

32: How to Buy a Car 101

March 24, 2021

Image not found or type unknown



Buying a car tends to be a stressful experience... What's the MSRP? How much can you haggle? Do you buy the extended warranty? To lease, or not to lease? Toyota believes these are questions that all customers should be aware of ahead of time to help empower their purchase of a new vehicle.

So today, we're speaking with Tracy Kaiser & Susan Gutierrez from Toyota Financial Services, and Jack Hollis & Tim Bliss from Toyota Motor North America, to explore what consumers can do to put some of the car-buying power back in their hands.

In addition to our guests' expertise, we're also exploring the new platforms of SmartPath (Toyota) and Monogram (Lexus), which reimagine the car buying experience – putting more of the process into the hands of the consumer and providing new options for a purely online vehicle purchase.

Tyler Litchenberger: [00:00:22] Hi and welcome to Toyota Untold. This is Tyler.

Kelsey Soule: [00:00:35] And this is Kelsey.

Tyler Litchenberger: [00:00:37] So, we're going to get real with you. Everybody loves driving their cars, but a lot of us get anxious when we think about having to buy one, myself included. Like before I bought my first car, I had a car that was a gift from my grandparents, and it just caught fire on the side of the road. It was just totaled there. So, my husband and I, we had to go buy our first car together. We were super excited. And when we walked onto the lot, I realized I knew nothing about buying cars. I didn't know what I should show up with. I just knew that I didn't have a car, and I needed a car. And the dealership we went to, we only went there because it was open on a Sunday.

Kelsey Soule: [00:01:13] Yeah. So, my first time buying a car at a dealership, I actually had a car that I owed money on and knew for a fact that it was not worth the amount that I needed to pay it off. So, I went in with the mentality that I'm not leaving here until (1), I get a new car; and (2), they take this car; and (3), they pay off what I owe, so that I walk away clean. I had my sight set on a certain price. I had a car that I wanted. It was a pre-owned Honda Accord with all the fixings. I stayed there all day. I negotiated back and forth. You know, I saw the manager, I saw the dealer, etc. I think I literally saw everyone that worked there. And I'm pretty sure that just to get rid of me, they were like, "Whatever, we will take this car. We will pay what you owe. Just please take this new car and leave." And it was really a win for me, but I did end up having a bigger payment that I wasn't really confident in and I'm not really sure if either of us won at the end of the day.

Tyler Litchenberger: [00:02:12] So, we found some people from Toyota Financial Services who really know the car buying experience inside and out to coach us for our next trip to the dealership. Tracy Kaiser, National Account Senior Consultant, Sales Operations and Planning, and Susan Gutierrez, Manager, Marketing, Incentives and Recognition. We shared those car buying horror stories with them and they came back with some great tips.

Tracy Kaiser: [00:02:38] I think that one of the cool things about both of your guys' situations is, is that they're perfectly okay and they happen every day. I think there's a couple of ways you can go approaching buying a car. You can be super informed, you can have a plan, you can know what your credit score is, you can have all the facts, details on exactly what you want, or you can be in both of your guys' situations, either stuck on the side of the road, or upside down up to your eyeballs on a vehicle, and walk into a dealership, and walk out that same day with a car that you love.

Kelsey Soule: [00:03:13] Yeah, and I think that this is a really important conversation to have because as more young people want to buy vehicles, it is really intimidating. I mean, like I said, I was 23, and I was just walking in blind – with some blind confidence, obviously – but walking in blind, knowing kind of what I wanted but not really how to get it. And I think it can be a really intimidating process. I mean, it's a big purchase. So, I'm interested to see your guys' perspective on some like best practices, best tips for people as they go to buy a car. And you mentioned some things you can know before you go, like neither Tyler nor I did. So, what research should be done?

Susan Gutierrez: [00:03:54] As you learn, things are negotiable. But, really, what you want to do when you're coming into a dealership, if you know that you're going to be needing a car, you should already be doing your research. And you probably have an idea of what model, what color, what things that you like to have in the car, but the key experience for people when they get frustrated by the dealer experience typically happens when you're talking about the numbers and the financing. So, you can equip yourself with knowing that stuff before you go in. And it's really going to be key to having a positive dealer experience. Dealerships have evolved. Especially over the last six months, we've seen our dealers grow their online business significantly. And that kind of levels the playing field because people have access to information that maybe wasn't as widely publicized before. So, I think, Tracy, you're gonna mention some specifics,

