

Scratch the Surface for the Best Auto Deals

By: Claire Minnows

Claire lives in the UK. She was recently involved with researching a number of guides on behalf of one of the biggest consumer advice sites in the UK. Although some of the links are more geared to the UK, the substance of the article provides good guidance when shopping for a new car.

Automobile traders offer a wide range of discounts and buyers can be left bewildered by the choices available when making a purchase. Dealers are constantly striving to improve on sales and profit margins and often the headline deals that are advertised are designed to mask profit enhancing initiatives. Buyers may be tempted by low interest finance but may be missing out on greater savings such as dealer rebates or enhanced trade in values. By looking beyond the headline deal available buyers can make significant savings on what is initially offered.

Buyer Sacrifice

When signing up to a zero rate finance deal the buyer is usually encouraged to disregard any other potential savings that could be made. A true zero rate finance deal would not be affordable for the lender so the amount that is being forfeited in earned interest is loaded into the initial price of the vehicle. The buyer may even pay more in excess charges included in the overall vehicle cost than would have been incurred in interest charges on a loan issued at standard commercial rates. Salesmen typically offer a certain amount of flexibility on the price of a vehicle but this is sacrificed if a buyer is tied down to a commitment made following the offer of low rate finance. The existence of finance deals diverts the attention of buyers and reduces their ability to haggle with a trader to obtain the best possible financial outcome.

Decline in popularity of automobiles

The recent economic downturn has [adversely affected](#) an iconic product of the US economy and manufacturers can no longer rely on the US market as a source of continued growth for automobile sales. This unprecedented change has forced traders to look at other sources of replacing lost incomes. Peripheral products such as warranties or vehicle service plans have been utilized in recent years to general sales growth but even these areas are increasingly regulated and price competition has eroded potential profit margins. Motor manufacturers and dealers have diversified into financial markets and are able to utilize their vast sales forces to use large stocks of vehicles as a means of growing their financial interests. By signing up to a financial product offered by a dealer the buyer is missing out on potential offers on the sale price of a vehicle or trade in values of their existing vehicle. They are also missing out on the opportunity to fund the purchase of a vehicle at a fair capital price and a fair interest rate. It is important to find [the right car loan for you](#), and this may not be the one offered by the dealer who may offer a low interest rate but is unlikely to combine this with a low vehicle price. Individuals may be better off seeking the finance to purchase a specific vehicle from an alternative lender rather than one tied to the new vehicle sellers.

Help with budgeting

When offered a low interest rate finance deal a prospective vehicle purchaser is then encouraged to spend more than was initially anticipated by the notion that a great deal has been secured. It is tempting to add vehicle specification because the low interest rate offers a window of opportunity that is hard to ignore. This may lead to consumers spending more than they would have initially spent had they first secured the finance and then attempted to negotiate a deal on a new vehicle by engaging the dealer with some dialogue and making enquiries about the availability of discounts. This method ensures that the budget is fixed and is not revisited when additional vehicle specification is discussed. Pre arranged finance through an alternative lender can still lead to low rates if personal credit ratings are strong enough. Finance deals offer the customer flexibility to discuss pricing issues with the vehicle retailer. The customer will spend no more than what was planned, because the lending application was for a specific amount, and less interest will be incurred. The retailer could have chosen to increase the sale price and offer a competitive finance product but the higher prices are simply a substitute for interest payable as part of the loan that is in place.

Buyer principles

A prospective vehicle purchaser has the right to choice over which model is selected. That choice should be extended to the way the purchase is financed, so that maximum customer benefits can be realized. A salesman may offer a discounted vehicle but no trade in offer, they may trade a low interest rate on a purchase for flexibility on the dealer vehicle price, trade in value of the old vehicle or the provision of peripheral but necessary vehicle accessories. If a potential buyer is only offered low rate financing because benefits offered to other consumers are withheld then this reduces the freedom of choice in the market. Buyers should not have to fight for a good deal and only the segregation of the lending decision from the process of a vehicle purchase will lead to a fairer and more competitive automobile sector. Failure for this change to take place in the market will lead to the continuation of a situation which leaves consumers fewer options when making a vehicle purchase which in turn leads ultimately to an overpayment on behalf of the purchaser for a product that is offered as a discounted item.