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Daimler China: Facing a Media Firestorm[[1]](#endnote-1)

Wolfgang Messner and Hyo Jin Yoon wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On November 20, 2016, Rainer Gärtner, chief executive officer (CEO) of Daimler Trucks and Buses China Ltd. (DTBC), the Chinese heavy-duty segment of multinational automobile manufacturer Daimler AG (Daimler), found himself sitting in a police station in Beijing, China. The police officers had taken him in for questioning after a heated quarrel in a parking lot where he allegedly lost his temper over a parking space.[[2]](#endnote-2) Gärtner and a Chinese driver were both trying to park their cars at the same time in the same space. This resulted in Gärtner screaming racially loaded insults. Onlookers tried to intervene, and Gärtner used pepper spray. One bystander got injured and had to be treated in the hospital for eye injuries.[[3]](#endnote-3)

How did it all happen? How did a seemingly small frustration get out of control and turn into such an ugly story? What on earth had happened to Gärtner? Chinese social media soon connected this incident with Daimler’s corporate culture and asked people to boycott Mercedes cars. The story went viral and was picked up by mainstream news outlets around the world. Against general upward market trends, Daimler’s share price weakened. What options did Daimler have to remedy the situation?

**Gärtner’s Background**

Until that Sunday morning in November 2016, everything was going perfectly fine for Gärtner. His career was on a smooth and rather steep trajectory; his life was full of achievements. He received his Master of Business Administration degree with a focus on exports, sales, and marketing from the Ludwig Maximilian University in Munich (Germany), followed by a Doctor of Philosophy degree in economics from the same university in 1997. Besides his native German, he spoke English, Spanish, and Turkish.[[4]](#endnote-4)

Gärtner’s employer, Daimler’s business unit Mercedes-Benz Cars in Germany, entrusted him with increasing responsibilities. From 2004 to 2010, he was a senior manager with the Mercedes-Benz Guard division. In this role, he was responsible for product management and worldwide sales, marketing, and service operations for armoured cars at headquarters in Stuttgart, Germany.

In 2010, Gärtner was sent on an expatriate assignment to South Korea. Daimler was paying great attention to the fast-growing Korean market, which reached a whopping growth in new imported car registrations of 25.5 per cent over the previous year. Moreover, 71 per cent of foreign cars sold in South Korea that year came from Germany. Gärtner’s initial position in South Korea was head of sales and marketing, Daimler Trucks Korea Ltd., from which he soon made it to vice-president of commercial vehicle sales.

In 2013, he was invited into a high-potential program, with sessions on leadership and self‑development at the International Institute for Management Development (IMD). The next promotion came in December 2013 all the way up to the position of CEO of Daimler Trucks Korea Ltd. In this role, he had full profit and loss responsibility for new vehicle sales (trucks, buses, and vans) and after‑sales (parts and accessories). He was further responsible for managing the supply chain production network of local and regional suppliers.

**Move to China**

In July 2015, another move was waiting for Gärtner, then age 49, both geographically from South Korea to China, as well as once more up the corporate ladder. Gärtner was to succeed Robert Veit as CEO of DTBC. Veit, at age 47, was returning to Stuttgart headquarters in Germany to take the position of director of Mercedes-Benz Truck Overseas.[[5]](#endnote-5)

This latest promotion clearly underscored Daimler’s confidence in Gärtner. China was the largest vehicle market in the world. And for Daimler’s Mercedes-Benz trucks, China was already the fifth-largest market in 2012, with a market share of more than 50 per cent in the premium segment.[[6]](#endnote-6) In the heavy-duty segment, Daimler solidified its position as the leader in the market. As of 2013, the trucks and buses division of DTBC pursued a two-pronged strategy. For the division’s premium segment, the legally independent company DTBC imported and sold Mercedes-Benz trucks. For the volume segment, Daimler and Beiqi-Foton Motor Co., Ltd. (Foton), a Chinese truck manufacturer, entered in a 50/50 joint venture as part of the Beijing Foton Daimler Automotive Co., Ltd. Since July 2012, they had been collaborating to manufacture and distribute the medium- and heavy-duty trucks of the Auman brand, primarily for the domestic Chinese market.[[7]](#endnote-7) The joint venture was intended to bring a stronger presence for the company by combining Daimler’s leading truck manufacturing expertise with Foton’s understanding of the domestic market.

Gärtner had full profit and loss responsibility for DTBC, including new vehicle sales (trucks, special trucks, and buses), powertrain components, after-sales (genuine parts, lubricants, and accessories), and telematics solutions for bus-specific fleet management.[[8]](#endnote-8)

**The dispute**

Life in China was not bad for Gärtner. He stayed in a gated community in the up-and-coming district of Shunyi, a popular residential suburb in Northeast Beijing, among other overseas executives. Gärtner had a nice house with a little garden and fence around it, and a showy black Mercedes car in his driveway.

