BUYER'S GUIDE

Purchasing a car is an investment that most people will make several times during their lives. Thousands and thousands of dollars will be spent on these negotiable transactions. Yet, parents and teachers do not instruct children on the art of negotiating because they usually lack the knowledge themselves of how to negotiate. Knowing how to get the best deal on a car, boat, house, or anything with a negotiable price, can save you thousands of dollars.

This brief summary was prepared in order to assist car buyers in negotiating the best deal possible. Also, this summary should help to familiarize car buyers with the terms and tactics used by car salespersons. As with any negotiable transaction, you need to know the rules and how to play the game to come out on top.

Shopping

Before you go shopping for a car, make a list of what you would like your new car to have. You might include features such as air conditioning, tilt wheel, power windows and door locks. These features are often best installed by the manufacturer.

Along with the list of features, you should list the cars you are interested in buying. Before you actually begin shopping, you should find out the approximate prices of these cars with the features you would like to have.

You've Found It!

The car you want is right in front of you. Now, how do you get the car you want at a fair price?

You start by negotiating. Don't be afraid to offer $200 above cost. And, don't be afraid to ask to see the dealer's cost invoice for that car. Always start negotiating with a low figure. If you cannot get the deal you would like to have, get up from your chair and prepare to leave s-l-o-w-l-y. This puts pressure on the salesperson to try to get the best deal that he can before you leave to shop for a car elsewhere. Salespersons prefer that customers not leave the dealership to go shopping, and they will usually try to prevent this by making one final offer or by "putting the customer on a ball."

When shopping for a new or used car, there will probably be times when you are "put on a ball" by a salesperson. "Ball" is slang for giving a customer a figure or price on a trade-in or automobile for sale that the salesperson usually cannot meet.

Many times a salesperson will "put a customer on a ball" if the customer makes the salesperson an unrealistic offer. In this case, it is better for a salesperson from another dealership to educate the customer or give him realistic figures. Then, the customer will remember that friendly salesperson who gave him a figure close to what he originally wanted.

A customer is usually "placed on a ball" just as he is about to leave the dealership so that the unrealistic figure is the last thought or impression on the customer's mind as he leaves. Thus, when the customer goes to another dealership, he will remember the better deal offered by the salesperson that "put him on a ball."

Example: Customer: "I am not going to buy today, I'm just shopping."
Salesperson: "If I could get you $2,000 more for your trade than you've asked, would you buy today?"
Customer: "No, I'm just shopping."

The key phrase in this example is "if I could, would you."

After shopping other dealerships, the customer returns to that salesperson who has "put him on a ball" (that is, the customer bounces back to him) because other dealerships cannot match the figure the first salesperson has given him. The salesperson responds to the customer, "Let's put it on paper and see what my manager says." The salesperson must get management approval on a deal and, of course, his manager cannot or will not accept the deal. However, often times, the customer is tired after having shopped around, and would like to end the car-buying process. At the least, the salesperson gets a second chance to sell the customer.

Demonstration

If you are interested in a particular car, have a salesperson demonstrate the car features and their benefits before you test drive it. If the salesperson cannot do this, find one that can. Whenever you find a salesperson who is not knowledgeable about his product, it is likely that he will not be with that dealership very long; and, you might need him for service assistance in the future. A salesperson can cause you to miss some very important elements about an automobile if he cannot describe its features and benefits.

Test Drive

If at all possible, test drive the car you would like to purchase. Never test drive a car that is "almost just like it" because, often, a salesperson will avoid test driving a car that has a defect from the factory or has not been operating properly.

When taking a car for a test drive, you should drive the car in the manner that you normally drive. You should also drive the car under different road conditions and speeds. Never have the car's radio on during the entire test drive because a salesperson may use the radio to mask sounds that could reveal defects or inadequate insulation from outside noise.

A good salesperson will usually question a customer during the test drive because the customer is concentrating on the car and is less likely to give a response which will purposely mislead the salesperson.

NEGOTIATION

When you have found the car that you would like to purchase, negotiate for the best deal possible with the salesperson. If the car has dealer-installed options (such as expensive wheels or the ever-present dealer prep, which is essentially profit) that you do not want and these options can be removed, negotiate on their removal, whenever possible. You should start the bidding near the dealer's cost. Playing a few games of TEST DRIVE will provide you with a feel for the actual cost of a car.

As a general rule, $200 over dealer cost is a fair figure for most domestic cars. Some imported cars can only be bought at full list, especially high-end European imports and difficult-to-obtain Japanese cars. West Coast dealers of imported cars usually sell at a higher price than their East Coast counterparts.

