



# FAIRNESS MANAGEMENT: CHINA, TAIWAN, JAPAN, AND SOUTH KOREA

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## Abstract

In this chapter are discussed crucial theoretical underpinnings and critical contextual issues to be considered by successful managers to effectively manage fairness in East Asian countries of China, Taiwan, Japan, and South Korea. Relevant theories from social psychology, marketing, and organizational behavior are introduced to help readers better understand first the current status of fairness management in these countries and secondly how fairness in these countries must be managed in the future. A case on a Chinese customer's complaint against Mercedes-Benz illustrates the lessons learned.

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## Case Study



In 2001, Mr. Sheng Wang openly and drastically protested against Mercedes-Benz based on his perception of unfair and insensitive treatment he received. Mercedes-Benz repeatedly failed to repair a problem with his car's fuel system, which started a few weeks after the purchase. Ultimately, Mr. Wang demanded the exchange or return. Mercedes-Benz did not agree and insisted that the problem persisted not because of the engine defects but from the use of inferior low-octane fuel. It was to no avail with Mr. Wang, who claimed that he owned four Mercedes-Benz vehicles in his company, all using the same fuel, but only this one with the problem.

Having already performed repairs worth USD 160,000 including replacing oil spray nozzles, Mercedes-Benz decided against replacing the car, but offered to clean the fuel system at no charge even after the warranty expired. Mr. Wang felt that this problem was not resolved to his satisfaction. As he had threatened Mercedes-Benz in his faxes, Mr. Wang saw the public demonstration as his last resort.

He wrote "No quality, no service" on his Mercedes SLK230 sports coupe. A water buffalo towed the car through his hometown of Wuhan. On the next day, he held press conference complaining of Mercedes-Benz's insensitivity towards the needs of Chinese consumers. At the end of the press conference, hired workers demolished the exterior of the car with sledgehammers and sticks. This event was highly publicized in popular media, creating a strong public opinion about Mercedes-Benz's customer satisfaction program in China.

Mr. Wang's expression of frustration based on perceived unfairness by foreign corporations is not uncommon in China. It is actually a quite popular tactic, to publicly stage destruction of faulty products, such as refrigerators, televisions, air conditioners, and automobiles. Why do Chinese consumers resort to this kind of dramatic gesture? The poor quality of local complaint handling procedures is the norm, aggravating any complainants. Taking legal action is almost always extremely complicated and time-consuming, as well as expensive, with low likelihood of winning. Thus, it is an accepted fact that that emotional and dramatic publicity stunts guarantee a news headline and more importantly, the company's attention.

Indeed, the effect of the publicity stunt was clear. Coverage of the event in popular media included editorials commenting on the negative aspects of Mercedes-Benz products and service, some using vitriolic terms. Immediately afterwards, several other disgruntled Mercedes-Benz owners stepped forth to form the Association of Mercedes Quality Victims.

Mercedes-Benz responded by publicly attacking Mr. Wang, saying that this was a publicity stunt for his company, an animal park. Mercedes-Benz management also attributed the problem to Mr. Wang's driving habits, claiming that he drove too fast and steered too violently. They reemphasized that the cause of problem was the low-quality fuel.

Naturally, Mercedes-Benz's response was construed as an implicit criticism of the state-owned petrol industry. Fuel providers in the area publicly issued countering statements, vouching for the fuel quality. Reactions from the Chinese public characterized Mercedes-Benz to be insensitive and arrogant in dealing with Chinese customers. Public opinions bolstered the pre-existing view of how foreign corporations take advantage of Chinese consumers with deficient products, strengthening consumer resentment and distrust. Mr. Wang's assistant was quoted with his opinion of Mercedes-Benz discriminating against Chinese customers in their services.

Despite the negative public opinion, Mercedes-Benz stood its ground, and threatened to sue Mr. Wang for damaging its reputation. A letter of apology from Mr. Wang was requested, and it was to be widely distributed in Chinese media. Mr. Wang refused, and took the destroyed car to Beijing, the capital city for more public demonstration. Another Mercedes-Benz owner agreed to destroy his own Mercedes-Benz, citing the reason for his participation as to protest against Mercedes-Benz' discriminating and unfair treatment of the Association of Mercedes Quality Victims. Ultimately, Mercedes-Benz negotiated an out-of-court settlement, but only after months of visible public dispute, with significant damage to the Mercedes-Benz brand in China.