ProQuest Historical Newspapers The Washington Post (1877 - 1993)

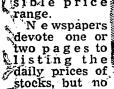
Washington's Changing Economy

Each Auto Sale: A Bazaar-Like Deal

By Philip S. Brown

ATT'S easy to look up the current price of Ford Motor Company common stock, but in trying to find out the price of

a new Ford car one can spend hours without getting more than a "feel" for the pos-sible price range.



newspaper lists the average transacted prices of new cars, TV sets, clothes dryers or air conditioning units, even though far more people are interested in the latter. A survey made in January, 1955 indicated that only 8 per cent of "spending units" in the United States owned one or more stocks. In contrast, almost every family has in view the purchase of a car, or some expensive electric appliance.

NOTE: "Washington's Changing Economy" is pub-lished monthly on the last Monday of each month.

The public would welcome more information about the current market prices of local land, houses, autos, and appliances, and some day it may be possible for newspapers to tabulate the week's average, or typical, prices of selected con-sumers' goods. At present, it would be a pretty big undertak-buyer encounters is in disen-

It is remarkable that in our byte of economy at should be an expected by the control of the product and the product of the product and the product and the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expectation of the product are standard, not finally an expect and the product are standard, not finally an expect the product are standard, not finally an expect to finally and the product are standard, not finally an expect to finally and the product are standard, not finally an expect to finally and the product are standard, not finally an expect to finally and the product are standard, not finally an expect to finally and the product are standard, not finally an expect to finally and the product are standard, not finally an expect to finally and the product are standard, not finally an expect to finally and the product are standard, not finally an expect to finally and the product are standard, not finally an expect to finally and the product are standard, not finally an expect to finally and the product are standard, not finally an expect to finally and the product are standard, not finally an expect to finally and the product are standard

who later found out that they paid more than their neighbors for the same type of car, said: "No, but occasionally when I look over the invoices and see one at a much bigger mark-up than is usual, I'm always relieved when I find the buyer isn't someone I know.'

Actually price discrimination is so obscured by infinite combinations of optional equipment, financing terms, and valuation of trade-ins that it is less invidious than one might suppose.

Under this system of trade, buyers who know what the dealers pay for cars (and it isn't as much of a secret as it used to be) have an advantage. Even without this exact knowledge buyers can squeeze dealers' margins pretty thin by giving one dealer after another the opportunity to underbid their competitors. . . . But the buyer who is too innocent, or too polite, to bargain, "gets taken." One difficulty a prospective

ing to compile any such list.

It is remarkable that in our tangling all the components type of economy it should be that enter into the quoted so difficult to determine the price. If he is persistent and

tised "list prices" shown each week in the industry's trade magazine "Automobile and elsewhere. These News," list prices are "suggested"

normal markup the dealer is been done to help the buyer. age. The exact number can't be foregoing. Marking up and Most salesmen have only a computed because of the way then marking down the price superficial knowledge of cars; records are kept in Virginia. Serving this market, and also their sole role is "to swing a est and most common pracdeal."

The "pack" is a markup | Why the "price pack"? Simbution. Instead of just going over and above that allowed for in the nationally adverticating (or gullible) enough to of chair or electric fan we want, when we want it, we are obliged to spend days and weeks watching for special sales, shopping and consulting one another if we are to buy economically . . . To be sure, there are some who seem to enjoy this type of activity; some in fact, who spend almost as much time deciding what and where to buy as they spend at their jobs.

Experiment in Mill Valley

The auto industry is a paradox. Innovation is the rule at the factory level. For example, Ford is replacing most of the expensive machine tools at its engine plant in Cleveland, which it regards as obsolete, even though these machines were the latest and most efficient of their kind when this plant was opened in 1951 and was considered a marvel of automation. On the other hand, except for the increasing razzle-dazzle of sales promotions and the increasing size of some

think that the "basic price" is dealerships, the selling of au passenger cars are probably regarding price and that a "distos is essentially the same as istered in this area—about one count" measures the amount of it was years ago. Little has car to a household, on the avergous measures the amount of it was years ago.

be arranged. Typically, the down payment must equal one third the "basic price" of the new car but in many cases it is less. Usually the down payment is covered by the value of one's old car. Banks generally insist on pay

ment in 30 months and stick closely to "one third down." Their typical discount rate is 4 per cent on new cars, less than that charged by most finance companies. Also, most banks don't make any credit investigation, or other, charge. On used cars the rate may be 5 or possibly 6 per cent.

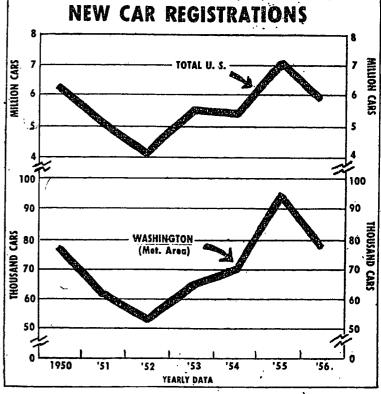
The difference between a discount rate and an interest rate is that the former is computed as a percentage of the initial amount of the loan; the latter, on the average amount due over the period of the loan. For example, a 41/3 per cent discount is equal to an 8 per cent interest rate on a 30 months' loan.

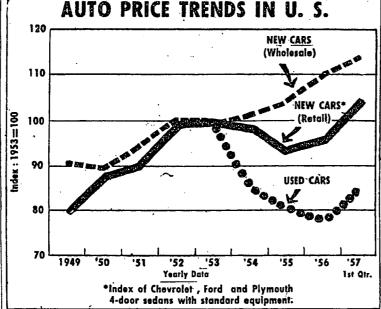
Many buyers do not realize that by having payments spread over 36, or even 40 months, the interest charge is higher not only because they are borrowing for a longer period but because the rate of interest is generally higher-to cover the added risk and expense of bookkeeping.

A Big Market

About 525,000 new cars have been registered in the Washington area since Jan. 1, 1950. Many of these have been scrapped, or traded in and sold to wholesalers for resale elsewhere. On the other hand, there are still quite a few pre-1950 cars in use. All in all, nearly 500,000







Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.