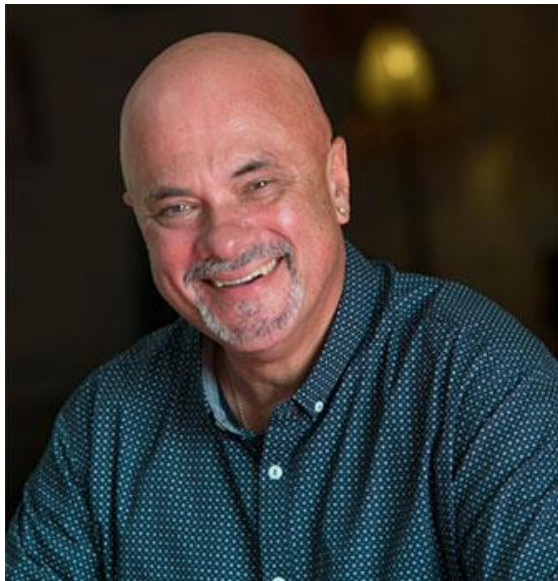


# The 10 Mistakes Car Buyers Make

By Bob Aldons



Driving a brand-new car can be one of the great experiences of life. I remember the day that I got my first new car – when I started as a salesman at Torque Ford back in 1978. The best feeling was getting into it, smelling THE smell and then having it start first time and driving away – amazing.



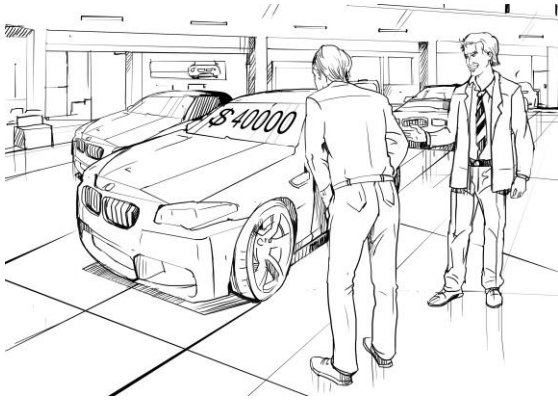
Walking into a car dealership and actually buying one on the other hand, ranks up there with public speaking and visits to the dentist atop most

people's lists of Oh My God experiences. But it doesn't have to be that intimidating if you prepare well and are knowledgeable. Then you can go straight into that dealership informed, head held high, confident, and in control of the whole process. I'll help give you that confidence by aiding you to avoid the 10 mistakes people often make when they're on the journey to buy their next new car.

## 1) Not knowing what you're after

Shopping for a car isn't like looking for a new pair of shoes, a dress or even a smartphone. Inexperienced car buyers enter the dealer's world with only vague notions that they need a new car and how much cash they can spare or how much they can afford to pay every month. They're all set up for a clever sales presentation from a confident well-trained salesperson that sees most people driving away in a new car from the first dealership they visit. Online car authority [carsales.com.au](http://carsales.com.au) recently advised their dealer network that the average consumer now only visits .9 of a dealership before they buy.

The showroom floor confronted with that smart salesperson isn't the place to practice the art of car buying.



Informed car buyers start with hours of online research at sites like carsales.com.au, caradvice.com.au and carsguide.com.au. On these sites you can learn what's available, compare costs and features, and read expert reviews and road tests and get an estimate on finance costs. More and more dealerships in Australia are setting up sales departments that allow buyers to compare what's available and even start the negotiation process before ever driving into their car park.

## **2) Not taking a test drive**

According to statistics from the USA, one in six buyers didn't even drive the new car they were considering before they bought. Another third took a short round the block 10 minute drive in the passenger seat with the salesperson driving the car and even then it wasn't the car that the customer actually wanted to buy. Just something similar. That's not a clever way to start the car buying journey.

Whilst you'll learn a lot online, you can only take in so much. I've had customers come through my dealerships with clip boards and scores of pages of data about the car they were interested in. Would you buy a new pair of shoes or an expensive suit or dress without trying them on? So why then would you buy the second most significant item you'll ever buy without "trying it on". I've personally had situations where I've insisted a customer drive a car before signing a contract. And even on occasions had them thank me for my insistence when they found that the car they had selected wasn't the right one for them.

Before ultimately selecting the 'right one' you need to inspect competitor brands too. If you've been driving your current car for a long while, any new car will feel great. And remember the smell – it will get you every time. And whilst you might think that your brand is the best, you should understand that other manufacturers have lifted their quality of their brands significantly in the last 3 or 4 years. In Australia Toyota is still the most popular brand followed by Mazda and then Hyundai. Traditional Australian brands of Ford and Holden have slipped down the sales ladder whilst Mazda and Hyundai have climbed. Hyundai, Kia, Mitsubishi and Nissan as well as Volkswagen have

some fantastic products that they didn't have 5 years ago when you bought your last new car. Well worth checking them out for value and features.

