

OFF COURSE

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There has been a lot of talk lately by the big automakers about going to one price auto sales, as Saturn currently does. This would mean the end to price haggling. Gone would be the days of the sales person leaving to go talk to the sales manager. Have you ever wondered what is going on at the car dealer when your salesperson leaves to go talk to his sales manager? Well I used to wonder too, until I sold cars for a few months. I'll let you in on a secret. They aren't just trying to waste your time. I am no expert but I know a few things the average Joe doesn't.

Even though you shake hands with your salesperson after the deal is done, he really had very little to do with setting the purchase price on your car. The sales manager is the one who knows all. They determine the value of your trade-in (which doesn't really matter). They also know how much the dealership has spent on the car that you are trying to buy. The salesperson

is your agent in this transaction. If he is doing his job right, you feel like he is fighting for a lower price on the vehicle you want. What happens when he leaves you at his desk depends on how the dealership is run. Some dealerships offer a flat payment on sales. A new car sale may net the sales person \$250. A used car sale may net \$300. If this is the case, this is your lucky day. The salesperson doesn't care how much the dealership makes as long as they can keep the lights on. He really

wants you to be happy and tell your friends, family, and random people on the street about what a great deal your sales person got you at ABC Car Emporium. He is in it for the repeat business. When he goes to see the sales manager he is pleading your case and trying to get you the best deal possible.

Other dealerships offer a percentage commission on either a flat or sliding scale. This means the more the dealership makes on a sale, the more the salesperson pockets. This causes a moral dilemma for sales people that have morals. Should they get you the best deal and hope you tell your friends or work

with the dealership to make the biggest payday and line their own pockets? I once saw a salesman convince a buyer to purchase a readily available vehicle for \$2500 over the sticker price. The dealership made about \$7000 on this sale, and the sales person took home about \$2500. I couldn't have lived with myself if I had done this, but I understand the philosophy that

allows some people to do it. Many times the sales process is seen as a game, pitting the salesperson or the sales manager against the buyer. In this case, when your salesperson talks to his manager it can be a crap shoot, depending on what agenda he/she has. Assume they are plotting against you. No matter what don't ask to talk to the sales manager unless something has really gone wrong. The reason the sales manager doesn't talk to you directly is because he is working several deals at the same time with other salespeople. If the

sales manager has to talk to you, then he is not working on anything else. This is bad, and he will resent you for it.

Often at dealerships, salespeople will also have cars that have a "jackpot" on them. A car that has sat on the lot too long needs to move. The dealership will sometimes place an incentive of \$250-\$1000 on these cars. Have you ever gone looking for a one-ton truck and had your salesperson keep showing you a purple Chevy Berretta? He is hoping you have a daughter who loves purple or an aunt with too many cats who needs a dependable car. He doesn't care who, as long as he can get that car sold.



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Some dealerships pay a small weekly salary. Most do not. Most car salespeople work strictly on commission. If they don't sell any cars, they don't get a check. In some cases they get a bill, depending on how their benefit package works.

In all cases, no matter how the salespeople are compensated, they are sizing you up from the minute you walk in. They will use this information for their own benefit or possibly for your benefit. What they are trying to understand is your financial standing, your living and family situation, your preferences, and really anything else that will help 'get you into a new car today.' They want to know if you are a price buyer or a payment buyer. Are you concerned more about the final purchase price or are you more interested in what the monthly payments will be? This changes how they present the numbers to you. Let them know what you would like.

Alright, you probably want to know what you can do to make the most of your car buying experience.

Remember you are in control. There are lots of car dealerships and if you don't like how you are treated at one, then go to another. Do not let yourself be pressured. If something doesn't feel right then walk away. I have left way more dealerships than I have bought cars from.

Be honest. If your credit is bad then let them know. If your credit is good let them know. Better yet, if you know you will be buying a vehicle, have the dealership run your credit. There is nothing worse than having the dealership work on a payment based on their 0% financing only to find out you won't qualify. That is a lot of time wasted for everybody. If you owe \$20,000 on your car that is worth \$10,000, let them know.

They can call and get your buyout price if you tell them who your lender is. I recently found myself in this situation. I owed \$6000 on a car that had a \$1500 value. Funny how when you throw a connecting rod through the engine it really devalues the vehicle. Anyway, the dealership knew this and showed me the cars I would be able to afford with a modest down payment. Lenders are allowed to finance 125% of a used car's value, which puts you in the hole off the bat, but also allows you to get reliable transportation should your car explode.

Don't spring things on the salesperson. A favorite trick of buyers is to work out a purchase and then turn around and say, "Oh yeah, I have a '72 Gran Torino that I want to trade in on that. How does that change the deal?" To be honest, it ruins it. That is the equivalent of sitting down with a golf course architect and working out a contract for a greens remodel only to come to a price agreement and say, "Oh yeah, I want a new driving range and three hole junior course. How does that change the deal?" During my short sales tenure I once worked with a buyer for 10 hours over two days to get to an agreeable purchase price on a new conversion van. (He used the trade-in-to-be-named-later trick.) As I slid the final paper work toward him, he got a great big grin and reached into his pocket. He then presented me with a manufacturers I.D. number, which allowed him employee pricing. He said, "Now take my employee discount off of that, please." His family was all present: wife, kids, mother, mother-in-law. They were all very proud of how he was sticking it to the man. They then watched as I slowly grinned and took the paperwork back, ripped it up, and thanked him for wasting all of our time.

