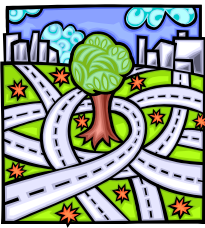


RESEARCHING AN AUTOMOBILE

TRANSPORTATION



Transportation is a part of everyday life. It comprises about 15-20% of an individual's budget. Individuals need to assess and research their transportation needs. If this means

purchasing an automobile, it should be well planned. Often, the automobile is the second most expensive durable good purchased, coming only after a home.

Consumers often make a common mistake when they purchase a vehicle based upon what looks good instead of assessing long term costs (gas mileage, insurance, etc.) and practicality. Consumers may think their vehicle choice is a symbol of prestige and/or importance instead of choosing an affordable and practical vehicle. In order to avoid making this costly mistake, consumers should understand their needs versus wants before purchasing a vehicle.



THE PLANNED BUYING PROCESS

A consumer should avoid impulse buying. **Impulse buying** is making a purchase without fully considering priorities and alternatives. This can be avoided by following the steps of planned buying.



1. **Prioritizing wants**

2. **Pre-shopping research**

3. **Fitting the budget**

4. **Comparison shopping**

5. **Negotiating**

6. **Making the decision**

7. **Evaluating the decision**



STEP 1—PRIORITIZING WANTS

A **need** is something thought to be a necessity. A **want** is something unnecessary but desired. Before a consumer tries to buy a vehicle, they must assess their transportation needs and wants. In terms of automobiles, considering all options as wants and prioritizing those wants from low-priority to high-priority will benefit the consumer. Prioritizing wants helps the consumer to consider the costs and benefits of different vehicle options and also helps consumer to consider the “big picture” of the vehicle purchase rather than a specific want (such as heated seats, color, engine size, etc).

Consumers need to think about the following questions when prioritizing wants in a vehicle:

- ⇒ How will the vehicle be used?
- ⇒ Where will I be living?
- ⇒ How will the vehicle be stored or parked the most?
- ⇒ How much will it be driven?
- ⇒ What options would I like in the vehicle?



STEP 2—PRE-SHOPPING RESEARCH

Research can be performed before working with a car dealership or salesman. This helps the consumer to be informed about what they want, vehicles in their price range, and available options. Research can be performed the following ways:

Family and Friends –

Ask family and friends about experiences with different makes and models of different vehicles, which vehicles they like or dislike, and their recommendations.



Periodicals –

Many consumer publications are available with reports on cars and trucks. The public library is a good place to access this information.

- Consumer Reports - <http://www.consumerreports.org>
You must subscribe to use this Web site. Automobile information can be found in the most recent April issue.
- Federal Citizen Information Center - <http://www.pueblo.gsa.gov>
- Kelley Blue Book - <http://www.kbb.com>
- Motor Trend - <http://www.motortrend.com>
- Car and Driver - <http://www.caranddriver.com>

What Price Did the Dealer Pay?

It is in the consumer’s best interest to discover how much a dealer paid for a vehicle. This helps to determine which vehicles to consider and to negotiate a fair price. This information can be obtained from Consumer Reports on their Web site at www.consumerreports.org. There is a charge to use the automobile research tools on the Consumer Reports Web site, so it may be best to narrow the search down prior to paying for the use this research tool. The costs may also be found in Kiplinger’s Personal Finance magazine (December issue) and Edmund’s New Car Prices, which may be available for free at a public library.



Vehicle Options

Many different types of vehicles are available. Items to research when pre-shopping include:

Price—

Base price – price of vehicle with standard equipment, no extra options

MSRP – manufacturer’s suggested retail price, includes base price, the price of options installed by manufacturer, and their transportation charge

Sticker price – dealer’s initial asking price

General type of vehicle – car, truck, 2-door, 4-door, sporty, SUV, etc.

Makes and models – Ford Taurus, Honda Accord, etc.

Safety – braking and emergency handling, airbags, etc.

Reliability – a reliable car will have a history of few repairs over the lifetime of the car. Some specific models are known for their reliability and may be more expensive, but will have fewer repair costs

Fuel economy – miles driven per gallon of gas used, larger or more powerful vehicles may use more gas

Power and performance – where and for what will it be driven (highway, steep hills, mountains, in a city, snowy conditions, muddy roads, etc.)

Comfort and convenience – amount of headroom and legroom, cargo space, etc.

