt, stuff it all in an envelope with adequate postage, and mail the information back to the rebate sponsor before the deadline makes your rebate null and void. If the customer does everything just right, they should get a rebate check in 8 to 10 weeks. Even after jumping through all the hoops, consumers may still miss the rebate check that arrives cleverly camouflaged and discarded as junk mail! Too bad, you lose!

This may shock you: manufacturers do not expect every customer to successfully take advantage of their rebates! The truth of the matter is, less than 40 percent of customers follow through when rebates are greater than \$20. Far fewer customers redeem rebates when the value is less than that. Is this some sort of scam? Not at all, according to people in the industry.

The rigorous rebate requirements are designed to combat fraud, not to prevent customers from redeeming the rebate. Businesses argue that if they did not have such strict rebate redemption requirements, ethically challenged customers would find it too easy to print their own money (in the form of rebate redemptions). I guess the low rebate redemption rate is just a side benefit for the company.

Of course, the intent of rebates, as with other forms of "promotional sales," is to increase sales. However, this method is unique, in that it is designed to (1) get full retail price from those willing to pay retail, and (2) make the product affordable to customers who would otherwise forgo the purchase. In theory, those who can least afford to pay full price can still purchase the product if they will just put in a little effort to get the rebate.

Some customers are beginning to question the likelihood that they will follow through with rebates. Offering rebates can reflect badly on retailers and manufacturers who may be seen as baiting customers with rebates the customer will never see. In my case, I know from experience that there is a 50/50 chance that I will redeem the rebates to which I am entitled. While Mom's rebate percentage approaches 100%, we found a great printer on sale that didn't involve a rebate. The RAM I purchased from an online retailer was \$3.00 more than the price (after a \$20 rebate) from another e-store (this was a smart buying decision for me). After finishing this column, I have decided to purchase the \$39 network adapter with the \$20 rebate. Next time you see me, be sure to ask if I've sent for my rebate!

When considering purchasing a product that entices you with a rebate, here are a few suggestions:

- Read through the rebate requirements to make sure it hasn't already expired, and that you qualify.
- Pick up, or download, the rebate information immediately (or risk having the rebate disappear from online sources!)
- Send in your rebate materials before using your new toy.
- Mark the expected rebate return date on your calendar.
- Watch for your rebate, and be careful not to toss it out with the junk mail.

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