Car dealers just want some Respect!

Like Rodney Dangerfield, automotive merchants want to be held in esteem.

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

"Most manufacturers probably believe that dealers are primarily concerned with the profit margins they can make by carrying the manufacturer's product line," Nirmalya Kumar, assistant professor of marketing in Penn State's College of Business Administration, noted. "Our survey of automobile dealers, however, shows that to the dealers, respect and being treated fairly by their more powerful partners—the manufacturers—are relatively more important than earnings or other tangible rewards."

Dr. Kumar examined the topic with Lisa K. Schura, assistant professor of marketing at the University of Missouri at Columbia, and Jan Reutenier, M.M. Deeken, associate professor of marketing at the Catholic University of Leuven, Belgium. Their research was supported by Penn State's Institute for the Study of Business Markets.

The team surveyed 407 new car dealers from the United States and 209 dealers from the Netherlands making the study perhaps the first of its kind to include data from two countries. In both countries, various dealers surveyed handled one or more makes in the U.S., Europe, Japan, and elsewhere.

The researchers measured the effects of dealers' perceptions of distributive and procedural justice on their satisfaction with a manufacturing relationship with a manufacturer.

"Distributive justice refers to a dealer's perception of the fairness of earnings or margins received from carrying the manufacturer's line," Dr. Kumar explained. "Procedural justice, on the other hand, refers to the dealer's perception of the fairness of a manufacturer's procedures and policies regarding its dealers."

As defined in the study, manufacturers' policies are considered fair if manufacturers are knowledgeable about the local conditions in which dealers operate, treat dealers with courtesy and impartially, provide explanations for decisions affecting dealers, and allow opportunities for dealers to input and appeal against similar manufacturer decisions.

The survey measured the extent of conflict between the dealer and the manufacturer, the dealer's commitment to and trust in the manufacturer, and the dealers' willingness to make further investments in the manufacturer's line.

As dealers' perceptions of either procedural or distributive justice decreased, conflict with the manufacturer increased. As justice levels increased, so did the dealers' trust, commitment and willingness to invest.

However, the results show a surprising relationship between dealers' perceptions of procedural justice and the levels of conflict, trust, commitment and willingness to invest. Only perceptions of distributive justice demonstrated significant differences between the groups.

"Researchers have argued that shared relationships imbued with the exchange of power—such as in the automobile industry—are based on a high level of conflict and low levels of cooperation, trust and commitment," Dr. Kumar said. "While this may be true in general, our results demonstrate that trust and commitment can be developed, even in highly adversarial relationships, if the vulnerable party is treated fairly by its more powerful partner."

Although developing procedurally fair relationships requires greater effort, the researchers said it can lead to a sustainable competitive advantage for manufacturers. In contrast, higher levels of trust and commitment than GM, Chrysler, or European car manufacturers' dealers noted.

— Gary W. Craner

Nirmalya Kumar

Photo: Greg Grove