

Tied To a Disloyal Brand

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Abstract

A customer enters the branch of Mercedes Benz AG on April 20, 2014 intending to purchase his fifth Mercedes Benz car. The customer's family have been clients of this branch of Mercedes Benz AG for over twenty years. The customer is both a sales and garage services client. The customer has an appointment for purchasing a new car, but is ignored by all of the available salespersons in the branch. The customer writes a complaint to customer services at Mercedes Benz AG but never gets a response.

Key words: car purchase; customer complaints; disregard; lifetime value; loyalty

The Story

On April 20, 2014, after a nice day at the golf course, wearing my golf clothes, I entered the Mercedes Benz AG branch in Freiburg for an appointment to purchase a new car, a Mercedes Benz S500. I entered the sales hall and went immediately to the service point to tell the lady at the desk that I had an appointment with one of the sales staff. She looked at me as though I didn't have the money to buy a Mercedes and told me that no sales staff were available at the moment and that I should take a seat.

I looked around. None of the sales staff had a customer at the time: they all seemed to have nothing to do because they were standing in the corner chatting and looking at their cell phones. At first I thought as usual, you need to wait until the salesperson comes to you to welcome you. Unfortunately nothing happened after thirty minutes, so I started to walk around the new Mercedes Benz S500. I opened the trunk but no one paid attention, so I went again to the lady at the desk, who was now doing her nail polish. I asked her again if a salesperson would have time for me as I had an appointment. She just looked at me and said "Please, take a seat. If a salesperson has time for you he will come to you."

Suddenly a salesperson came and asked if he could help me. I said: "Yes please, my family and I have been clients for many years and I have an appointment. I want

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to buy a new Mercedes S500.” The salesperson looked me up and down and said “Well, you know that car is very expensive; it costs 500,000 Euros. I don’t think this is the car for you!” I repeated that I was a client of many years’ standing and that this would be my fifth Mercedes Benz, but he just ignored me and said “I am sorry but I think I cannot help you but I wish you a beautiful day”. He let me stand in the hall and I saw him running to his peers and they started to laugh. Angry and absolutely disappointed, I left the branch.

Back at home, I wrote a complaint and explained my experience. I never received an answer or an apology from Mercedes Benz AG. As a direct result, I went to Audi AG and bought an Audi A8.

Possible Solution Options

- A. Mercedes Benz AG should have answered the customer’s letter and apologized.
- B. Mercedes Benz AG should have apologized for the bad service and offered the customer a coupon for a 20% discount on their next inspection of the car.
- C. Mercedes Benz AG should have apologized and offered the customer the possibility of picking up the new car directly at headquarters and a voucher for a 20% discount on their next inspection of the new car.
- D. Mercedes Benz AG should have apologized and offered the customer a voucher for a 5% discount on the purchase of the new car.
- E. Mercedes Benz AG should have apologized and offered the customer a voucher for a 5% discount on the purchase of the new car and a 10% discount on their next visit to the garage.

Assessments

Surface Assessment

The customer’s family had already purchased four cars and used the Mercedes Benz garage on an annual basis. The customer and his family are both sales and garage clients. This customer loves Mercedes Benz and had previously been very satisfied. Solution C is the best solution in this scenario. Mercedes Benz AG should also send this complaint to the manager of the branch in Freiburg.

Deep Assessment

The customer in this story had a special relationship with Mercedes Benz AG. The customer and his family are long-standing clients and they have spent a lot of money in this branch, both in sales and at the garage. The customer and his family have always been satisfied with the service and the cars. The customer expected good service as usual but in the end he was totally disappointed and frustrated and decided to buy another brand of car. Through this example of bad customer service it can be seen that sometimes one bad experience can change a relationship and trust

in a brand and the whole company, even though the customer is a loyal, long-term client.

