

# Case Study - Asymmetric Information in the Context of Gas Stove Repair

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**Abstract:** *As consumers we purchase a variety of goods and services. In some instances, goods and services come as a bundle. When a good is purchased, it comes with a service and the vice versa. In many contexts they are inseparable. Whenever a good is purchased the after sales service inevitably is linked with the company. There are also service outlets available from various unorganised outlets as well. If the consumer durable is an electronic gadget or any other product that requires a specialised service, the consumer may inevitably get it done from the company. Even in such cases also, there are specialised unorganised service outlets. It is up to the consumer whether he wants to go to organised or an unorganised service outlet. Generally, for many new products as service is free for a year or so, new product consumers may go to the company related service outlet. But it is a time-consuming process as the consumer must contact the service outlet and must fix an appointment with the service personnel. When the product doesn't require any specialised services there is a tendency that she/he may get it done in any other outlet that is nearby. Same may be the case with kitchen gadgets as the service is done in every nook and corner, there is no felt need that it should be serviced from the company only. This case study is developed when a consumer was duped after seeking service from an itinerant repairer of a gas stove. The consumer could be duped because of asymmetric information between the consumer and the service provider. It emphasises that every consumer must evaluate various options while going for any organised or unorganised service outlets. From this experience the consumer could feel an organised service outlet is more safe, meticulous vis-a-vis an unorganised itinerant repairer.*

**Keywords:** Asymmetric Information, Organised/ Unorganised Service Outlets, Itinerant Repairer, After Sales Service, Undue Advantage, Unconscionable, Economic Transaction.

## 1. Objectives

- 1) To understand the concept of asymmetric information in the context of the repair of a gas stove.
- 2) To create an awareness on the availability of various sources of service outlets.
- 3) To educate the customer on the need to explore various sources of service providers before choosing a service outlet.
- 4) Asymmetry of Information i.e., lack of material knowledge either from the seller or buyer may lead to an unconscionable sales deal that may put the information deprived party at loss.

## Method and Facts:

This case study is purely developed based on the personal experience of the author.

## 2. Scope of the Study

This case study highlights various issues as given below:

- 1) To examine whether there is any asymmetric information or information failure in the case.
- 2) To understand that there are various sources of organised and unorganised service outlets for performing a service.
- 3) There is a need for the consumer to spend considerable time on exploring the service outlet.
- 4) To understand how Hyderabad is geared up to provide home-based services online with many start-ups catering to the variety of needs of the households of Hyderabad.

It was on 10 January 2019 at around 11 a.m. Rajasri got a call from her house, her niece who was 17 years old called her and informed that the watch man brought an itinerant gas

stove repairer and his accomplice and the repairer wants to speak to her about repairing the gas stove. The repairer told Rajasri that the gas stove is full of repairs mentioning almost every part of it is in repair. So, she asked the repairer to go ahead with the repair work.

Rajasri is a working woman. Her 70-year-old mother who had only primary education came to stay with her. Her husband is a contractor and is busy with out-station works and is not regularly available at home. Along with Rajasri her mother, 17-year-old daughter and a 17-year-old niece are residing in the house. Both the girls are pursuing their education. Her mother has been complaining about the poor working of the gas stove since many days.

Rajasri got her earlier gas stove repaired by taking it to a repair shop. The gas stove that was under repair was a four-burner gas stove bought for some Rs. 4,500 in March 2016. As she is an employee, she felt a four-burner gas stove would help her speed up cooking and save time.

Rajasri shifted to the present apartment just recently and felt that the gas stove could be repaired by the repairer as he was introduced by the watch man. At the time of repair her mother and her niece were at home. After office, Rajasri went home in the evening. The house appeared to be abnormal. Her mother and niece appeared little calm and dull. After some time, she enquired about the repair, they told her that the gas stove was repaired well.

Rajasri's mother and niece couldn't maintain their silence for a long time and told her that they paid Rs. 8000 for the repair of the gas stove. Rajasri was shocked and shouted at both saying the price of the gas stove itself was Rs. 4,500. Then they narrated the entire incident.