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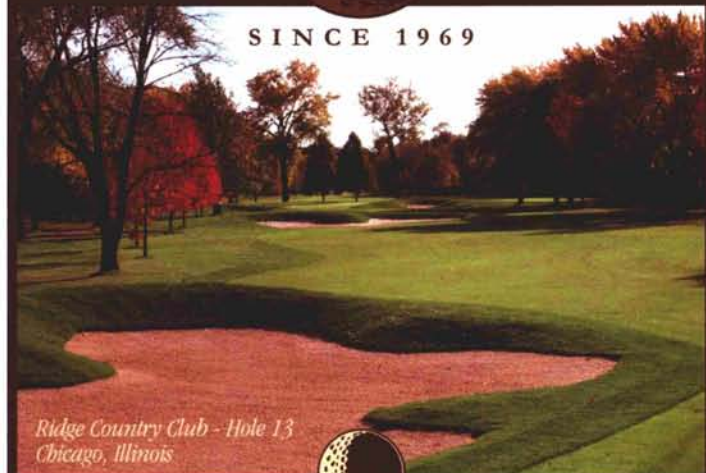
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Employees don't get a discount. They get a set employee price. I walked to the office, pulled the paperwork on the car, and walked back with his price. It took five minutes — tops. If he would have given me the paper the day before, we all could have saved the time and effort.

Know what you want. Do your homework. If the salesperson has to show you everything on the lot he/she is going to get tired and discouraged and more likely to try and screw you. The more time you take the more feel they have to recoup to make it worthwhile.

Buy a vehicle that is on the lot. If they have to do a dealer trade or order a vehicle, you will pay more. If they don't have what you want, then tell them what you are looking for. When it comes in they will call you.

Don't buy vehicles in the first model year unless you want to pay top dollar and like visiting the service department. Newly designed vehicles are always highly prized. Wait a year and save a few grand. It has been proven that new models are more likely to need service or have recalls. Let the manufacturer work the bugs out. Just as you should never visit a restaurant on opening night and expect a prompt meal, you shouldn't expect the automobile manufacturers to get things right on the first try.

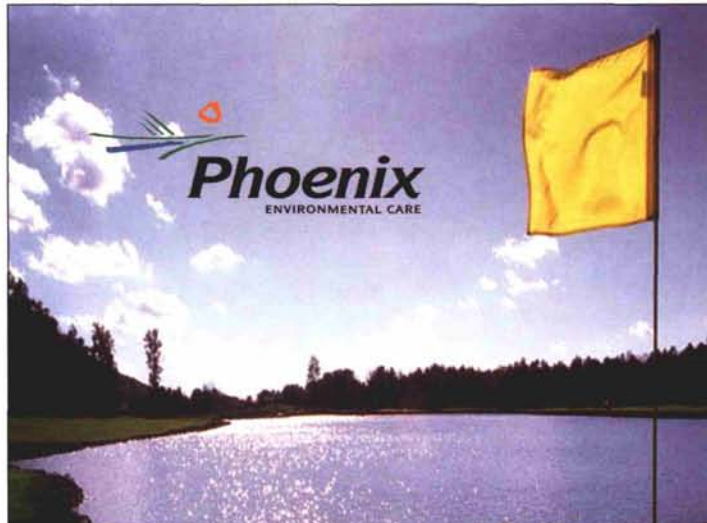
Ask questions. Ask a lot of questions.

Visit at the end of the month. Often the dealership has a target number of new vehicles to sell in a month. If they hit the target, then they get a bonus. Often there are perks for individual salespeople as well. The salesperson with the most sales can get a cash bonus or a great prize. This can be a good thing for

you. Visit at the end of the month, if they are close to their targets you will get a great price.

Find a salesperson that you like and trust. Go back to the same person every time. Schedule a visit to maximize your time. This can pay dividends. Build rapport, and they will let you in on some secrets. If you don't need a car right away, have the salesperson call you when it will benefit him the most. This could be a slow month when he just needs a sale, a month when you will help him hit his target or when he can get a bonus on the car you would want. You scratch his back and he should scratch yours. Your salesperson can help you get a loaner when your car is in for service. Heck, my sales guy will give me his own car when I come in if he can't get me anything else. Now that is a great deal.

In this internet age it is fairly easy to determine how much your car is worth and also find out the invoice price of a new vehicle. Check out www.edmunds.com for more information. Car dealerships know this. The smartest ones have set up internet access in the showroom so you can look up these values. If dealerships go to one price auto sales you can rest assured they will pad the price in their favor. Until then try and relish the fact that some things are negotiable. **-OC**



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