

Negotiate Your Next Big Purchase with Confidence

How preparation and mindset drive better outcomes in any negotiation



By Linda Babcock, PhD, Professor Emerita, Carnegie Mellon University

Negotiation is a skill that shows up in nearly every area of life—from major purchases to everyday financial decisions. While the same principles apply in many situations, we use car buying as the example here because it's a common experience—and one where preparation can make a meaningful difference in both cost and confidence.

Buying a car is one of the biggest purchases most people make after a home, and it can feel overwhelming.

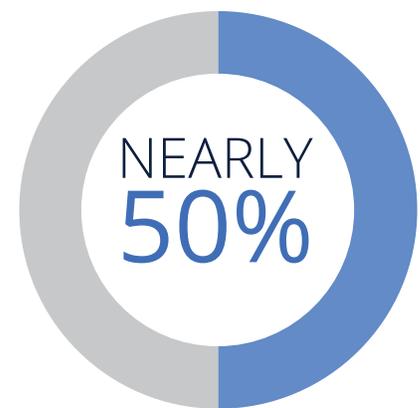
Prices are negotiable, but many buyers aren't sure how to approach that part of the process. Dealers also tend to know far more about the market than buyers do, which can make it hard to tell whether you're getting a fair deal. And unlike buying a home, there's no buyer's agent on your side, so you're navigating everything on your own. Add in high-pressure sales tactics, and it's easy to see why people worry about overpaying or making a rushed decision.

This guide walks through a step-by-step plan to help you cut through the stress, stay in control, and negotiate a deal you can feel good about—skills that extend well beyond car buying.

What We'll Cover:

- Negotiation prep work
- Negotiation playbook
- When negotiations get tough

Avoiding Negotiation Can Be Costly



of consumers would rather pay more than negotiate¹



First, Negotiation Prep Work

Prep work is the most important part of the process—and where most of the work happens. Doing your homework upfront levels the playing field and sets you up for a smoother experience overall.

This preparation gives you the facts you need to build a strategy before stepping into the dealership. It also reduces anxiety, builds confidence, and helps you stay steady when high-pressure tactics show up.

Identify what you want

Before doing anything else, clearly define what you're looking for. Be as specific as possible, including:

- Make and model
- Trim level and features
- Color and accessories

Once you've decided on the exact vehicle, your goal is to negotiate the lowest possible price. Other factors—such as a trade in—may also come into play. In that case, think about minimizing the price of the new car minus the value of your trade in.

Gather information

Dealers know their costs, incentives, and profit margins, while most buyers see only the sticker price. This information gap can put you at a disadvantage and lead to anchoring—where the dealer's first offer shapes what you think is reasonable, even when a lower price may be possible.

You can close this gap by researching what others have paid and the factors that affect pricing, such as manufacturer incentives, inventory levels, timing, and regional demand. Use trusted websites, automaker pricing tools, and local listings to see what similar buyers are paying in your area.

Consider:

- How many similar vehicles are on the lot
- Whether a new model year is approaching
- Whether timing (month end or year end) may improve your leverage

This information helps you evaluate a fair market price before negotiating.

Assess your negotiation parameters

The building blocks of any negotiation strategy are your negotiation parameters—a framework that helps you clarify your goal, your acceptable alternatives, and other ways to reach the outcome you want.

- **Interests:** *What you're trying to achieve*
In this case, the lowest possible price for the car you want.
- **BATNA:** *The Best Alternative to a Negotiated Agreement*
In other words, your BATNA is what you can do without the consent of the other party. In this example, you've decided that if you can't reach an acceptable agreement with the dealer, you'll keep your current car and possibly pay higher maintenance costs in the future.
- **Reservation value:** *The highest price you're willing to pay*
You're willing to pay up to \$52,000 for the car based on your research. If you can't get it for that price or less, you'll go with your BATNA and keep your current car.

- **Target:** *An ambitious but achievable goal*
Based on your research, you believe it may be possible to purchase the car for \$50,000.
- **Options:** *Acceptable outcomes better than your BATNA*
Any price at or below \$52,000 would be an option you'd accept.

