

October 12, 2014

Dear Mr. Car Dealer,

I am writing this letter to both complain about a horrible experience I had at your dealership, and to warn you about the tactics your marketers and salesmen use to sell cars. Now, I am not so naive to think that this letter will even be read, let alone acted upon, but as a man of principle, it is incumbent upon me to explain the wrong I have been subjected to and also to explain the dangers of your sales practices. I realize that you are probably not a man of principle yourself, given that you most likely approved and condone the marketing and sales practices of your staff. However, I know that you are a business man, and thus, I would like to appeal to your economic rationality so that you may reconsider your deceptive practices.

Your website proclaims, "At our dealership our customers will experience a fully professional & transparent buying process, where price, trade value, interest rate, and payment are all disclosed before a deal is consummated." This is quite clearly a lie, but it is a lie broadly shared by all members of your highly competitive industry. Car salesmen rationally exploit the asymmetry of information about their products: the true price of cars and their features, the availability and price of discounts, and the cost of financing. All of this information is deliberately kept murky. Your staff are no doubt trained in the arts of "double-speak," veiled statements where the actual meaning is shaded by obscurities, fallacies, and out-right lies. While these tactics may work to drive up sales in the short-term, there is a long-term economic and social cost.

I am a professor at several local universities and community colleges in central Texas. In my classes, I teach students about the deceptive marketing of businesses. I warn them about fallacies and outright lies that marketers and salesmen use to deceive and manipulate them into buying products they might not want on terms they don't necessarily like. I will be using my experience at your dealership as a personal example to share with my hundreds of local students each semester, and I will also be posting a short essay on my experience on my online textbook, which is freely seen by tens of thousands of people around the world each year.

I came into your dealership with an ad your marketing team had crafted. I knew that some of the language contained obscurities, fallacies, and/or lies. When I walked in the door, I had four specific requests all tied to the specific language of the ad: A specific selling price, a specific amount of dealer incentive cash, a specific trade-in value for my old car, and a specific interest rate. The initial salesman said "yes" to all four. But that was actually a lie.

The floor manager, Mr. X, then came in and the obscurities and lies of the ad became apparent. After about 30 min of discussion and negotiating, I was finally made aware of the real price and the real incentive package, which were of course not the lies printed on your website or in your advertisements. Then it took another 30 min to get the basic negotiated terms down onto paper, which took so long because of stupid or clever mistakes whereby the costs of the transaction kept mysteriously being too high. I'm not sure if Mr. X is just not good at math, or if he deliberately inserted false information each time to try to squeeze extra profit out of me. But luckily I am good at math and I had to correct the false math several times before the price and incentive terms were set. We eventually agreed to the terms, including the 0% financing over 60 months, which was one of my original requests.

But we never negotiated the 0% financing. I stated this condition many times over our negotiations and each time it was agreed to as a given, which I assumed because it was one of the more straightforward offers of your dealership. However, I soon realized that this was also a lie. At the end of my meeting with Mr. Y, one of your finance managers, as I was signing forms, I realized that the monthly payment was too high given the agreed upon 0% financing I was offered by the previous two salesmen. I was told by Mr. Y that in fact my interest rate was 3.5%. At that point, I told him of my agreement with the previous two salesmen, but he said he didn't know anything about it, which was most likely a lie. Then Mr. X came in and lied to my face saying we never agreed upon that interest rate. And then they both claimed, also probably a lie, that the combination of incentives I received was incompatible with the 0% interest rate, and thus impossible to receive, which if true meant the original advertisement was a bald lie. I was very angry and called them both dishonorable liars. But I completed the transaction because I had spent over three hours of my time at the dealership, and I just wanted to complete the transaction so I could get the new car I needed and go home.

While I paid an acceptable price for the car, in terms of economic value, the lying and deception was unacceptable. Thus, I told Mr. X and Mr. Y, and I am telling you now, that I will never again do business with your dealership, and I will go out of my way to use your maintenance shop as little as possible. I may also never again buy a car by your manufacturer.

Your salesmen were able to earn about \$1,000-2,000 extra dollars above the false terms offered by your advertisements. I was able to agree to these extra costs once your deceptive advertisement was made clear. I was tricked by a lie, but a lie that I was expecting, and it was not a direct lie made by your salesmen, as far as I know. But then your salesmen sweetened their profit by an additional \$1,400 through the higher interest rate, which was a bald lie and the result of direct manipulation, which signaled direct disrespect of my intelligence and integrity.

In securing this short-term profit, your dealership has lost my long-term business. This was the second car I bought from your dealership, and had the experience been good, I may have returned to buy several more cars over the years. I anticipate that I will be buying six to eight more cars over my lifetime. You have lost all that business. Further, I will try my hardest to use your maintenance shop as little as possible just to deprive your dealership of more business. And, as I stated above, I will be sharing my bad experience with thousands of students here in Central Texas, and more around the world, making your dealership synonymous with deceptive marketing and lying, which hopefully will deprive your dealership of even more business.

Economists are quite clear that deception and lies offer only short-term gain, but they have very corrosive consequences over the long-term. Nobel Prize winning Economist George Akerlof famously explained in his paper "The Market for Lemons" that asymmetries of information in markets will eventually decrease the quality of goods, as dishonest sellers distort the market, which will lead to an inefficient market, and can even lead to a market collapse. Behavioral economists, like Dan Ariely, have shown that markets operate efficiently only if there is trust between buyer and seller. Distrust, due to deceptive practices, makes markets more inefficient and unstable by increasing the costs of transactions, in terms of time, money, and other resources. Distrust, and the fear it can breed, can also lead to a market collapse.

I am not asking for anything personally. Our business is complete. But I do ask that you consider the true costs of your business model. While the deceptive practices your dealership uses in advertising and direct sales negotiations may bring short-term profit, I would like to warn you that they will jeopardize

the long-term prospects of your business. I realize that I cannot appeal to you on any ethical principles, but perhaps you might think about the long-term economic consequences of your business practices.

I have also sent a copy of this letter to the corporate office in California.

Sincerely,

J. M. Beach