

Have you ever wondered why computer rebates are so popular ?

Have you ever purchased a product because there was a rebate offer that made your purchase a "no brainer"? Like a computer system for example that will cost you \$799.00 up front but when you send in your 4 different rebate forms to four different rebate fulfillment centers, in 4 different parts of the country, your final cost would end up to be \$399.00. I think we've all fallen for those slick print ads and TV commercials that highlight the "after rebate" price and we make our purchase decision based on that expected rebate that **we were sure** we would get back.

The reality is, rebates are a headache for consumers, a tricky situation for retailers, and a major expense for manufacturers. So why are we seeing more rebate offers than ever before? **Because stores and product makers want to lure shoppers into buying their products because they know that many people will never collect on the rebate.**

Market research firm Aberdeen Group reports that about 60 percent of buyers who could redeem computer-related rebates don't even try. "That's money the store and/or the manufacturer keep," says Aberdeen analyst Peter Kastner. **Of the 40 percent who try, half experience problems or don't get a check at all.**

Yes, when stores and manufacturers offer those huge rebates to consumers, their profits go up.

Part of the problem is that three parties--the product manufacturer, the retailer, and the rebate fulfillment house--are usually involved in the process. Each company ends up relying on the others to ensure that things go smoothly. The reality is, things rarely go smoothly.

Rather than process thousands of redemptions themselves, manufacturers and retailers frequently contract with a fulfillment house to open and sort mail, log in consumer data, and, **if all requirements have been met**, issue rebate checks, which can take anywhere from 30 to 240 days.

Some rebate offers are so aggressive that the products are virtually free. For example: At the time of this article, you could purchase Pinnacle Studio 8 video editing software for \$79.99, but after an \$80 mail-in rebate, it's free, **right?** Not necessarily. **When you read the very small fine print**, the \$80 rebate is actually two offers: a \$50 one that requires proof of upgrading from a competitor's program (a preloaded version on your PC doesn't count); and a \$30 offer that must be sent to the same address--but to a different department. Another requirement: You must send your old installation CD to qualify.

The good news for manufacturers and retailers is that rebates can make their bottom line look good, at least temporarily. "With money in the bank, there is no hurry to pay the rebates," says Todd Fernandez, a financial analyst at Glass Lewis & Company. "Businesses can sit on consumer money [while it earns interest] for a quarter, or sometimes two--a great way to facilitate working capital."

Many retailers have limited control over the company that handles manufacturers' rebates. Shoppers are frustrated when they find rebate rules that are unreasonable. Their first reaction is to get mad at the store they bought the product from. Consumers also get mad at the fulfillment house. For instance, TCA Fulfillment, which handles rebates for Brother, CompUSA, Kingston, Micro Center, Samsung, and many other stores and vendors, is described as one of the worst rebate processing companies in the country and it has had an unsatisfactory rating with metropolitan New York's Better Business Bureau for most of its history. Many angry consumers have even accused TCA and other vendors of deliberately losing rebates owed.

The BBB reports that TCA has exhibited a pattern of not responding to consumers' complaints. "More than 90 percent of [these complaints] were from irate consumers who'd been denied [a rebate], usually for "good reason," says CEO of TCA Frank Giordano. "We thought it was a waste of time to explain through a middle party, like the BBB, why their rebate was rejected."

"The Federal Trade Commission hasn't seen a lot of outright fraud," says Matthew Gold, an FTC attorney. More often, he adds, it's a case of a small company not anticipating the level of response to the offer, or a big company too caught up in its own bureaucracy to deposit funds into the fulfillment house's bank account. "Typically, once [the FTC] gets involved, the companies are reasonably responsive and they try to get the money out to consumers." It's rare for the FTC or a state attorney general to file suit against a company for failure to pay rebates.