

Second-hand Cars

Robbie wants to buy a car. He recently spotted a high quality used car on a dealer's forecourt. He would have bought it there and then if he'd had more cash. The dealer only offered him £4,800 as a trade price for his old car. The car Robbie wants is a real bargain and is likely to sell quickly. Robbie has thought the situation through and thinks he can swing the deal if he can sell his car privately for around £6,200. This would give him £5,000 for a down payment and £1,200 for some accessories he wants to add. His car is in good condition except for a couple of minor dents in a rear panel. The roof carrier for his current car won't fit the new one, but can be sold separately, which will help. The new Hi-Fi system he fitted last month can be removed and fitted in the new car.

Frank, one of Robbie's colleagues at work heard that Robbie wants to sell his car and plans to talk to him about it. His daughter has just passed her driving test and will need a car to drive to work when she starts after college in 3 months' time. Frank can only afford about £5,500 including any repairs that might be required and he will need to reserve enough money for roof carrier. His daughter has seen the car and really likes it, especially with the stereo. Frank researched the relevant second hand prices for Robbie's car and knows the trade price is £4,800 and the average retail price is £6,000.

PLEASE ANSWER THE FOLLOWING QUESTIONS:

1. What are Robbie's objectives?

Robbie wants to raise enough cash to put a down payment on the new car and buy some accessories for it. His ideal price is £6,200 and his walk-away should be £5,000. He has the roof bars and the stereo as bargaining variables in the event Frank negotiated the car price down from Robbie's ideal. Robbie needs to sell the car quickly and would like to avoid compensating for the dents, as this could mean compromising on price and/or time.

2. What are Frank's objectives?

Frank wants to buy a car for his daughter before she starts work in 3 months' time. Robbie's car fits the bill and Frank may have pressure from his daughter as she has seen the car and likes it as well as the stereo. Frank has a budget and would like to pay £5,000, with a walk-away price of £5,500, which would include repairs, roof bars and the stereo.

3. What are likely to be the points of conflict?

Price: Robbie and Frank are likely to perceive value differently. The car is in good condition, so Robbie will perceive the car to be in 'good' condition and worth £6,000 or more. As Frank can only afford £5,500 maximum, he is likely to argue the dents bring the price below £6,000 in order to be repaired.

The roof carrier: Robbie doesn't need it and Frank wants one. Again, price is likely to be a point of conflict if used as a bargaining variable to compensate for the price of the car.

The stereo: it is new and Frank's daughter likes it. The brief doesn't specify whether Robbie wants to sell it or not. Robbie could use it as a variable to increase the overall selling price, valuing it near the retail price for a new one. In this case, Frank would have the option to not take it and simply buy another at a later date.

Time: Robbie needs a quick sale; Frank has 3 months and can look at other suitable cars if price is a sticking point for him.

4. What power does Robbie have?

He has a car in good condition, save for a couple of minor dents. He knows Frank's daughter likes it and this will be pressure on Frank.

He is likely to know that Frank's daughter likes the stereo, so can use this as a bargaining variable to increase the overall price.

He has a roof carrier he can sell separately, if the need arises, to raise more cash – whether to Frank, or another buyer.

He could use their work relationship as leverage, claiming his trustworthiness and their daily contact with each other as more favourable than selling to a stranger.

5. What power does Frank have?

Frank has ready cash and the potential to buy quickly – at the right price.

He has 3 months in which to buy the car, so can afford to look at other cars if the price isn't right i.e. he has time.

Frank has researched the second hand prices for Robbie's car, so knows the least and most the market will bear. The brief suggests Robbie has not done this research, putting Frank in a stronger position.

6. How important is time to Robbie?

Time is very important to Robbie, as the car he wants is likely to sell quickly. He only needs a down payment to secure the new car, easing some of the pressure on final sale price of his current car.

7. How important is time to Frank?

Time is less important to Frank. He has 3 months in which to find a car for his daughter before she starts work. With his research knowledge, he can afford to look at others cars to suit his budget Although his daughter may put pressure on him to buy Robbie's car, he can just as easily influence her by finding another car in equally good condition, at a lower price and offer to buy the same sort of stereo as the one Robbie has in his car.

8. What are the possible points of compromise?

There is a possible compromise on price between £5,000 and £5,500.

Robbie could compromise price (accept less) for a quick sale.
Frank could compromise price (pay more), for any, or all of getting repairs done, roof bars and stereo.

9. Write a few points on how Robbie should approach Frank.

Frank is a colleague at work, suggesting there is some form of on-going relationship; a cooperative approach is probably more appropriate, rather than Robbie 'screwing Frank for all he's got!'

Robbie can ask Frank whether he's serious about buying the car, given the interest Frank's daughter showed in it when she saw it. He could then make an opening proposal to Frank of £6,200 including accessories (roof carrier and stereo), or around £5,800 excluding them. Either way, Frank has the opportunity to use the accessories as bargaining variables.

Robbie should avoid communicating that he needs a quick sale.

10. Write a few points on how Frank should approach Robbie.

In a similar way, as colleagues, Frank should aim to be cooperative, rather than adopting a competitive 'take my offer or leave it' attitude.

Frank's approach could be to play down his daughter's interest and say that although he is interested in Robbie's car, they are looking at others too.

If Frank opened the negotiation, he can afford to make an initial proposal of £5,000 including the roof carrier, or £5,300 including both accessories.

If rejected, Frank can introduce the time variable and say that he is looking at other cars, so will need a few days to consider. This may help open the bargaining arena, by putting pressure on Robbie to accept less.