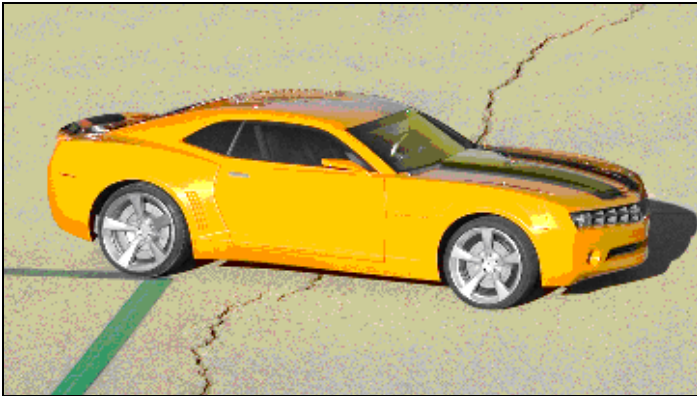


## Scenario 1 – The Used Car

### BUYER



You recently got a new job which starts in a week but involves some work-related travel and you urgently need to buy a car to get around in. (In your previous job you made do with public transport so you don't have a car at all at the moment). You spotted a rather run-down 1976 Chevy Camaro in a local used car lot which seems ideal (plus you always fancied a Camaro as a kid ...).

It looks like the car has been there unsold for a while. The bodywork isn't in great condition (but you can live with that – and you'll probably want to trade up in a couple of years if things go well); two of the tyres need replacing which will cost you about \$150; and the radio is missing (maybe another \$100 plus you'd need to get it fitted).

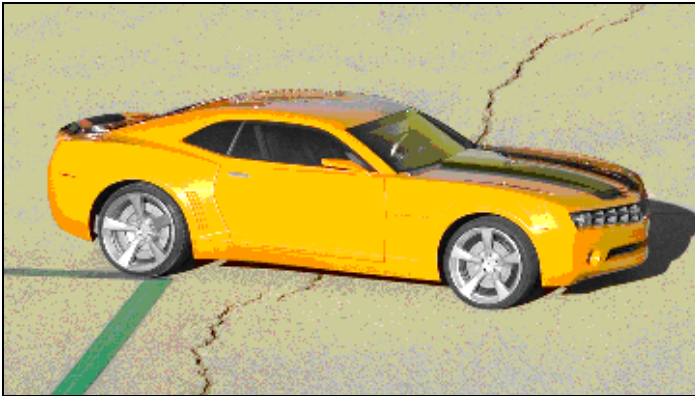
There's no price sticker you can see on the car but by looking at others in the lot you're guessing the dealer would have it marked up at around \$7,000 - \$8,000.

You can afford to spend up to \$ \_\_\_\_\_ in cash to buy a car. If you can't get one in time, you're going to have big problems with the new job – and hiring one while you keep looking will quickly get expensive. Your credit record isn't good and you aren't sure you can find more funds in a hurry. At the same time you have other expenses to incur for your new job (new suit, a computer ...) so any savings you make will be very valuable.

You NEED to get this car if you can ...

## Scenario 1 – The Used Car

### SELLER



You run a used car lot in a light industrial area on the edge of Austin. Business has been slow because of the economy and you're keen to complete some sales before your upcoming month end.

Your current stock includes a 1976 Chevy Camaro. It's not in great shape to look at but it drives well and in better times you could always get a good price for cars like this. You've had a few people look at it but none have come back with a firm offer.

You had the car marked up at \$8,999 until this morning but you've taken the price sticker off the window to revise it down to \$8,499. Of course you don't expect to get that much for it. The car cost you \$ \_\_\_\_\_ and is sitting on your books at that amount. Normally you'd want to make a good return on every vehicle but right now you just want to get some turnover back into the business. The minimum you'd want to accept (and this would HURT) would be a 10% return.

You know of three problems with the car and you expect a buyer might spot these.

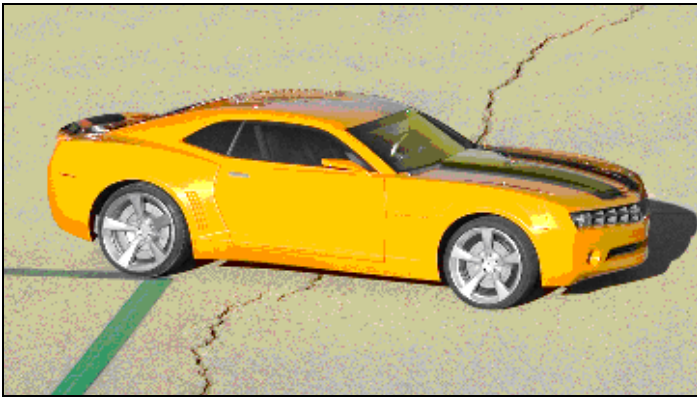
- Two tyres need replacing (\$150 retail price, fitted – but actual cost to you would be \$100).
- The radio is missing (\$100 fitted price – but your electrician is off sick and you can't fit it for 2 weeks).
- The exhaust is about to fall off – this may not be obvious without a close inspection but if it fails in the first month after purchase you're going to have to fix it under warranty (cost to you to replace now is \$200).

You've spotted a young man looking at the Camaro. Maybe he's interested? And you NEED a sale ...

## Scenario 1 – The Used Car

### OBSERVER

Your seller runs a used car lot in Austin and has a used Camaro on their books which they are keen to sell. Your buyer needs to find a car for a new job which they start in a week. Maybe they can get a deal, maybe not ...



Watch what happens during the negotiation and note the following.

1. Who made the first offer?
2. What prices are quoted by each side and in what order (e.g. BUYER \$X, SELLER \$Y, BUYER \$Z ...). Make a particular note of how far each side changed its offer between its first and second quote.
3. What was the final agreed price (if any) and what conditions were attached (e.g. extra work to be done by the seller, payment in cash by the buyer ...).
4. Who do you think got the best deal and why?
5. Would you have done anything differently?