Trade-Ins

Ideally, you should negotiate a deal before you mention that you have a trade-in. This is often not possible, however, if you encounter a good salesperson.

Find out what the wholesale value is for your trade before shopping for a new car. Check the auto magazine section at bookstores or libraries for magazines that list wholesale and retail prices on cars.

There are other ways of finding out what your trade is worth in your particular area. One way is to ask for a wholesale estimate from the used car manager of the dealership at which you purchased your car. A dealership that sells your model car should tell you what they would purchase your car for (wholesale value) and what they would sell it for (retail value). Dealerships will take trade-ins at wholesale cost. So, do not expect them to offer you a retail figure for your trade.

If you owe money on the car you would like to trade in, you must find out what the payoff (money owed to the car's financer) is. If the payoff on your car is more than what the car is worth, you are said to be "upside down" in the automobile vernacular. This usually means you need to add money with your trade. It usually takes from two and one-half to three years to achieve equity in an automobile, and often longer when trading in a leased vehicle.

Generally, after you have negotiated a deal, you will fill out a credit application or statement. To help expedite matters, have correct residence and employment information for the last five to ten years. Information on past automobile credit and charge card account numbers are also very helpful, as well as your latest license receipts.

Business Manager

The business manager can often check your credit and "spot deliver" (deliver your car while you are at the dealership), if you have good credit which can be verified with the credit bureau in your area.

The business manager will recommend you take the car home if you are unable to make a decision because of monthly payments being too high, or if you would like to think longer on a larger down payment. In the car business, this is often times called "puppy trading." Once you take a puppy home, it is almost impossible to take it back once neighbors and relatives have seen it.

"Puppy trading" or taking a car home before you finalize a deal also will restrain you from shopping at other dealerships. Because if you have a trade-in, you leave it at the dealership that you got your new puppy from.

The business manager or finance manager makes a commission by selling you things such as credit life insurance and extended warranties. Study these carefully before you make a purchase. You usually do not have to purchase warranties at that time and could do so at a later date. If you do decide that you want those benefits, occasionally you can negotiate the cost—especially the cost of extended warranties. If possible, pay cash for them and avoid the added interest.

Also, it is one of the business manager's duties to sell you the car and finance it at an interest rate that the dealership can make a profit on. If a dealership can get the money at 10% interest, the business manager will charge you two points or more higher interest, that is, 12%, 13%, or possibly higher. You should negotiate on the interest rate or shop around for a better rate than what that dealership can offer. Usually a credit union or your banker will have a lower interest rate.

When a manufacturer has an interest rate special, the customer will often assume that the list price of the car is firm. This is usually not the case. As a matter of fact, it is an ideal time to purchase a car and negotiate a good deal on a car, as well. However, if the interest rate is one created or offered by a particular dealership, you are usually limited to a smaller discount.

November through February are usually the best months to purchase a car because sales are generally slowest during those months, and dealerships are more anxious to sell at that time.

Leasing

Leasing is a good way to obtain usage of a car, if a car payment is a perpetual note, such as a water or an electric bill. You can acquire the usage of a car with a very minimal down payment (inception cost is usually first and last month's lease payment). In addition, you would have lower monthly payments; even though leasing requires you to meet more stringent credit requirements than are necessary for buying a car.

If you would like to trade cars every four or five years, you should schedule your lease payments for four or five years. However, if you want to trade in the car before your lease term is finished, be prepared to pay a penalty.

Leasing can also be the ideal route to take for a company, if leasing in the company's name is for a tax write-off.

Dealerships prefer to lease cars because they often make their best profits on a lease, since they often lease the car above the window sticker price.

After the salesperson has told you what the car will lease for per month, you should negotiate on that monthly figure in order to get the best deal. You may also choose to shop around for the best deal because, as with many things, you can negotiate a lease; although many people fail to do so.

There are many different types of leases available. You should check with an accountant to see which is right for you.

Conclusion

Before you sign the contract or take delivery of the car, test drive the car again. Inspect the car closely for interior or exterior defects. Before the second inspection, the car should be cleaned for delivery because dirt can hide paint defects. Should you find any defects, obtain in writing that the defects will be taken care of within a certain period of time. Preferably, these conditions should be placed on the buyer's order or attached to it, with you receiving a copy. Make certain that you understand your warranty and the dealership's policy on loaner cars and warranty repairs.

Ask your salesperson what he would do if your car should need servicing. A good salesperson will assist in some way, even if he merely offers a ride to your job or home, if near by. In return, refer prospective buyers to your salesperson.

Finally, read the contract carefully. Make certain that you know the interest rate you are paying, and that you are buying no options or benefits that you do not want.