

*First Creation Consulting*



# ***Negotiation Exercise***

***J M Cars Ltd***

***Client Brief***

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**First Creation Consulting Ltd**

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## **Negotiation Exercise**

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

#### **Overview**

You have visited various car dealers and have decided to return to J M Cars Ltd to negotiate the purchase of a particular model, the Phantom 200E (SPV, Sports Utility Vehicle), 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 £6800 as a trade-in for their own car. The dealer has also offered a car purchase loan of 8.3%.

The list price for the 3 door Phantom 200E is £19,950 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 £21,450 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
Bike rack	£350
DVD Entertainment System	£550
Mats (set of four)	£80 for four

#### **Finance**

Low interest finance @ 8.3% over 3-5 years  
Car tax - £160  
Payment protection plan on loan £150 per annum

## **Negotiation Exercise**

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

#### **Client 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 in the open market. 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 has high mileage.

You have up to £5,500 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 has quoted you a loan rate of 7.5% over 1-5 years.

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

Cash	£5,500
Finance	£10,000 (What you have calculated you can afford in repayments)
Trade-in	£ (The more you get the more you can spend on extras)
<b>Total</b>	<b>£</b> (£15,500 + trade-in value of car)

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 £5500 cash).

Your family is very keen to buy the car today, so are you due to urgent repairs required on your car (The estimated cost of repairs are £1,500). The tax of £160 is also due in 2 days time.

Your strong personal preference is for the 5-door version with seven seats and air conditioning and leather seats. Your children are very keen on the CD & DVD system, 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.

# **First Creation Consulting**

**Negotiation Exercise**

**J M Cars Ltd**

**Car Salesperson Brief**

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

**Overview**

The buyer has visited various car dealers and has called to say that they will be returning in about 20 minutes time to discuss terms for the purchase of a particular model, the Phantom 200E (SPV, Sports Utility Vehicle), 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 £6800 as a trade-in for their own car. The dealer has also offered a car purchase loan of 8.3%.

The list price for the 3 door Phantom 200E is £19,950 and comes with the following basic specification:

Phantom 200E

- 3 Doors
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DVD System	£550
Mats (set of four)	£80

Finance

Low interest finance @ 8.3% over 3-5 years

Car tax - £160

**Car Salesperson Brief**

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

This is the last day of your sales quarter and if you sell another car today you go over quota 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 a maximum of 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 of available options to you is 70% of the list price. You are therefore able to offer discount on any options up to a maximum of 30% off the list price.

The buyer's car has a forecourt retail value as high as £7800, if it has average mileage and is in good condition, but you intend to sell it quickly for approximately £7000 to a wholesaler when he makes his weekly visit next Wednesday. Your sales manager has asked you not to offer more than £7,300 for the trade-in as he plans to pass it on to the wholesaler. Every £ more than £7000 is regarded as a loss on the new car sale.

You have authority to negotiate on the car tax.

You quoted 8.3% for interest charges on a loan but you could go as low as 7.3%, the lowest rate the finance company will accept.

If you persuade the buyer to take a loan from you for minimum of £11,000 you will be eligible for a special bonus from the finance company of £500.

A failure to secure any loan would be brought to the attention of your manager who would remind you of your annual target for selling finance, for which you are short.

In summary you have two targets to meet;

- Sales of cars
- Sales of finance.

If you sell another car this quarter you win the must have holiday, if you sell another £11,000 worth of finance you will qualify for an incentive bonus of £500. (More spending money for the holiday)