My advice is to visit at least 4 dealers and drive various style of the model you're considering. Remember this purchase is significant in time and value so make a commitment to take at least 2 or 3 days to get your selection right. A lot of dealers will try their hardest to limit the time they spend with you driving cars and they'll push for a commitment pretty early. Don't be sucked into their game. If you're not happy that they're working with you, walk away. If you're content with the process they're taking you on, keep going. But make absolutely sure that you take control. Drive as many cars as you want to and drive the car where you want to drive not where they want you to drive. If you plan to do a lot of highway driving insist that you want to take it on the highway, not around residential streets. If you're doing mostly city driving, try your best to drive it in heavy city traffic.

One other trick that dealers will try on you is to test drive you in the highest spec model they have. It always drives better. Don't be caught out. Insist that you drive the actual car (maybe not the

colour) you're going to buy. Remember the shoes? Its way beyond the capacity of most buyers to return a car that turns out to be a bad fit.

### **3) Negotiating from RRP**

In Australia, the Manufacturer's Recommended Retail Price (RRP) is rarely displayed in the windscreen as it is in the USA. It may seem like a great deal if the salesperson offers to "knock \$3000 off the price" but maybe not. Numerous dealers' ads on websites start at a much lower price than RRP. In Australia we don't get to see the factory invoice prices too often, but even if a salesperson offers to sell you a car at factory invoice price, don't be fooled. Dealers have thousands of dollars margin left at invoice price, let alone the margin they make from Dealer Delivery and Handling, sometimes called Pre Delivery.

Why? Because there are other elements of the transaction—dealers also get a "holdback allowance" from the carmaker and may get incentives on a slow-selling model (paid to the dealer only, aside from any rebate offered to the consumer)

### **4) Expecting to use dealer financing**

Whilst 0% finance is prolific in the USA, we've only just seen this type of

marketing introduced into Australia. Sure, the ads offer rates as low as zero percent, but the fine print says that's only on the RRP price of the car. Last month they advertised a drive away discounted price, this month it's 1.9%. If you're confused at the offer, don't feel alone. Even dealers get confused at the differing marketing offers from their manufacturers.



It's best to shop your finance financing separately. Besides the actual selling of the vehicle you want, dealers see an opportunity to sell finance and insurance to you as another profit centre.

Best thing to do is to ask your bank or credit union for a quote, but don't be pressured into just dealing with them because they hold your home loan. Bankers get pretty greedy and it's not unusual for them to press a personal loan as the best form of finance. Personal loans vary in rate but 12-13% is usual. Even dealers can get better rates than that. And then there's the

home loan to buy your car. If you're a diligent saver and pay more off the home loan than you need to, stay away from mortgages to buy a car. Most people slip into a comfortable zone where they let the home loan stay as it is and the actual cost of their car is crazy expensive.

### **5) Shopping a monthly payment**

Car buyers generally know how much they can afford to spend on a car with finance. The financiers will stop you from getting out of control, but the banks and finance companies are taking an educated risk on you. They know what your capacity is at the full amount of borrow. Banks will still try to stick you with life insurance, gap insurance and motor vehicle insurance so buyer beware.

You should always do a budget for yourself. In that budget calculate the cost of that next holiday, what happens if one of the income earners get sick but you should always avoid the temptation to overextend yourself.

Buyers should know how much they can budget monthly, but resist the temptation to make that the basis of the negotiation and especially don't share that number with the sales staff. Instead, negotiate the actual sales

price of the new car first, independent of down payment, trade-in, and financing arrangements. Handy online calculators (including one at the [esanda.com.au](http://esanda.com.au)) and phone apps will convert loan balance, term, and interest rate into a monthly payment for you. A dealer who knows you'll buy at a certain payment may offer tempting financing deals with payments stretched out over a longer term, but you'll end up paying more overall. Always look at the total amount paid including deposit, trade-in value, and any residual to determine what's affordable.

## 6) Discussing trade-in too early

It's almost always possible—with time and effort—to sell your old car privately for more than a dealer will offer as a trade in. Many buyers however, find the ease of driving their old car in and their new one away compelling. If that's what you want to do, research the value of your existing car online at sites such as [http://www.carsales.com.au/car-valuations/?csn\\_tn=true](http://www.carsales.com.au/car-valuations/?csn_tn=true). You'll need to remember that dealers will want to make a profit on the sale of your vehicle but you MUST decline offers that are too low. Typically dealers want to make around \$2750 so calculate that in when you try to work out the

real value of your current car. And if you struggle, don't worry. Even experienced dealers need advice as to the value of any car.

If it turns out that you have a minus equity on your car (where the finance payout is higher than the real value) you really shouldn't be in the dealership. You should try to sell the car privately and achieve at least the payout value. Don't let the dealer add your minus equity to your new car – dangerous thing to do which will cause you a lot of financial pain down the road.

## 7) Not being prepared to walk away



No new-car deal is too good to walk away from. Dealers hate seeing the back of a real buyer, and that's your strongest negotiating tool.

