

TEAM: _____

**PART II: The FURD MEERKAT – Cooperative Negotiations Approach Exercise
Maleficent Motors, Mr. Ben Stein, the DEALER ROLE**

**SPECIAL HOLIDAY SALE!
2011 FURD MEERKAT!
“No Hassle PRICE!”
“SPECIAL REDUCTIONS”
“HOLIDAY SALES PRICE: \$24,000”**

The MSRP for this model and options: \$26,250

NOTE: For this exercise, there are no taxes, title fees, document fees, etc.

Objective: This is Part Two of a Two Part negotiations exercise. It provides additional information to see if sharing certain information with the prospective buyer might result in an option that is better than what you might come up with on your own.

Role: You are a dealer that needs to make a sale – you are behind your quota. However, your approach to car sales involves coming up with innovative ideas to not only help you sell a car, but satisfy the buyer. You ask lots of questions and treat the buyer as a partner in the process, instead of an opponent.

Background: Your name is Ben Stein. You are a new car dealer at Maleficent Motors. You can sell 5 brands of cars – a wide line of price and models.

You are married with two teenage kids. Need to make a good paycheck this month – bills are piling up.

You are paid on commission and are currently behind you monthly and quarterly quota. Times are a bit tough. If you sell 5 cars today – you’ll make all your dealer’s goals and you earn not only a bonus (the bonus is \$500) but also get an all expense paid beach vacation for you and the family (value: \$1,000). You and the family haven’t had a vacation in over a year.

You are at the end of a 12 hour day – you’ve sold 4 cars.

You don’t know this buyer, but do see that the sticker on the 2002 Furd Tannus he just pulled up in is from your dealership. From scanning the Furd service bulletins, you also know this Tannus model and year has experienced transmission problems. A quick check of the Blue Book value (retail) of a 2002 Tannus is \$4,100. The wholesale value / trade-in value is \$3,300.

The dealership has an overall good reputation in the town and the owner claims that the “repeat customer” is what makes this place tick.

Mr. Mark Onmee is looking at a 2011 model Furd Meerkat sedan. Nice car, but the color is not a “hot one” and this particular car has been sitting on the lot for 4 months. Dealer holdback (a type of incentive from Furd to Maleficent Motors to incentivize them to sell the car faster – usually a 120 day period from the starting the day the car arrives at the dealer) has 1 day left on it. IF Maleficent Motors has a signed contract on this car TODAY, the dealership gains \$550 from Furd (the remaining balance on the holdback). Maleficent Motors policy normally gives the car salesman the majority of the incentive. On this Meerkat, you could get \$450 of the \$550 bonus (you can do whatever you wish with the \$450 – it is credited to your account the day the sales contract gets signed, not when the car is actually delivered to the customer). IF the car doesn’t move TODAY, the dealership will lose the entire \$550 incentive and must now pay a carrying cost (a charge that the bank assesses to keep the car on the dealer’s lot).

Your sale must make \$23,500 dollars or the car will not turn a “profit” for the dealership (no “profit” means it doesn’t count against your quota – no bonus)

The Meerkat gets 33 miles to the gallon. It is also popular with families because of its 5-Star safety rating and good warranty (5 years / 60,000 miles).

There are extended warranties available that are “low risk” to the dealership, especially since Furd introduced the new transmission design 4 years ago – they are virtually flawless now and easily last 200,000 miles with only scheduled maintenance. The cost of a 10 year / 100,000 mile warranty on the 2011 Meerkat is \$700 (retail) or \$500 (wholesale). You cannot sell it for LESS than \$500, but for every dollar between \$500 and \$700, you get a \$0.75 bonus (potentially worth \$188 to you).

Your dealership also has an award-winning and efficient maintenance shop. The shop’s fixed costs (shop upkeep, equipment, basic parts, and salaries for the technicians) are stable and easily covered by the current corporate and government “large truck” fleet maintenance contracts that your dealership has had for a long time. Also keeping maintenance costs low for the dealership is that new Furd cars require little routine maintenance (oil and filter changes are recommended at 10,000 miles for your area and driving conditions) and the first other scheduled maintenance for the Meerkat model is a transmission fluid and filter change at 75,000 miles. The first tune-up is recommended at 110,000 miles. Your dealership manager has been toying with the idea of including all “scheduled maintenance” on any sale that includes an extended warranty.

Your dealership also offers several financing options.

Financing Option	Down payment	Number of Payments	Interest Rate (APR)	“Lump Sum” Options
1.	No down payment	60	7.75%	
2.	\$2,500	60	7.25%	
3.	\$3,500	60	6.75%	
4.	No Down payment	60		
5	No Down payment	60	8.00% (initial)	No Payment for 60 days. Make a \$3,500 “lump sum payment” no later than the 60 th

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				day and the APR drops to 7.0%
6	No Down payment	60	8.25% (initial)	No Payment for 120 days. Make a \$5,000 no later than the 60 th day and the APR drops to 6.0%

The dealership must see \$23,500 dollars on the table – else the car would be sold at a “loss”. Any “loss” sale means the sale doesn’t count towards your quota – hence no bonus and no vacation).

Action / Deliverable: Here comes the customer... make a deal