The reaction of the salesperson gave the customer the feeling he could not afford the car and that he wasn't respected because he came in his golf clothes. Purchasing a car is, for most customers, a special experience and they expect excellent service and treatment. What does it mean to purchase a car? A lot of customers save for years to purchase a new car and when they reach their goal they want unforgettable service and experience. Purchasing a car makes a customer happy because it is an expensive purchase and they are able to afford it. They want to receive special treatment. In this example, the S500 is a very expensive car and the customer was happy to be able to afford it. The customer wanted to have a good purchasing experience, especially since the service around the four previous purchases had been very satisfactory. The response of Mercedes Benz AG to the customer's complaint was also a very frustrating experience for the customer. Clearly after being a loyal client for so many years he expected that his complaint would not be ignored. Often it is not necessary to offer clients a special discount but at least the customer expects an apology when he receives bad customer service. If a customer complains about bad service it is obvious that he wants to be heard. In this example the customer was not heard, which gave him the feeling that he was not important as a client. This led him to change his car brand and company to find better service and treatment. As can be seen, if a company provides bad customer service and poor responses to complaints, a single bad experience can cause the customer to move to a competitor.

Solution Points Awards for Multiple Choice Selection

- A. Mercedes Benz AG should have answered the letter of complaint and apologized to the customer. 1 point, because at least Mercedes Benz AG offers an apology, which is what every customer would expect from a huge company with the brand awareness and reputation that Mercedes Benz AG has achieved.
- B. Mercedes Benz AG should have apologized for the bad service and offered the customer a 20% discount on their next inspection of the car. 3 points, because at least Mercedes Benz AG offers an apology and includes a discount for the next inspection of the car to show the customer he is important to the company and that the company wants to keep him as a client.
- C. Mercedes Benz AG should have apologized and offered the customer the possibility of picking up the new car directly at headquarters and a voucher for a 20% discount on their next inspection of the new car. 10 points, because Mercedes Benz AG offers an apology but also includes a special customer experience so the purchase of the car will be something special. Combined with the discount the company shows that it wants to keep the customer.
- D. Mercedes Benz AG should have apologized and offered the customer a voucher for a 10% discount on the purchase of the new car. 1 point, because Mercedes Benz AG offers an apology, but a 10% discount on the purchase of the car is much too

expensive for the company. This solution creates a greater cost than necessary for the firm.

E. Mercedes Benz AG should have apologized and offered the customer a voucher for a 5% discount on the purchase of the new car and a 10% discount on their next visit to the garage. 1 point, because Mercedes Benz AG offers an apology, but a 5% discount on the purchase of the car and a discount for the next visit to the garage is much too expensive for the company and represents an excessive compensation to the customer.

Editorial Commentary

This case explores how poor customer service can cause a company to lose a loyal customer. By ignoring a potential customer due to prejudices based on his clothing, salesmen at a car dealership's store make the company lose a 500,000 € sale and much more money in future sales (customer life-time value CLTV), as well as someone who was probably a promoter of the brand – a loyal supporter.

Today's global market is highly competitive, and the automobile sector is no exception. In this environment, retaining existing customers and building long-term relationships with existing customers are priority goals for every automobile company (Al-Shammari & Kanina, 2014). As Reichheld states, loyal customers can make a company's income increase (Reichheld, 1993), as they are more likely to purchase additional products and services (Reichheld & Teal, 1996). According to Al-Shammari and Kanina (2014) this is also true in the automobile industry, where customer satisfaction and loyalty lead to repeated purchases. In this case, the customer has been loyal to Mercedes AG for many years. This loyalty has resulted in four cars being bought from the same dealer over the years.

Despite all the evidence showing that quality service provides organizations with a competitive advantage, and even though quality principles have been widely embraced in the car manufacturing industry, this does not appear to be the case with many individual car dealerships. This leads to unpleasant experiences by potential customers wanting to buy a vehicle (Fraser et al., 2013). This is especially relevant considering the results of a survey conducted by American Express (2014), "on average, consumers tell 8 people about their good experiences, and over twice as many people about their bad experiences".

The different possible solutions offered by the student consider discounts of different amounts that the company should offer to the customer in order to amend matters. Answers in options D and E are only given 1 point, because the discount offered by the company implies too high a cost for the company. In fact, research shows that exceeding a dissatisfied customer's expectations by, for example, offering refunds, free services or extremely high discounts makes him only marginally more loyal than simply meeting their needs (Dixon et al., 2010). Excessive discounts therefore imply a cost, as opposed to an investment in future income streams and loyalty.

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