To rebuild trust, dealers and carmakers need to behave ethically

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To rebuild trust, dealers and carmakers need to behave ethically

By Professor Jim Saker

A few weeks after the Volkswagen emissions scandal hit the news, a dealership sales manager contacted me to discuss the impact it seemed to have on his dealership and the sector as a whole.

He came from a related franchise and said his dealership had seen a general decline in customer interest, but so far this had not impacted greatly on its sales performance. The dealership was performing in line with the general market trends and on the whole they were fairly happy with how things were going.

His problem was more fundamental. Putting it bluntly, he said customers no longer believed what he or his sales force told them. The customers continued to be polite, but at the end of the conversation he felt there was still an element of doubt and disbelief.

As we tried to unpack the issue, it became apparent that the problems at VW could potentially be more widespread and deep-seated than originally thought.

It is widely recognised that the image of car retailing has not been great over the years. Some of the criticism has been deserved, while some has been fuelled by TV and the media. The belief, historically was that car dealers could not be trusted and were simply there to exploit customers.

In more recent years, the internet has provided consumers with additional information sources, so they come to the dealership better informed and with a confidence that they are able to negotiate from a more equal, if not dominant, position.

The problem is that much of the information on the internet was based initially on data provided by the manufacturer, based on test results and what appeared to be claims that could be authenticated.

Putting the customer first

From a consumers’ perspective, what information do they now believe and, more importantly, in whom do they trust?

For some businesses, this is not an issue. Over the years, they have built a relationship with their customers through the quality of their service and advice. They have not given the customer any reason to doubt their honesty. The challenge is whether that relationship is strong enough to override the doubts caused by the bad publicity from Wolfsburg.

In 2003, Glen Urban, the dean of MIT’s Sloan School of Management, wrote a book called The Trust Imperative, in which he introduced the idea of 'trust-based marketing'. His contention was that being honest and open is the way to win both trust and customers even when, on the surface, it does not appear to be in the best interests of the company. Urban’s argument was based on the premise that you should give the best possible advice to the customer and as part of that process provide straightforward information with unbiased comparisons. Having taken another look at his work, it is apparent that what he was advocating was exactly what the financial sector failed to do before it became embroiled in massively expensive mis-selling.

The only way is ethics

If rebuilding trust with customers is something that needs to happen in our sector, then what Urban is saying has a real place in the sales process, but also in the culture of many businesses. Many dealerships would say being open and honest is something they try to do and as a result customers are on the whole happy with the relationship.

However, I have this nagging doubt in the back of my mind about some of the product information distributed by manufacturers. I have seen through many very pleasant new product launches, usually involving a driving experience in a nice location. My difficulty is with claims made about the new vehicle such as 'segment-leading', 'better driving dynamics than the competition', 'much better efficiency', etc. When you drive the competitor cars, there is little or no difference and in some cases you come away preferring the opposition's product.

The challenge then becomes what do you recommend to a customer? Are you completely honest as a salesperson if you are asked a specific question? Would you recommend a competitor’s product? It is a tough call and the challenge that Urban lays down in his book.

As part of my job, I am involved in the recruitment of both undergraduate and postgraduate students. Often I am interviewing a student and they ask whether Loughborough is the best degree for them? Should I say of course, come to us or should I recommend a competitor if I know they offer a programme that better meets the needs of that student?

I am not claiming to be a saint, but I will always try to give the advice that I believe is best for that student. For me to do otherwise would be unethical.

Maybe there is little room in our sector to do the same when it comes to selling cars, but I would hope that one of the lessons learnt from the VW scandal is that treating customers ethically will start the process of rebuilding trust.

“From a consumers’ perspective, what information do they now believe and, more importantly, in whom do they trust?”

Professor Jim Saker is director of the Centre for Automotive Management at Loughborough University’s Business School and an AM Awards judge. He has been involved in the automotive industry for more than 20 years.