Establish a mindset

Having your parameters in place helps prevent you from paying more than intended. Because you have viable alternatives, you can approach the negotiation calmly and confidently. The worst-case outcome is simply walking away, knowing you've avoided a deal that didn't meet your goals.

Second, Negotiation Playbook

Now it's time to put your preparation into practice.

Start with questions

Before discussing price, ask a few questions to better understand the market and strengthen your position. For example:

- What incentives are currently available?
- What financing options are being offered?

Avoid questions that weaken your position, such as asking for the dealer's "lowest price," which rarely works in your favor.

Develop your opening script

Having an opening script helps reduce anxiety, keeps you focused, and sets the tone for the negotiation. Keep these points in mind:

- Never share your reservation value
- Make the first offer to steer the conversation in your favor and show you've done your homework
- Anchor the discussion with a price below your target

You might begin like this:

"Based on the research I've done, \$48,000 seems like a reasonable price. Is that something you could do?"

You've initiated the conversation and started out with a price that's better than your target value. Now it's time to wait for the other side to respond with a counteroffer.

Dealer:

I can't go that low, but I could give it to you for \$52,000.

Their offer is at your reservation value, which you could accept. But your goal is to obtain your target value (\$50,000), so there's still room to negotiate.

Buyer:

Suppose we split the difference for a price of \$50,000?

Offering to split the difference appeals to people's sense of fairness.

Dealer:

OK, I can do that. I'll start the paperwork.

While negotiations rarely play out this smoothly, keeping your parameters in mind—your reservation value of \$52,000 and your \$50,000 target—will help guide your offers and counteroffers. You may not hit your \$50,000 target, but any price below your \$52,000 reservation value is still a win.

Third, When Negotiations Get Tough

In this example, an agreement was reached quickly. In reality, car deals often take longer, with the salesperson consulting with their manager several times. Being prepared for potential pitfalls helps you stay calm and in control.

■ Handling resistance

If you're not getting the price you want, be willing to walk away. You can always return later—and doing so may prompt a better offer.

■ Know common tactics

Dealers may push add ons that feel small relative to the overall price. Decide in advance which features matter to you and how much you're willing to pay to avoid pressure driven decisions.

■ Getting past “no”

If negotiations stall, asking “what if” questions can reopen the conversation:

- What if we adjust the financing terms?
- What if certain features are included?

Small changes can sometimes create room for agreement.

Closing the Deal

Once you reach an agreement, review the written contract carefully. Make sure all terms are clearly documented—anything not in writing isn’t guaranteed.

Even if the deal doesn’t go through, your preparation helps prevent you from agreeing to something you don’t want—and allows you to keep driving your current car while you pursue the deal you want.

To Summarize

First, preparation is the foundation of any successful car negotiation. Doing your homework—on pricing, incentives, and alternatives—helps level the playing field and reduces the risk of rushed or emotional decisions. Second, setting clear negotiation parameters, including your target price and walk-away point, gives you confidence and keeps you focused under pressure. Third, staying disciplined in the negotiation itself—asking the right questions, avoiding common traps, and being willing to walk away—puts you in control of the outcome.

A Reusable Framework

Car buying is just the context. What really matters is building a habit of deciding—not reacting—when stakes or pressure are involved. When you take time to clarify what matters to you and what you’re willing to accept, negotiations become less about the interaction itself and more about making intentional choices. Over time, that clarity can make a wide range of financial decisions feel steadier and more manageable.



Linda Babcock, PhD, Professor Emerita, Carnegie Mellon University

Linda is a behavioral economist and spent 36 years as a professor at Carnegie Mellon University. She has published multiple best-selling books that focus on barriers to women’s advancement in the workplace and highlight the role of gender differences in negotiation. Her work is regularly cited in the world’s most prestigious media outlets, and she works for businesses and non-profit organizations to help them increase gender equity in their organizations.

Source:

¹Hunsaker, D. A., Zhang, H., & Lee, A. J. (2025). Beyond Propensity: Thresholds, Costs, and Interventions in Negotiation Avoidance. *Negotiation and Conflict Management Research*.

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