

# Good example of report on negotiations of a car purchase

[Business](#), [Company](#)



## **Introduction – Situation**

The purpose of this document is to prepare the detailed negotiation plan and risk assessment for the negotiation of the Toyota Rv4 purchase with one of the medium-size dealers in the area and the maximum budget of USD\$ 20,000 available immediately. The negotiation process will be done within a given timeframe of two days that will include the first stage of negotiation and will potentially extend to the second negotiation round that will depend on the trade-off and negotiation priorities. The conclusion and signing of the deal are not included in the scope of this document as the purpose of such is not to conclude a deal, but rather analyze the effectiveness and major drawbacks in the negotiation process.

The decision to conduct the negotiation for a car is based on two factors. First of all, the negotiator has a personal interest in learning the negotiation issues and trade-offs in a real commercial setting due to the actual plans to buy a commercial use car in the near future. Secondly, this document is the part of the learning curriculum and the alignment of a personal interest with learning outcomes makes this assignment especially interesting. Finally, the negotiation of a car can purchase involves several issues and challenges that can make an interesting case and bring some specific learning that other types of purchases will not be able to include in the learning outcomes.

Some of the specific learning objectives from the process of negotiation are: 1) understand the scope and scale of the negotiation 2) learn to conduct risk (issue) analysis prior to negotiation, 3) learn to utilize the knowledge of the contractor's history for the benefit of the negotiation process, 4) learn to develop structural approach to negotiation plan and trade-off analysis.

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## **Preparation Process**

### Negotiation Team

This negotiation process is part of the educational curriculum that sets clear objectives to conduct individual negotiation under the observation of one individual that the negotiator trusts. With that in mind, the negotiation team consists of the writer himself and his friend. The choice of observant is determined by the degree of trust between the team and knowledge of the negotiator's behavior patterns and personality traits that the observer possesses. This proximity allowed the observer effectively contributes towards the constructive feedback and analysis of the negotiation process.

## **Identification of the Issues**

Prior to entering into the negotiation process I conducted the analysis of potential issues that the negotiator may encounter. The issues identified in this preliminary analysis include the availability of the specific model of the car, potential risks of lead times that may reduce the interest in the negotiation and, trustworthy of the dealer. To address the issues, it was decided to leverage the risk of availability by choosing a potential tradeoff for another model of a car, ensure that that the dealership that is chosen for negotiation had direct delivery and stock of the specific model. Finally, the reliability issues were addressed through the analysis of the independent internet reviews of the customers that bought their vehicles from this dealer.

## **Bargaining Strengths and Weaknesses**

Prior to negotiation, I have analyzed the core strengths and weaknesses that I have to consider and manage during the process of negotiation. Among the

prominent strengths, I identified two factors. First of all, my prior research findings that demonstrate that the dealer often offers significant discounts for the models that are in stock. Secondly, availability of the total amount, that will make the purchase more attractive than loan. Among the core weaknesses, budget limitation of USD\$ 20, 000 that will restrict my options and lack of experience in direct dealership.

## **Potential Trade-Off and Negotiation Priorities**

The potential tradeoff for this negotiation was determined as the substitute of the priority choice Toyota Rav4 with Toyota Corolla. This allows flexibility on the maximum budget and choice of the model. The priorities in this negotiation process were to complete the deal within a given budget and for the two products that interest the negotiator for direct delivery.

## **Conducting the Negotiation**

### Process

The process of negotiation took in total one day. Upon arrival to the store, I had a quick look at the available vehicles, exposed in store for immediate purchase. Among the cars, available for the customers, I saw Toyota Corolla that stipulated the minimum package price of USD\$ 16, 800. Toyota Rv4, though, was not available at exposition. I introduced myself and briefly explained the reason for my visit to the clerk. Shortly after she offered me a seat and explained that she will invite sales manager to attend me.

Sales representative came prepared as the clerk explained briefly what I was looking for. This prior interest and concern to understand the customer needs was very appealing to me. I decided to take the discussion forward by

restricting the options and limiting the freedom of the sales assistant to offer alternatives to two cars that I would consider buying. This helped me to address two challenges: time constraints for the deal closure and restriction of the budget negotiation with the dealership. The outcome of the first minutes of the discussion was the following: a) I understood that both models are available) both cars were available for direct purchase, c) the price could vary up to 33% of the initial package, depending on the preferences of options and interior design. Once I identified that critical conditions that would allow me to continue with the negotiation are met, I asked the assistant to guide me through their sales offer for Toyota Rav4.