As soon as the repairer and his accomplice entered, he checked the gas stove and was very critical about how the gas stove is, has listed out repairs in almost every part of the gas stove and consequences they would face if it was not repaired. While repairing he was very vocal and critical that made the two members in the house dumb struck. After the repair was over, he charged them Rs. 7,820. That has further shocked them. Rajasri's mother meets her expenses from the money sent by her son from US every month. As both could make out something fishy, they didn't even demand the change and gave the repairer and his accomplice Rs. 8000 and could take a sigh of relief as they left. Both were so shocked that they didn't even remember to call their literate neighbour who was 10 feet away next door. Both wanted to keep it a secret and her mother didn't even want to claim the money as she felt that it was her fault. As Rajasri considered it as her fault, she refunded the money to her mother. Rajasri was supposed to take up the repair of the gas stove due to her busy schedule couldn't do so.

Rajasri started analysing the factors that led to the current situation:

- 1) The gas stove was in poor working condition for quite some time.
- 2) She felt that she could get it repaired by going to the nearby repair shop as she has got her earlier gas stove repaired the same way. She was just waiting for the right time and in the course of time, it got delayed.
- 3) As such she didn't explore any alternatives for repair. As her mother was taking care of the kitchen work, she couldn't empathise the urgency of getting it repaired.
- 4) As they were new to the apartment, as they recently joined, Rajasri perceived that the itinerant repairer was a regular visitor as he was brought by the watch man. Same was perceived by her mother and niece. Later she came to know that even the watch man was new to the apartment, and he just wanted to facilitate gas stove repairs if any, to the residents of the apartment as a itinerant repairer approached.
- 5) Neither her mother nor niece knew about the price at which the gas stove was bought and how much they need to pay for repairs. But they felt the price charged by the repairer was exorbitantly high, unconscionable, and felt threatened as they two only were at home.

Later the issue was informed to the office bearers of the apartment. They really felt bad that Rajasri's mother couldn't call them at the time of repair. But they were empathetic and felt that anybody would remain dumbstruck when confronted with such kind of situations. They reported the matter to the Gas Supplying Agency. The office bearers retrieved the CCTV footage of the two, the repairer and his accomplice. The Gas Supplying Agency sent its employees to examine the matter and they also examined the CCTV footage of the two. Rajasri though she had a CCTV footage she wilfully didn't lodge any police complaint as her mother was old. She didn't want to trouble her. They told Rajasri that any such repair could be done through the Gas Supplying Agency and the service personnel mobile numbers are given on the gas bill.

After some 6 months the gas stove was once again in repair, Rajasri called the service personnel who is from the Gas

Supplying Agency, the service personnel repaired the gas stove and charged a very nominal amount of Rs.700.

### 3. Issues and Solutions

- 1) The case study manifests lack of material knowledge on the part of the consumer, i.e., Rajasri's mother that has led the repairer to take undue advantage of the situation. This case study reflects asymmetry of information or information failure on the part of the consumer that led the repairer to take advantage of the situation. The itinerant repairer got material knowledge of the economic transaction. In the absence of Rajasri in the house, the repairer could clearly understand that the inmates of the house are ignorant of the economic transaction basing on their communication and age. Asymmetric information, also known as "information failure," occurs when one party to an economic transaction possesses greater material knowledge than the other party. This typically manifests when the seller of a good or service possesses greater knowledge than the buyer; however, the reverse dynamic is also possible. Almost all economic transactions involve information asymmetries. Asymmetric information exists in certain deals with a seller and a buyer whereby one party can take advantage of another.
- 2) Rajasri is very meticulous while buying anything. She is known to explore various alternatives. In this case she didn't explore any alternatives. She has postponed the repair as she felt there is no urgency and based on her previous experience, she wanted to take the gas stove for repair to the nearby shop. A gas stove cannot be taken to repair as and when required as it is in continuous use. So, its repair must be scheduled meticulously. Rajasri felt as the repairer approached them, she can get the repair done without any delay.
- 3) Such itinerant repairers keep hawking on the road either orally or with a recorded voice. There were many instances where these repairers engage in crime once they find circumstances work in their favour to organise the crime. They even cause harm to the inmates of the house once they find them physically weak or alone.
- 4) The alternatives to get the gas stove repaired are many.
  - a) The company that sold the gas stove can provide after sales service. It was a reputed company. The service is just a phone call away.
  - b) The Gas Supplying Agency is also providing service personnel.
  - c) The local unorganised outlets that undertake repair works.
  - d) These days cities like Hyderabad have various start-ups that are providing home-based services like electric works, plumbing, installation, repairs, pest control, personal care, lab services and many more. Many activities are brought under the purview of home-based services. They are providing these services through app-based technology. They are well organised and safe.

