

The Used Car

GENERAL INFORMATION

INTRODUCTION:

The scenario for this role-play involves a single issue: the price of a used car that is for sale. While there is a great deal of other information that may be used to construct supporting arguments or to build in demands and requests in addition to the price, the sale price will ultimately be the indicator used to determine how well you do in the comparison to other role-play groups.

BACKGROUND INFORMATION:

You are about to negotiate the purchase/sale of an automobile. The seller advertised the car in the local paper and on Craig's List. (Both parties should interpret "local" as the "Clarion Ledger"). Before advertising it, the seller took the car to the local Volkswagen dealer, who has provided the following information.

- 2010 Volkswagen Jetta 2.5 sedan, five-cylinder, automatic transmission, tilt, telescoping/power steering, air conditioning, front-wheel drive, dual air bags, cruise control.
- Black with gray interior, power door locks, power windows, and AM/FM/Sirius/CD/bluetooth stereo.
- Mileage: 51,000 miles; steel-belted radial tires expected to last another 30,000 miles.
- Fuel economy: 25-mpg city, 35-mpg highway; uses regular (87 octane) gasoline.
- No rust; dent on passenger door barely noticeable.
- Mechanically perfect except exhaust system, which may or may not last another 10,000 miles (costs \$600 to replace).
- Blue book (2010) values: retail \$13,200; trade-in, \$11,000; private party, \$13,450.
- Car has been locally owned and driven (one owner).

ROLE INFORMATION FOR THE BUYER

Your car was stolen and wrecked two weeks ago. You do a lot of traveling in your job, so you need a car that is economical and easy to drive. The VW Jetta that was advertised in the newspaper looks like a good deal, and you would like to buy it right away, if possible. The insurance company gave you \$7,000 for your old car. You have only \$3000 in savings, money that you have intended to spend on a long-overdue vacation – a recreational opportunity that you really don't want to pass up.

Your credit has been stretched for some time, so if you have to borrow any money, it will have to be at an interest rate of prime plus 3%. Furthermore, you need to buy a permanent replacement for your old car quickly, because you have been renting a new Dodge for business purposes and when the insurance-covered rental benefit runs out (as it will, shortly) the rental costs will become prohibitive.

This VW is the best option you have seen. As an alternative, you can buy immediately a high-mileage 2009 Jeep Cherokee Sport (four-door, automatic transmission, air conditioning, AM/FM stereo, 8-cylinder engine, 95,000 miles) for \$12,500 (the wholesale value). The Cherokee's fuel efficiency is only 18-20 miles per gallon, and it will depreciate much faster than the VW.

The seller of the VW Jetta is a complete stranger to you.



Before beginning this negotiation, set the following targets for yourself.

1. The price you would like to pay for the VW 12,000
2. The price you will initially offer the seller 10,000
3. The highest price you will pay for the car 12,000

Settlement of Agreement for Purchase of the Automobile

1. Price: 12,000
2. Manner of Payment: every month 1,000\$
3. Special terms and conditions: if I didn't pay for 2 months
the deal will be off
4. We agree to the terms above:

W. Cooper
 Seller

Samira
 Buyer

Who made the initial offer? Samira

Initial settlement proposals:

1. Seller: _____

2. Buyer: _____

Student's Name/Role Samira

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Debriefing

1. If you reached a settlement how satisfied are you with the price? If you didn't reach a settlement, are you satisfied that you did not come to an agreement? Why?

I am satisfied with the price.

2. If you reached a settlement how does the settlement price compare to your target price, to the other parties opening offer, and to the lowest (highest) price you were willing to accept? Who "won" in this exercise?

The price is good to my highest price.

The Abbie won.

3. Who made the first offer? Does it matter who puts out the first number? Do you want to be the persona making the first offer, or the person hearing the first offer? Why? Under what circumstances might your answer be different?

I made the first offer.

No, I want to hear the first offer.