

## **Conflict Management & Negotiation**

### **Group Project: “Buying a Car”**

#### **Group Members:**

- Christopher Stemborowski
- Meagan Nedlo
- Angela Glass

#### **Case study synopsis**

Angela is a 40 something year old divorced mother of three. Realizing that her 14 year old daughter will soon be driving, she decides to go ahead and buy a used car for her. After all, her daughter will be 15 in less than 6 months and will obtain her provisional license. At that point she will be able to drive accompanying by someone with at least 5 or more yrs driving experience.

As a single mom, Angela lives is a tight budget. She is willing to spend no more that \$13,000, and she is planning on putting at least \$3,000 as down payment. She wants her monthly payments not to exceed \$250.00 a month and she only wants to finance the car for four years. She has been looking into buying a Nissan Maxima with low mileage, but the make and model are negotiable.

One of Angela’s main concerns is going through this buying process alone. She feels she may be taken advantage of, and or even discriminating against for being a female, causing her to spend more money that if she was a male buyer.

Dealers have lots of experience negotiating. Most private parties do not. Therefore, buying a used car from a dealer or a private party will be two very different experiences. But there is one overriding similarity — they both want to sell the car. In fact, the incentive to sell the car might be greater to the dealer than to the private party owner.

With this in mind, Angela has to do some homework. To minimize the gender discrimination she should go online first!

- Get quotes from multiple dealers
- Start price negotiation on-line via email.
- Don’t disclose gender

Also, the more educated and informed Angela is about the purchase, the less conflict she will have to deal with. She can tell the dealer she knows the invoice price and want to split the “hold back” with them (hold back refers to the money the manufacturer pays the dealer because the dealer bought the cars in bulk).

A few things Angela will need to keep in mind before she enters the negotiation:

- Get her financing arranged first—best if she pay cash and/or finance through the bank NOT through the dealership
- Know that dealership gets a kick-back on financing with the bank; the higher interest rate they charge you, the more money they get back
- If she decides to trade in her car, she should go first to places like Carmax and get an estimate. Don't trade it in at the dealership; they will quote a higher cost for your new purchase.
- Have a persuasive argument about why the price is too high. Check Edmunds.com and find out the True Market Value pricing, and print out this information.
- Make an opening offer that is low, but in the ballpark.
- Decide ahead of time how high she will go and leave when her limit is reached.
- Be ready to walk out — this is her strongest negotiating tool.

Factors that may create more conflict for her as a buyer:

- If she is trading in a car and she is “upside down” (owe more than the car is worth)
- If she has bad credit score (below 650)
- If she deal with a younger sales person (less likely to have authority to do anything; will constantly have to go “check with the manager”)
- If she decides to buy a cheaper car (Kia vs. BMW). Odds are someone purchasing at a cheap car dealership will be less well-informed, less educated in general, less money to spend (and therefore will haggle more)
- It would be advisable to tell the salesperson that she wants to make it win-win for him.
- Understanding that there are a few non-negotiable items: document fee (\$300-500), sales tax, title fee, etc.

Once a deal has been reached, Angela will need to make sure the transaction is completed properly. When the contract is ready she needs to review it thoroughly. In most states, it will contain the cost of the vehicle, a documentation fee, a smog fee, a small charge for a smog certificate, sales tax and license fees (also known as DMV fees). Make sure she understand the charges and question the appearance of any significant, sudden additions to the contract.

She should inspect the car before she takes possession of it. If any repair work is required, and it has been promised by the dealer, she need to get it in writing in what is called a "Due Bill." Make sure the temporary registration has been put in the proper place and she can finally drive way knowing that she got the best possible deal.

**Specific theories relevant to negotiation & outcomes**

### **Sources (journals, books, credible online articles, etc.)**

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- Hafter, K. (2001). Web May Reduce Price Discrimination. *New York Times*
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### **Critique**

- Key recommendations
- Learnings

### **Questions & Answer (Open to class)**