### 4. Conclusions

Every business transaction is concluded with information sharing and some negotiations. Information sharing and

negotiations happen so that the seller and buyer could conclude the contract fairly or rationally on mutually agreeable terms. Sometimes some sale deeds conclude unconscionably when the buyer or seller have less information and the parties don't negotiate fairly and want to take undue advantage of the situation. In this case study, the circumstances are very much skewed towards the itinerant repairer that made him perform the sale deed unconscionably in his favour when he could make out the ignorance of the other party in the economic transaction.

This case study tries to establish that there is asymmetry of information or information failure in the case of repair of gas stove. A gas stove repairer approaches the consumer and repairs the gas stove by quoting repair charges that are almost double to the price of the gas stove after repairing as he could sense the ignorance of the consumer at the time of repair.

This case study provides insights into the sources of repair outlets both organised and unorganised. It also educates the consumer that every consumer should explore various outlets for repair before finalising the repair service provider, such kind of caution exercised by the consumer would help him get a fool proof service.

## 5. Teaching Notes

### Synopsis of the Case:

The case study, 'Asymmetric Information in the Context of Gas Stove Repair' is developed from the personal experience of the author while intending to get a gas stove repaired. As the circumstances are skewed in favour of the repairer, he charges an exorbitantly high price for the repair of the gas stove that made the sales deed unconscionable.

### Target Group:

This case study provides good insights to consumers to understand and explore various service outlets for repair of various products and a gas stove in particular. For undergraduate, postgraduate students of Business Management and business executives this case study helps to understand the consequences of Asymmetry of Information or information failure. Due to asymmetry of information either the buyer can negotiate the contract in his favour and the reverse dynamic is also possible. Any one party to the contract may end with a loss either by buying an inferior good/service or paying a high price.

### Learning Objectives and Key Issues:

- 1) Any economic transaction, it may be either selling/buying a good or service, parties to the transaction should possess complete information related to the transaction. It is lack of or ignorance of such material knowledge that would lead to an unconscionable contract wherein the party with material knowledge is comfortably placed to take advantage of the situation and exploit the other party.
- 2) From the case it can be implied that had Rajasri been directly involved, the transaction wouldn't have emerged unconscionable. As Rajasri has complete information on the material facts of the economic transaction.

### Teaching Strategy:

This case study requires prior preparation to discuss about the questions given below. Concept related to asymmetric information need to be studied. Students should also gather information on home-based services provided by various start-ups in Hyderabad. A discussion can be initiated grouping students into various groups. Student groups can draw some inferences and their own understanding and conclusions to the case study.

### Questions for Discussion:

- 1) Examine the concept of Asymmetry of Information in the context of the case.
- 2) Explain the circumstances that favoured the itinerant repairer to charge an exorbitantly high price.
- 3) Had you been in the place of Rajasri, what would you have done after securing the CCTV footage?
- 4) Explore various sources that can be accessed to get a gas stove repaired. What should be the best source to get a gas stove repaired?
- 5) Give a brief note on the home-based services in Hyderabad provided by companies or start-ups through app-based technology or online.

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