

## Car dealers just want some Respect!

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*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 whose lines 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 The Smeal 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. Scheer, assistant professor of marketing at the University of Missouri at Columbia, and Jan-Benedict E.M. Steenkamp, 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 417 new car dealers from the United States and 289 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 cars made in the U.S., Europe, Japan, and elsewhere.

The researchers measured the effects of dealers' sense of distributive and procedural justice on their motivation to develop a long-term 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

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the local conditions in which dealers operate; treat dealers with courtesy and impartiality; provide explanations for decisions impacting dealers, and allow opportunities for dealer input and appeals against unfair 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 dealer's willingness to make further investments in the manufacturer's line.

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

However, the results show a stronger relationship between dealers' perceptions of procedural justice and the levels of conflict, trust and commitment than between distributive justice and the same measurements. Only on willingness to invest were there no significant differences between the effects of procedural and distributive justice.

"Researchers have argued that channel relationships imbalanced in terms of power – such as in the automobile industry – tend to demonstrate 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 imbalanced 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 margins to dealers can always be met or exceeded by the competition.

Meanwhile, "as far as our survey results go, the U.S. dealers indicate that Ford and Japanese car manufacturers have done a better job in developing fair policies, trust and commitment than GM, Chrysler, or European car manufacturers," Dr. Kumar noted.

— Gary W. Cramer



Nirmalya Kumar

Photo: Greg Grieco