Don't accept, "this deal is only good today" or till Saturday or something like this. If anything feels not just right, suspicious, or you don't really

understand what's going on just say "I'm not sure about this and I want to talk to a friend". This can be really hard to do if you badly need the new car quickly. Don't get emotional about it – it's only a car and there are many other dealers with the same brand who want to offer you their price.

Dealers want you to think with your heart, not your head. Walk away. Only inexperienced buyers are astounded when the dealer calls a day or two later and offers a better deal. If that call doesn't come, there are other dealerships and plenty of other cars.

### **8) Shopping only one dealer**

Forty percent of buyers have visited only a single dealership, says carsales.com.au. Many of those will be brand and dealer loyal who've found a dealer and brand they trust and they're happy to keep going back. Even they however, would benefit from having a look around, if only to make sure that their trusted dealer isn't taking advantage of the relationship. Those who've decided on a make and model would do well to look at the internet sites such as car sales, cars guide and suchlike. . The price your favourite dealer quotes you will probably not be the best price you can get. I've saved my customer thousands of dollars on

their car purchase by convincing them that they could achieve a better price. It doesn't matter where the dealer is, you can always go back to your closest dealer for service. Just get the best price you can.

### **9) Whole of Life Cost**

Quite often a new car buyer finds they've got a great deal on their new car only to find that this car has a different insurance rating than their old car. And it's more important where you've worked a budget to include their new car. Different cars and more particularly brands have different categories from different insurers. Many customers get insurance shock when they find out that the premium for their new ride is hundreds or thousands (in some cases) more than their old vehicle.

It should form part of the research before you go car shopping. A whole of life analysis will assist car buyers to determine the cost of the car to them over a longer term than just today. Things like service costs, fuel economy, roadside assistance costs, insurance, and even down to environmental considerations are important to look at. If you're prepared to invest a small amount of your money companies such as mine, Car Business, will

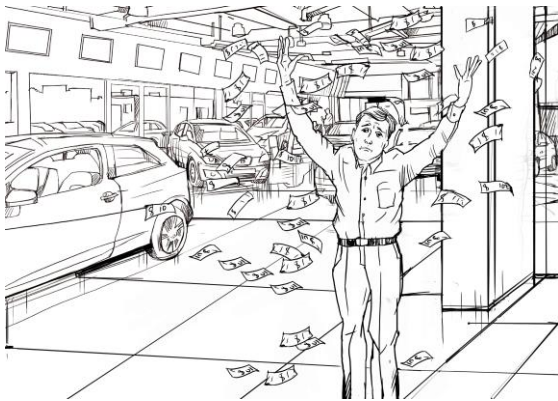


evaluate a series of cars to help you decide which is the best option for you.

### **10) After Sale Extras**

When you finally sit down to sign the deal, invariably you'll be introduced to the customer care manager, delivery coordinator or aftermarket person. Get ready to say no a lot.

(This is another profit centre for the dealer. Remember that apart from the new car, he has finance people, used car people and aftermarket people who all contribute to his bottom line. If you're taking all his options, you can expect to contribute nearly \$6000 towards his company profit.)



This is when the dealer tries to sell things like fabric protection, extended warranties, or accessories that are either unnecessary or far more expensive than if bought elsewhere. Make sure you're not charged extra for things you negotiated up front with

the salesperson, like a full tank of fuel, a third key or a full-size spare tire. Yes, the dealer can fold those costs into the deal so they're financed, but no one wants to pay interest on the labour to "install" some spray-on coating. Be prepared to pay legitimate costs like registration costs, transfer fees but don't pay an admin fee in addition to the exorbitant pre delivery fees.

Even consider paying for any extras that you do purchase on a separate invoice. Every time you add \$100 to the total, stamp duty of between \$3 and \$3.50 (in most Australian states) is added to the total invoice.

And if you're buying a car over the luxury tax limit (LCT), you'll be charged \$300 for every \$1000 dollars spent (30%). So if you're thinking bull bars, tow bars, roof racks or those aftermarket extras on a car over \$63184 (ATO 2015-16) do yourself a favour and buy it after delivery.

### **Summary**

It's ok to go car shopping alone. It can be fun when you're fully armed with all the information needed. But in most cases, a car buyer's advocate or car buying agent will do a much better job for you than you can do yourself. That's where I come in. With over 35

years of experience in the car industry as a dealer, I know the tricks, traps, potholes and speed bumps that you will go through on your own.

On 14<sup>th</sup> March 2016 I delivered a vehicle to a local retiree where I saved him over \$5000. Don't be embarrassed to reach out for assistance. If I can save you serious money I earn my fee, don't I?

Contact me on 0418 748 498 or email me at [info@carbusiness.com.au](mailto:info@carbusiness.com.au) for a confidential no obligation chat and more information.

I hope that this information has been helpful. And remember to drive Carefully.

*Bob Aldons*

**Bob Aldons**