Insurance – the vehicle chosen will affect the price of insurance, call an insurance agent for the vehicles being contemplated to get a quote

Other options – power steering and brakes, manual or automatic, air conditioner, rear-window defogger, radio/tape player/CD player, type of tires, cruise control, power door locks, power windows, sun roof, heated seats, etc.

Three places a person can purchase a vehicle are from a dealer, from a private owner, or off of the internet. Regardless of where a vehicle is purchased, the consumer needs to decide whether to purchase new or used. Here are some considerations of new and used vehicles.

New Vehicles—

*Not pre-owned

*Warranty

*Expensive

*Manufacturers options

*Wide selection

***Depreciation** - loss in the vehicle’s value due to time and use; greatest cost of owning an auto; largest auto fixed expense; federal tax guidelines assume a vehicle depreciates 52% during the first two years of an expected lifespan of five years



Used Vehicles—

*Cost less to buy

*Less to insure

*Wide selection

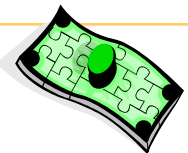
*May offer warranty

*Avoid rapid depreciation

*Returned leased cars (may be a few years old good condition relatively low prices)

*Have an independent mechanic inspect any used vehicle before buying

STEP 3—FITTING THE BUDGET



“Can I afford it?” The amount a consumer can afford in his/her budget will dictate the price of the vehicle. The price of the car is not the only cost associated with a vehicle purchase. Fixed expenses include **depreciation** (the loss in the vehicle’s value due to time and use), insurance costs, loan payments and interest if the vehicle was financed, parking fees, licensing, and registration. Flexible expenses include gas, oil, maintenance, and repairs. All costs must be taken into consideration before choosing to buy a vehicle because they will affect the consumer’s budget.



STEP 4—COMPARISON SHOPPING

Comparison shopping is the comparing of services or products to determine the best buy or quality product at a fair price. As the price of a vehicle increases, consumers are often not buying additional safety, capacity, or power, but instead style and prestige. Comparison shopping allows the consumer to build upon the information learned in the pre-shopping research. First, the consumer should narrow his/her choices to a few specific makes and models with desired options. Then he/she should visit the appropriate store to learn more information about each option to make comparisons. The consumer should inquire about price, dealer incentives, rebates, financing options, leasing, warranties, and service contracts. Test drive each potential vehicle. The goal of comparison shopping is to narrow the choice to one or two vehicles so the consumer can negotiate the best deal.

STEP 5—NEGOTIATING

Negotiating is the process of determining the actual terms of the purchase and agreement between the seller and the buyer. A firm price of the vehicle should be obtained before discussing any other aspects including a trade-in. Compare prices from many different dealers and let them know you have done your research and whether their price is too high. The two keys to all negotiations are (1) be able to say 'no' and (2) take the business to another dealership. Do not be persuaded into terms which are unsatisfactory and do not match predetermined wants.



STEP 6—MAKING THE DECISION

The best place to decide on which vehicle to purchase is not at the dealership's showroom. It is best to take the information home to compare all options. Then after making a decision on which vehicle to purchase, return to the dealer to close the sale.

STEP 7—EVALUATING THE DECISION

The last step is to evaluate the decision and purchase. The consumer should think about the things which went well and what did not. This evaluation will help the next time the consumer makes a similar purchase. If the process was successful and the consumer is happy with the seller, compliment them. However, if the consumer has a complaint about the process and/or purchase, make the complaint to the seller and then move to the supervisor if necessary.

LEMON LAWS

A vehicle is a **lemon** when it is in and out of the repair shop with problems monthly. All states have enacted lemon laws pertaining to new-car sales and service, but the specifics vary from state to state. The lemon laws are in place to protect consumers. To fall under the lemon law, the new vehicle must have a substantial defect which cannot be fixed in a reasonable time. If the defect remains unfixed after four repair attempts or the vehicle remains in the repair shop for a total of 30 days, it would qualify as a lemon. This allows the consumer the right to a refund or a new vehicle. If a consumer feels they have purchased a lemon, they should contact the state's attorney general office to request information on the state's lemon laws and how to use the law in their case.



Kelley Blue Book
The Trusted Resource
kbb.com

If trading in a used car or looking at purchasing one, consumers should check the **blue book price**, which is the dollar value given to the vehicle based on its year and model. This price is used as a guide for car dealers and banks for pricing trade-ins. The most common place to find this is the Kelley Blue Book (www.kbb.com).

