

# **Negotiation Exercise**

**J M Cars Ltd**

**Buyer Brief**

## **Negotiation Exercise**

### **J M Cars Ltd - Buyer Brief**

#### **Overview**

The buyer has visited various car dealers and has returned to J M Cars Ltd to negotiate the purchase of a particular model, the Phantom 200E (MPV), for which the family has expressed a strong preference.

Buyer is married with 3 children, ages 5, 9 and 13.

On a previous visit to J M Cars the buyer was offered \$6600 as a trade-in for their own car. The dealer has also offered a car purchase loan at a rate of 5.3%.

The list price for the 3 door Phantom 200E is \$29,950 and comes with the following basic specification:

Phantom 200E

3 Doors  
Five seats  
Four wheel drive  
Aluminium wheels  
Anti-lock brakes  
4 Cup holders

The list price for the 5 Door model is \$31,450 and has the same specification as the 3-door model.

Available Options	List Price
Seven seat model	\$2000
Metallic paint	\$800
Leather upholstery	\$800
CD player	\$350
Sunroof	\$1200
Air conditioning	\$1400
DVD Entertainment System	\$500
Bike rack	\$350
Mats (set of four)	\$80 for four

#### **Finance**

Low interest finance @ 5.3%	
Road car tax -	\$260
Delivery costs	\$350

## **Negotiation Exercise**

### **J M Cars Ltd - Buyer Brief**

#### **Buyer brief**

Your family prefers the Phantom 200E to any other model you have considered.

You have your own car to sell, either as a trade-in with J M Cars or privately.

While your car needs some urgent expensive repairs, which you do not think has been noticed by J M Cars, cars similar to yours are being advertised in the local newspapers for between \$7695 and \$7800, depending on mileage and condition.

Your car is 3 years old and has 46,000 miles on the clock.

The cost of the repairs is approximately \$1500 and you are therefore keen to trade your car in and close the deal today.

You have up to \$15,500 in cash available to support the purchase of the new car. The rest will come from the trade-in on your car and finance.

Your bank is advertising car loans at a rate of 4.7% dependant upon personal credit profile.

#### **What You Can Afford Within Your Budget**

Cash	\$15,500 (In the Bank)
Finance	\$10,000 (What you have calculated you can afford in repayments regardless of the interest rate agreed)
Trade-in	\$ (The more you get the more you can spend on extras)
<b>Total</b>	<b>\$ (\$25,500 + trade-in value of car)</b>

How you pay for the car is your choice, you have the flexibility to increase Finance and keep money in the bank if this proves worthwhile. **(You cannot increase Finance if you also have to spend the full \$25,500 cash).**

Your family is very keen to buy the car today, so are you due to urgent repairs required to your car. The road tax of \$260 is also due in 2 days time. You are confident that you will be able to get this included in the purchase price of any new car.

Your strong personal preference is for the 5-door version with seven seats, air conditioning and leather seats. Your children are very keen on the CD player, while your wife wants you to get the bike rack for family days out.

You don't want to disappoint anybody so you will have to negotiate hard to achieve all of these wants within your financial constraints.

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**J M Cars Ltd**

**Car Salesperson Brief**

**Negotiation Exercise**  
**J M Cars Ltd – Car Salesperson Brief**

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**Finance**

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Delivery costs	\$350

**Negotiation Exercise**  
**J M Cars Ltd – Car Salesperson Brief**

## **Car Salesperson Brief**

This is the last day of your sales quarter and if you sell another car today you achieve your sales target and qualify for an incentive 1-week holiday for two at a destination of your choice (You and your partner have not had a holiday for 2 years and she would be very disappointed if you did not win the holiday). You close at 5:00pm and it is now 4:30pm.

You have complete authority to offer a discount on the purchase price of up to 10% for both 3 and 5 door versions. However, settling at a price close to your minimum will result in a meeting with your sales manager as he takes a dim view of sales staff that chases business at the expense of profit; as this affects the overall profitability of the branch.

The cost to you of available options is 50% of the list price advertised. They are therefore all negotiable down to 50% of the list price advertised.

The buyer's car is three years old and has a forecourt retail value of approximately \$7800, if it has average mileage (30,000 – 36,000 miles) and is in good condition; however you intend to sell it quickly for approximately \$7000 to a wholesaler when he makes his weekly visit next week. Your sales manager has asked you not to offer more than \$7,250 for the trade-in as he would rather not take the car in part exchange, but will do if it is a deal breaker. Every \$ more than \$7000 is regarded as a loss on the new car sale.

You have full authority to negotiate on the car tax and delivery costs, however your manager does not like you just giving these away as freebee's and where possible likes you get the buyers to pay.

You can however include them in the overall package if the price is right.

You quoted a rate of 5.3% for a car loan but you could go as low as 4.3%, the lowest rate the finance company will accept.

If you persuade the buyer to take a loan from you for \$11,000 or more you will be eligible for a special bonus from the finance company of \$1500.

A failure to secure any loan would be brought to the attention of your manager as finance is a major contributor to overall profits.

You therefore have a sales target for cars and finance and he would remind you of this fact if you miss out on a good opportunity.

In summary you have two targets to meet:

### **1 Sale of one more car to achieve quarterly target**

### **2. Car financing loan**

(If you sell another car this quarter you win the must have holiday, if you sell \$11,000 or more worth of finance you will qualify for an incentive bonus of \$1500. (More spending money for the holiday)