

# How getting a second car mechanic's opinion can stop you being ripped off

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You leave your car at the mechanic for a routine service. When your mobile rings, you are stricken by unwelcome news: The mechanic goes



through a list of parts that urgently need replacing to avoid a breakdown in the middle of the freeway. After accepting your fate, you never learn whether you really needed to replace those parts, or if the mechanic has just ripped you off.

Services like these—for which it remains unclear whether the service was really needed—are what economists call "credence goods".

Credence goods markets are a hotbed for questionable practices. The typical advice for consumers is to get a second opinion and check the reviews.

But what if a well-meaning mechanic discovers your car needs a major repair? In this case, the mechanic faces an existential dilemma: If they offer the right repairs, they may appear to be taking advantage when they are just trying to fix your car.

## **Pandering to customers**

Businesses fear of losing their clients may lead to what researchers call "pandering"—offering consumers what they want to hear rather than what they need. They may also opt for costly "over treatment" to avoid being labeled as incompetent.

Our research shows that when consumers can get a <u>second opinion</u>, <u>experts</u> are more likely to overtreat them, anticipating (correctly) the customer will like the extra attention.

It is well <u>documented</u> that when doctors prescribe antibiotics, their patients are more likely to choose them on their next visit. This is consistent with research showing <u>doctors in the United States</u> believe fear of malpractice and patient pressure are the most common reasons for medically unnecessary prescriptions, tests or procedures.



When experts succumb to pressure from consumers, the customers receive less appropriate and more costly services. Worse still, those experts who stand their ground are unlikely to have the customer return. But when no expert dares to offer honest advice, second opinions become useless.

The solution, however, does not involve authoritarian experts and submissive consumers. Rather, it is to use second opinions as clarifications not threats. Second opinions help when they foster honest and useful communication between customer and <u>service provider</u>, enabling consumers to reach an informed decision.

## Free quotes can be useful

In Australia (as in many other countries), customers have the right to ask for a free quote.

If the mechanic offers a genuine quote for expensive parts, the customer may walk away believing the mechanic is dodgy. The mechanic may lose the customer and some reputation.

But the reputational damage caused by a genuine quote will eventually be overcome when the customer compares the quotes they receive with other free quotes of a similar amount. When quotes are free and easy to obtain, a range of quotes from the same mechanic will also show the <u>customer</u> the mechanic's charges vary depending on the job.

Even though free quotes are available, if the consumer takes the car to be repaired only when it is essential, they will likely have to go with the first mechanic they approach, irrespective of cost.

It is therefore better to call the mechanic earlier than later, especially if you are unsure of them.



#### The benefit of online reviews

"Experience goods" are different from credence goods. These are services and products whose quality can be observed after consumption. Think restaurants, accommodation, or a book. Because past consumers have information on the quality of experience goods, consumers can learn about their quality by looking at <u>online reviews</u>.

Unfortunately, rating systems are plagued with <u>fake reviews</u>. Markets where <u>sellers can buy fake reviews</u> are well documented, as is the fact fake reviews are quite effective in raising sellers' revenues. These reviews are usually extremely positive, when paid by the sellers, or extremely negative when sponsored by competitors. Even when consumers are aware of fake reviews, they inhibit credible communication via the rating system.

There's plenty of excellent advice about how to spot fake reviews. Filtering out fake reviews is important, because they influence opinions. As in the case of second opinions, reviews are more helpful when they explain the reasons for their recommendations.

The bottom line for consumers is clear: understand why a recommendation is made, not just what it is. We hope this will enable you to drive smoothly to your holiday destination (which you chose carefully after reading the reviews) and enjoy your break.

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