## **Outcomes**

The counter offer from the dealer was very attractive. First of all, the deal would be closed at USD\$ 20, 000, which represented 10% of their initial price and was fitting my budget. Secondly, to leverage my potential disappointment with the inability to match my price, the sales assistant offered me a free audio package that would come as a bonus for the purchase of the Toyota Rav4. Finally, the car would be at my disposal already today upon the signature of the contract, and the payment was due within the three working days after the purchase. The outcome of the negotiation was very satisfactory as all the negotiation priorities were met, and I managed to effectively avoid the danger of my weaknesses as well as utilize on the strengths that I have identified prior to the negotiation process.

## **Learning Outcomes**

There are two sources of learning in this exercise that, I believe effectively complete one another. First of all, personal experience and practical application of the theory allows understanding of the areas of improvement and personal focus. Secondly, observation of other people on the way we communicate and conduct the negotiation is often very different from our own perspective. This different angle, through which observer looks at the entire process helped me to see some elements of the Car Negotiation Deal that I would not notice myself.

## **Insights of the Observer**

My partner in this exercise provided me with very constructive feedback, and I took five major learnings from his observations. First of all, he mentioned that he was impressed and very satisfied with the way I approached the process of preparation and managed to foresee the tradeoffs and strengths on which I could “play”. He explained that often, he does not try to predict the ways in which the negotiation can develop and the choices that he makes at the time of the negotiation itself do not give expected results. The fact that I came to the dealer with the clear picture of the budget, car options and priorities that I had for this day, allowed me to conduct the negotiation in a calm and structural manner and, in the end, saved a lot of time.

Secondly, he mentioned that he had very positive impression from the manner in which I took the negotiation forward on “my terms” from the beginning and to the end. In business negotiation, he suggested, time

management and leadership in the communication process can play a critical role in winning the case, project or simple budget allowance. The way I approached the conversation with the assistant straight away allowed me taking leadership of the discussion and set up priorities in front of the dealership assistant.

He also outlined several elements that I could focus on to improve my communication and negotiation skills. First of all, he believed that I was not strong enough to negotiate the price as there surely was room for further reduction. I should be an active listener to identify the opportunities in between the lines. Instead of doing so, according to my observer, I jumped into closure, excited by the fact that I achieved my objective. Second downside of the negotiation is the fact that I used all the “jokers” that I had at the same time and in the situation, where the assistant cannot so much flexibilize on price I could have lost the advantage and failed to close the deal.

With that above comments and findings in mind, my friend suggested that I should try to reconsider my approach to the final stages of negotiation. One of the recommendations that he made is to learn to be more patient and “test the ground”. This, as he suggests could be done by further insight into active listening and probing questions. Secondly, I should further develop my emotional management and not settle for a minimum. This could have positively affected the outcomes of the negotiation by reducing the price of the car.

## **Personal Take Away from the Exercise**

I never liked to think a lot in advance about how and on which terms I will negotiate a deal and was always confident that a good negotiator can make fast, intuitive decisions at the time of actual discussion of the deal. This exercise allowed me seeing the process of preparation from another angle that clearly demonstrated the benefits and wins that I had due to coherent analysis and research. First take away from the preparation process is that understanding the needs, objectives and possible drawbacks makes me feel much more prepared and calm to conduct the negotiation effectively.

Secondly, the priorities set in advance freed up time for me to focus on critical details and shorten the process of negotiation to the effective minimum. Finally, the preparation for the process allowed me avoiding major mistakes, such as choosing a dealer that does not have a product or does not offer immediate delivery option. This mistake could fail the negotiation before it starts.

Another learning point from this exercise is that it is important to try to enhance the experience by manipulating emotions of the opponent. Once you know the strengths and weakness of the person with whom you are negotiating you already have an advantage in the negotiation process. In the situation, when your opponent has similar knowledge about you, emotional management and patience are critical to succeed. I jumped too fast into the conclusion of the deal and did not test the authority of an assistant to negotiate the price further down. With that in mind, I have suffered an opportunity cost. This competence is especially important in the negotiation process where both I and my opponent had a chance to make their “



homework” and learn about each other as it allows being one step ahead of the other side in the negotiation process.

Additionally, It was interesting to see how partner can contribute towards developing more multifaceted approach to negotiation. In this particular situation, the negotiation was relatively straightforward as the stakeholders had a clear objective to buy and sell a specific relatively not differentiated product. In the situation, however, where negotiation process involves various aspects of the business and requires some specific technical knowledge and commercial expertise, a team with a diverse background can make a significant contribution to achieve expected outcomes. My friend in this situation did not participate in the negotiation process, but his input in the post-exercise feedback session open up some totally new perspectives for my self-evaluation.