

Auto dealers want respect, not money

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Given the choice, many automobile dealers in the United States and Netherlands would rather get some respect than get rich from the manufacturers whose lines they carry, a Penn State researcher says.

"Most manufacturers probably believe that dealers are primarily concerned with the profit margins they can make by carrying the manufacturer's product line," said Nirmalya Kumar, assistant professor of marketing in the Smeal College of Business Administration.

"Our survey of automobile dealers, however, shows that to the dealers, respect and being treated fairly by their more powerful partners — the manufacturers —

EXPLORATIONS

Penn State research



are relatively more important than earnings or other tangible rewards."

Kumar and other researchers measured the effects of dealers'

sense of "distributive" and "procedural" justice on their motivation to develop a long-term relationship with a manufacturer.

Takeovers account for solid stock returns

A new Penn State study shows that takeover activity accounts for much of the superior stock returns seen by both spinoffs and their parent companies for several years after a spinoff occurs.

The finding suggests that, by dividing a company into two firms, spinoffs provide a low-cost method of transferring control of corporate assets to bidders who will create greater value. It also suggests that focusing only on the common stock returns of parent

firms leads to underestimations of the value created through spinoffs in many cases.

The complete study appeared in a recent issue of the Journal of Financial Economics. It was conducted by Drs. James A. Miles and J. Randall Woolridge, professors of finance in Penn State's Smeal College of Business Administration, with Patrick J. Cusatis, an associate with Lehman Brothers in New York City.

"Surprisingly, as with the spinoffs themselves, parent firms involved in takeovers also offered superior post-spinoff, long-term investment performance," Miles said. "We associate these performance results with post-spinoff restructuring activity."