**The Car Deal**

**Graziadio Business Review**

**Background Information Known to the Parties**

**Buyer’s Facts:**

You really want to buy a CRX. Since it came on the market, it has been the car of your dreams. You have been car shopping for the last three or four months, but the cars you have seen either have very high mileage or they are trashed. It is not a pretty picture.

Recently, you found Seller’s CRX, and it is exactly what you want. You know the Kelly Blue Book indicates for this model a value range of $1,000 to $6,000,[3] depending on a number of possible variables. This is your second time to see the car.

Your best friend, Mary, also knows Seller, although Seller does not know that she is your friend. Seller told Mary that s/he, the seller, has to have $1,500 within a few days and really must sell this car. At the time that Mary mentioned something to you about the car and Seller’s need to sell it in order to take a trip, she did not know that you were looking for a car. However, because of her comments, you know that Seller’s BATNA is $1,500, and you also know that there are a few days until this trip deadline. You anticipate that the seller will try to get more money than $1,500. But remember, you know his/her BATNA!

However, the BATNA may not be Seller’s reservation point. If you disclose that you know anything about the $1,500, it is probable you will make Seller mad and blow a good deal. You want this car, especially if you can get it for a good price.

If Seller throws out the first price, talk about how high the price is, how you don’t really need the car, and say you have to think about it. Pretend you are ready to leave. However, remember that this is the best CRX you have seen, and you really want this car!!!

**Seller’s Facts:**

You need to sell your CRX. You want to go to Europe, and you just got the deal of a lifetime on a special package that your best friend can get for you. You have decided that you are going. At a minimum, you need $1,500 for the car. This is your BATNA (Best Alternative To a Negotiated Settlement), but you certainly could use more. You know the Kelly Blue book value is between $1,000 and $6,000, depending on a lot of things.

You are not sure how much you can get for your car, but whatever the price, your present reservation point (Seller’s RP), below which you do not want to go, is $3,000. You will gladly accept anything above your RP, but you are not willing to go below the RP at this time. If you have not made a deal by the last day before the trip, and if someone comes up with cash on or near the last day, you will reconsider.

You are not in a desperate situation yet, but you know that you have just a few days left before you have to turn in the money for the trip. Keep in mind that you have been trying with no luck to sell this car for the last nine weeks. You have had a few nibbles, but nothing sure, and time is running out. You know an excellent CRX might fetch up to $5,500. You are pretty sure that amount is not reasonable to expect for your car, but you certainly would take it if you could get it from this buyer.

You are hoping for something around $4,500, but because of the time issue, you will go lower. You just want to sell it and be on your way. If Buyer makes the first offer and it is lower than you like, work with him or her to get the price up to what you want. Remember, you MUST work with Buyer.

This is the second time Buyer has been by. S/he has asked all the right questions, has driven the car, and you think that Buyer is very interested. Be careful though. If you are too stubborn, you could lose the sale. If you are too quick to accept an offer, you might get less than you would than if you held out for a bit.

**Rules of the Negotiation Process**

I divided two teams of two: a Buyer and a Seller. The two parties are given a grid to help them keep track of the offers and demands. At the end of the exercise, they must report who made the first offer, the amount of the first offer, the initial response, and the final price. For the sake of the exercise, teams are required to keep negotiating until they reach an agreement. They are not allowed to “just walk away.”

At the end of the exercise, we debrief and compare each team’s results. We discuss what the teams did differently and what caused the results to differ.

I concluded that the higher initial offer from the buyer generally leads to a higher sales price and a lower initial offer from buyer leads to a lower sales price. The counteroffer made by the sellers are pretty much dependent upon the offers of the buyers.