However, something inexplicable happened on Sunday morning, November 20, 2016. Gärtner was trying to park his car in a parking lot inside his residential compound, and a Chinese driver was trying to do the same thing, at the same time and in the same space. Apparently, one of the two “stole” the parking space from the other, starting a frustrated dispute that quickly heated up. Gärtner allegedly yelled “I’ve been in China for a year and the first thing that I learned was that all Chinese are bastards,”[[9]](#endnote-9) and defended his parking space with pepper spray. One onlooker was injured and had to be treated in the hospital for eye injuries. This incident landed Gärtner in a Chinese police station.[[10]](#endnote-10)

In the end, Gärtner was able to settle the dispute with the Chinese driver in a private manner, and the official police investigation was quickly closed.[[11]](#endnote-11) However, one of the driver’s friends, who was around when it all happened, posted on social media his recollection of how Gärtner had screamed racial slurs to the Chinese passersby and how he unleashed pepper spray on them.[[12]](#endnote-12) The story soon went viral on Chinese media. The *South China Morning Post* quoted a social media post: “This kind of foreigner is making money from Chinese people on one hand while insulting them at the same time. They hate China from the bottom of their hearts.”[[13]](#endnote-13)

Bloggers on Weibo (pronounced ‘way-bore’), a popular social media microblogging website in China with a market penetration similar to Twitter in the United States,[[14]](#endnote-14) flooded the Daimler Group profile page, calling for boycotts and demanding action. One blogger stated: “I was originally thinking about buying a Mercedes-Benz S‑Class and was also planning to buy my wife a Mercedes-Benz GLC, but this incident about the senior executive has made me deeply disappointed towards the brand. Mercedes-Benz, get out of China!”[[15]](#endnote-15)

In yet another post, a friend of the passerby who was treated in the hospital mournfully commented on the incident as an example of obnoxious foreigners: “These kinds of foreigners take money from the Chinese people with one hand while also abusing them. They must hate China from the depths of their hearts.”[[16]](#endnote-16)

Further comments flooded into the original Weibo post that reported on the parking space dispute: “Get out of China! China doesn’t welcome you.” “Gärtner should be deported and never allowed to enter China again.” “I’ll never buy Benz even if I can afford it. The corporate culture is ugly.”[[17]](#endnote-17)

*Global Times*, a popular Chinese newspaper, regretfully commented on the incident: “But no matter how filthy the words, hearts should not be filthy. . . . There’s no explaining away an argument that escalates to using ‘You Chinese. . . .’”[[18]](#endnote-18)

The *Southern Daily,* an official Chinese newspaper for the southern province of Guangdong, was one of the few that featured a moderate editorial, saying that “some people think this was making a mountain out of a molehill.” However, it also added that foreign expatriates in China easily become arrogant about China and “often use racially prejudiced words and actions about Chinese consumers, even Chinese employees.”[[19]](#endnote-19)

The news about the Gärtner incident did not stay in China for long. It quickly spread across the world. International media, such as Reuters, took notice of the mounting tension regarding the incident, carefully observing Daimler’s next move: “The media reports prompted a spike in online chatter, with the outburst in the top 10 discussed topics on popular microblog Sina Weibo on Monday morning. Many users posted comments saying they would avoid buying Daimler cars.”[[20]](#endnote-20)

Others, such as the *New York Times,* took a more reprimanding tone toward the German expatriate by commenting: “the Chinese news media and many internet users seized on Mr. Gärtner as an example of arrogant Western bigotry and demanded that he and Daimler apologize. He became the latest example of the power of the Chinese internet to humble governments, companies and people accused of wounding national pride.”[[21]](#endnote-21)

This was all very bad timing. The controversy over Gärtner came hard on the heels of another volatile episode involving 63-year-old Günther H. Oettinger, the European Commissioner for Digital Economy and Society from Germany. Oettinger had to apologize after referring to Chinese people as “slit-eyes” and “sly dogs” in a speech to business leaders in Hamburg. An amateur video was uploaded to YouTube, capturing Oettinger’s controversial speech, in which he caricatured a delegation of Chinese officials he had met. During the first few days of criticism, Oettinger refused to apologize, causing China’s Foreign Ministry to condemn Oettinger for showing a “baffling feeling of superiority” that is common among many Western politicians. A spokeswoman for China’s Foreign Ministry stated: “We hope that they will learn to observe themselves and others objectively, and to respect others and treat them as equals.”[[22]](#endnote-22)

As the storm of criticism mounted, Oettinger finally decided to apologize in a statement released by the European Commission. Oettinger acknowledged that he now realized his remarks to a German business forum last week had “hurt” people.[[23]](#endnote-23) Relations between China and Germany were further affected when Germany withdrew approval for a Chinese investor group’s proposed takeover of German semiconductor equipment maker Aixtron, citing concerns over national security. The withdrawal resulted in diplomatic tension between the two countries.[[24]](#endnote-24)

**moving forward**

Gärtner’s parking space quarrel in the suburb of Beijing not only resulted in outrage on Chinese social media. On the day of the incident, Daimler’s share price started a downhill dive from €65.69 that 10 days later reached a low of €61.90.[[25]](#endnote-25) During the same time period, the DAX remained steady, and the Dow Jones Industrial Average even showed an upward movement (see Exhibit 1).[[26]](#endnote-26) What actions options did Daimler have to restore its brand image?

Exhibit 1: Daimler share price compared to the Dow Jones Industrial average



Note: € = EUR = euro; €1 = US$1.05 as of November 20, 2016. The black line shows the Daimler share price (DAI) from October 1 to December 31, 2016, while the dotted line shows the Dow Jones Industrial Average price.

Source: Created by the case authors with share price data from “Daimler / WKN: 710000 / ISIN: DE0007100000,” *ING DiBa Wertpapiere,* December 31, 2016, accessed October 16, 2017, https://wertpapiere.ing-diba.de/DE/Showpage.aspx?pageID=

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**endnotes**

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in the case are not necessarily those of Daimler AG or any of its employees. [↑](#endnote-ref-1)
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25. € = EUR = euro. €1 = $1.05 as of November 20, 2016. [↑](#endnote-ref-25)
26. The DAX is Germany’s blue chip stock market index; it consists of 30 German companies trading in Frankfurt, including Daimler (DAI). The Dow Jones Industrial Average is an index of 30 publicly traded companies in the United States. [↑](#endnote-ref-26)