

Best Negotiating Practices® Getting The Best Deal On A New Car

No matter how complicated the business, no matter how desperate the company for focused and insightful coaching of its stagnated sales team, no matter how much the client has paid for its top executives to attend my seminar, at least one participant always asks the same thing: “How can I negotiate for a better deal on a new car?” It just so happens that negotiating for a new car is very simple, but it takes an investment of time, and you need to understand a few fundamental things first.

Know the six ways a car dealer makes money:

- Price of the car
- Holdback (Factory-to-dealer rebate)
- Factory-to-dealer special incentives
- Financing (including leasing)
- Trade-in
- Dealer packages (paint/fabric treatment, extended warranty, undercoating, etc.)

You now know how a dealer can sell a car at or BELOW invoice. A dealer pays invoice less holdback and factory-to-dealer special incentives. Invoice, therefore, in no way represents the dealer’s true cost. In addition, the dealer has the potential to profit on the financing, trade-in and dealer packages. The dealer is not losing money on your deal by selling below invoice, and remember that the dealer will not close a deal at a loss, no matter what the sales representative tells you. No matter what.

With that understanding, you can do some simple things to ensure that you get the best deal on a new car.

1. **Prepare, prepare, prepare:** Get Dealer’s True Cost (DTC) from *Edmund’s* web-site www.edmunds.com, *Consumer Reports* at

www.consumerreports.org, *Kiplinger’s Car Buyer’s Guide* at www.kiplinger.com or many other Internet resources.

DTC = dealer invoice less holdback less factory-to-dealer incentives

2. **Plan.** Know what you are willing to pay: Most Desired Outcome (DTC), Goal (DTC + 2.5%), and Least Acceptable Agreement (DTC + 5%). Have an alternative plan, and be prepared to implement it (e.g., buy a different make/model or go to a different dealer).
3. **Invest.** Get the sales person invested in you. Be patient and willing to spend time with the sales person; take the sales person with you on all test drives. Leave your phone number after the first visit, find out the sales person’s schedule, and expect to visit 3-4 times before closing the deal. Do not worry about using up the sales person’s time; you are making a major purchase and the more time you take of the sales person in legitimate inquiry about the automobile, the more motivated the sales person will be to close a deal with you.
4. **Engage.** The sales person will ask you a lot of questions and try to engage you in pleasant chit-chat. Engage back. The sales person will try to find out much about you and your family and your needs, looking for clues on your time schedule, your motivation, and how much you would be willing to pay. They are trained to draw conclusions from what you say, so feel free to be vague or to not notice the question as you seem intent on asking a question you have for them. Full disclosure by you is not necessary. There is no need to say “this is the only car for me,” or “I was hoping to

finalize this before leaving town on Saturday.”

5. **Bargain.** You will begin bargaining from the DTC up. Never bargain from the sticker price down. And make small moves. And then make smaller and smaller moves, which indicates that you are getting closer to your bottom line. Never make a large move after a small move, which indicates to the salesperson that you have lots of room left.
6. **Inquire.** Question the legitimacy of numbers and facts, even those in writing. Despite what the dealer says, or even written policies, know that everything is negotiable. Have all numbers explained to your full satisfaction.
7. **Focus.** Don't fall for standard dealer negotiation tactics.
 - The dealer is not doing you a favor by providing delivery on the last day of the month. You agree to take delivery on the last day of the month, the quarter, or better, the last day of the **year** because you know that is when most special incentives for the dealer kick-in.
 - Don't fall for any of the dealer's good-cop/bad-cop, limited authority, intimidation, or any unethical tactics. Graciously challenge all the dealer's tactics. There's no need to get hostile, though, and leave the sales person preferring no deal to dealing with you.
 - Don't make the factory-to-consumer rebate part of the negotiations – that's between you and the factory and it does not come out of the dealer's profit.

- Buy popular, high demand cars out of town (where they may not be as popular). Let supply and demand work for you.

8. **Nibble – the last concession.** Ask for more at the end: floor mats, radio upgrade, extended warranty, free tune-up, other options. Beware, the dealer will nibble too – just nibble back. Purposely save some things for nibbling.
9. **Trade.** Don't mention your trade-in until you have an agreement on the price of the new car. Know what your trade-in is worth (look it up on *Edmund's* or *Consumer Reports*). Even better, sell your used car yourself.
10. **Finance.** Avoid talking monthly payments. Pre-arrange financing with your bank. If financing with the dealer, NEVER talk financing until you have a deal. And always negotiate the interest rate. When the dealer says the interest rate is not negotiable, don't believe it.
11. **Stick with the plan.** Be prepared for escalation fees and other tactics at the end: “processing fee,” “Oh, we just realized that car had a \$350 paint sealant applied,” or “take it or leave it.” Don't stray from your original plan.
12. **Walk.** If at any time the deal does not feel right...just **Leave!**

Take on this initiative the same way you approach any negotiation challenge: While reasonable and patient, be bold, assertive, and enterprising. And be firm, fair, and friendly. Always challenge your assumptions and think of *mutual gain*. Mostly, have fun! □