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MONDAY, JUNE 8, 2009

ELECTRONIC INVESTOR

How to Buy Your Dream Car--Cheap

By MIKE HOGAN | [MORE ARTICLES BY AUTHOR](#)

How to score the best deal on a new or used vehicle.

A RELENTLESS STREAM OF BAD NEWS HAS CAR DEALERS

everywhere doing their best Cal Worthington imitations. The legendary Southern California pitchman promises: "I'll stand on my head to beat anybody's deal."

How good a deal? By the time sundry cash-back and financing incentives are toted up, many new cars have gone for \$4,000-to-\$6,000 less than year-old versions of the same model, reports car-shopping Website Edmunds.com (www.edmunds.com/industry-car-news/new-vs-used-car-buying.html).

A quarter of new cars and almost a third of used ones have recently left the lot for below dealer cost, adds auto research/shopping site TrueCar (<http://truecar.com>).

These historic anomalies are only the latest shocks the industry has had to endure -- from the sky-high gas prices last summer to the yanking of more than 3,000 Chrysler (www.chrysler.com) and General Motors (www.gm.com) dealer franchises.

Auto incentives passed a record in March, the average discount being 30% higher than the year before, says Edmunds.com. The industry average slipped about \$100, to \$3,057, in April, but Chrysler, GM and Ford (www.fordvehicles.com), in that order, continue as the leading discounters.

CHRYSLER'S AVERAGE DISCOUNT has approached \$4,400 lately, as it tries to hold on to customers while transferring its own title to Italian auto maker Fiat Group. It recently began sending \$1,000 "loyalty" certificates toward the purchase of a new vehicle to 9 million registered Chrysler, Jeep and Dodge owners. That's added to existing cash discounts of up to \$4,000 and as much as \$1,000 in rebates for customers financing through one of 1,500 participating credit unions listed on LoveMyCredit Union.org (www.lovemycreditunion.org/Find_a_Credit_Union_139.html).

It's working. Bargain hunters have been streaming into dealerships -- especially the 800 or so that Chrysler has cut loose. Almost 60% of consumers recently surveyed by Cars.com (www.cars.com) said that Detroit's struggles won't keep them from buying American. In fact, the same majority said that new state and local car-tax deductions have put them in the mood for rich Corinthian leather.

"Some people unable to buy a car last year now find that the car of their dreams is within

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reach," says Edmunds.com's senior editor, Phil Reed. "One dealer told me consumers can smell blood in the water."

"I haven't seen anything like it in my 38 years here," adds Dave Miller, vice president and general manager of John Hine Pontiac Mazda Dodge (www.johnhine.com). "Buyers are coming out of the woodwork."

A San Diego institution for 66 years, Hine lost its Dodge and Pontiac franchises, and is anxious to unload cars. At this writing, the dealership still had to move 41 Dodges, after blowing out 46 at prices that were \$6,000 to \$12,000 below sticker (www.johnhine.com/dodge_close_out.htm). Hine sold 20 cars over Memorial Day weekend alone, compared with the dozen or so it typically sells monthly. Less pressing are the 59 Pontiacs (www.johnhine.com/pontiac_sell_down.htm) Hine has until 2010 to move.

But dealers unable to clear Chrysler and GM inventory, says Miller, can expect to be skinned in closed auctions by surviving franchises like Southern California's Worthington Dealership Group (www.calworthington.com). That 57-year-old dealership chain gets to keep its Dodge franchise, but, like all dealers these days, is pressured to move iron. Worthington relies on TV ads in which its 88-year-old pitchman still promises to stand on his head -- but only metaphorically.

Barron's sister publication, The Wall Street Journal, has a list of stressed Chrysler dealerships (<http://graphicsweb.wsj.com/php/CARDEALERS0905.html>) searchable by model, dealer name, state or zip code. But, rather than drive between car lots, it's easier to check local inventory on TrueCar, Cars.com, Edmunds.com, CarsDirect (www.carsdirect.com) or NADA Guides (www.nadaguides.com). Don't bother wading through the Chrysler, GM and Ford sites, by the way.

The car-shopping sites let you compare prices, appointments and incentives in your neighborhood -- even across different brands and models. Listings usually come complete with pictures, videos and reviews from both car experts and customers.

Such Websites are prodigious harvesters of sales data that they use to extrapolate local fair values. Cars.com claims to glean details on 2.5 million new and used cars nationwide from more than 15,000 dealers and private-party sellers. The other sites are comparable compendiums of timely data delivered in a way that puts buyers on an even footing with sellers -- at least information-wise.

TRUECAR HAS A UNIQUE GRAPHIC way of showing where a dealer quote fits between dealer cost at one end and sticker price at the other. It's easy to see whether a quote falls into the good-price, great-price or overpriced category. Then, TrueCar sends a free color report of the results to your e-mail inbox. The relatively new site covers only about a third of the most popular models sold. But its data are verified at multiple points through the delivery, insurance and registration process -- especially for sales made through its companion-group buying service, Zag (www.zag.com).

These sites typically provide car shoppers all the tools needed to make intelligent choices: lists of incentives and cash-back offers, loan calculators, car-history reports.

You can play dealers off one another via e-mail, complete a purchase online -- even have your new car delivered without ever setting foot on a car lot, says Edmund.com's Reed. The sites also track microtrends that can affect buying decisions. And what about the new CAFE [corporate average fuel-efficiency] standards? Political fluff that won't make much difference in real mileage, says Edmunds.com.

But now is a good time to grab an energy-efficient vehicle, adds TrueCar founder and chief executive Scott Painter. As gas prices have moderated, consumers are snapping up old favorites -- gas-guzzling SUVs (sport-utility vehicles) and trucks. Softness in prices of the Toyota Prius and other green cars that were in such high demand last summer won't last much beyond the inevitable rebound in gas, warns Painter.

The emerging picture? A market where consumer behavior is highly unpredictable, very price-sensitive -- and where car buyers are in the driver's seat. For the time being, at least, all the usual car-selling platitudes are coming true.

E-mail: electronicinvestor@yahoo.com

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