

## Is a No Hagggle Dealership for You

In 1990, General Motors capitalized on consumer's intense dislike of the auto purchasing process and introduced the Saturn. Saturns were, and are still, sold at a flat price with no dickering, dealing or haggling. Today, almost 25% of car buyers purchase vehicles from flat price, or no-hagggle, dealerships. But are they truly saving money?

At no-hagggle dealerships, cars are priced at a flat rate that typically includes a standard options package and a built in profit for the dealer. Additional options may be sold in flat-rate packages or a la carte. At regular dealerships, cars are displayed with a Manufacturer's Suggested Retail Price but everything including options, warranty, financing and dealer profit is negotiable.

Research has shown that educated consumers pay much less for cars at regular dealerships than at no-hagggle dealerships. This is because regular dealers set average profit goals over time. For example, if they sell five cars, the average profit per car should be a certain amount, say \$1,000. That means of those five cars, three could sell for \$1000 profit, but the dealer could make \$2000 and \$0 profit on the remaining two cars and still hit their goal. At a no-hagggle dealership, the profit goal is fixed per car, meaning that while you will not pay \$1000 more because you have poor negotiating skills, you will also not save \$1000 if you have good ones.

There are certain people who historically do benefit from purchasing cars from no-hagggle dealerships. Young adults, women and minorities in particular, have historically paid higher prices than other groups at regular auto dealerships and may benefit from no-hagggle pricing. In fact, reacting to the trend of more and more young people turning to no-hagggle dealerships for their automobile purchases, Toyota introduced the Scion in 2003. The Scion is a small car that comes with trendy options packages and is priced and marketed directly at young people who don't want to negotiate to purchase their car.

Therefore, if you are willing to do the research and confident in your negotiation skills, you will almost certainly save money at a regular dealership unless you want a Saturn or Scion. Then you'll have to pay the same price as everyone else. However, if you're timid, too busy to research or spend time making a deal, or in one of the groups that historically are offered worse deals, you may be better off at a no-hagggle dealership.

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### About the Author

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