Tracy Kaiser: [00:04:42] So, very similar to what Susan said, be educated, not just on the vehicle that you want. We have great resources like Toyota.com or even really specifically BuyAToyota.com, where you can go look up individual incentives, and do pricing calculators, and all kinds of great things like that. But I think it's also very important to be educated in terms of what you want your payment to be, what you want your budget to be really, right. At the end of the day, most of us, I think, get caught in the number looking at a car. But ultimately, we all are looking at, "What can I afford monthly?" For most of us, right? There are true cash buyers. So, I think like having an understanding of what your budget is or what your monthly budget is. And then, also, I think just having a good understanding of where you stand credit-wise. And we might get into this a little bit later, but you see a lot of great offers and some of those may apply to you, but it may not apply to you if you don't have great credit

Susan Gutierrez: [00:05:40] So, you can go online ahead of time, even to Toyota.com, and get prequalified for the vehicle that you're looking for, so that you know what your credit limits are going to be. Are you going to be able to get a \$50,000 4Runner, or are you going to be driving a \$19,000 Corolla? Where do you fall in that range?

Tracy Kaiser: [00:05:59] And one thing I forgot to mention too, Kelsey, as you were talking about your car with negative equity, there's great online resources like KBB.com, AutoTrader, things like that, where you can go in and put in your vehicle's age, mileage, loosely what you think your condition is, right. The dealer is going to appraise it, put their own value on it, but that'll give you an idea. So, when you go in and you think, "Hey, this is a \$5000 car," and the dealer tells you it's worth five bucks, okay, like you have something to base that off of.

Susan Gutierrez: [00:06:32] You have the obvious things like dents and dings, and damage to that, but tire wear, that's a big one. You know, the old test of time, you stick the penny in the tread, and where does the tread come up on Abraham Lincoln's face tells you how much tire depth is there. Tires are expensive.

Kelsey Soule: [00:06:46] Wait! What?

Susan Gutierrez: [00:06:47] Yeah. So, you can take a penny, and put it inside the treads of your tire, and then how far it comes up good ol' Abe Lincoln's face tells you how deep that tread is. Obviously, the more tread you have, the better condition your tires are. But if you've got a car that needs four new tires, that's a thousand bucks right off the value of the vehicles because tires are expensive these days. You know, how does your interior look? Are you missing equipment? Is there dents and dings? Are there wheel covers that are missing? You know, how did you treat that car? But then really primarily, what are the miles on your vehicle? Mileage equals wear and tear. So, high miles is going to take away from the value of the vehicle.

Tracy Kaiser: [00:07:28] And other factors to market demand. You know, SUVs have taken off right now over the last three to four years. So, if you're coming in, and you're looking at your Corolla, and you're in a market that's a big truck market, and there's a 4Runner market, well, the dealer may look at your car and say, "Hey, look. On national average from KBB on your research, yeah, sure, your car is worth five grand. But to me, it's worth \$2500 because in my market, I can't sell that car." So, I think there's a lot of factors that go into it,

appraising a vehicle. So, I think being educated but, also, I think, being flexible and reasonable is a mindset you need to take into it.

Kelsey Soule: [00:08:07] I think a lot of average consumers don't know that, though, because I think the average consumer doesn't know what is super popular right now. Like if they want an SUV, they don't necessarily assume it's because everyone else wants an SUV, right. So, if they're going in and trying to resell their SUV or their car, and it's an SUV market, like, I don't think a lot of people know what's hot in the market right now because they're only thinking about themselves. What do I want, you know? And so, I think that maybe like some transparency about that would be helpful, like just saying SUVs are very popular right now. Let's just say it across the board.

Susan Gutierrez: [00:08:42] SUVs and the truck market are huge right now.

Kelsey Soule: [00:08:44] Yeah, yeah.

Tracy Kaiser: [00:08:44] Absolutely.

Susan Gutierrez: [00:08:44] And if you think about too, back in the day around – I don't know – the mid-2000s when gas prices started to really drop, that's when SUVs started to really creep up because gas was previously very expensive in an SUV, typically has a lesser gas mileage. So, once those gas prices are decreasing, you saw the increase in demand for vehicles, but not as great gas mileage.

Kelsey Soule: [00:09:09] And SUVs have really evolved anyway because like you used to, if you were going to get an SUV, you were getting something like really kind of rugged, like a 4Runner vibe. But now, you can get something that's like a car-based SUV and still have the luxury of a car with the higher platform of an SUV. So, the options are really expanding into some more luxury space.

Susan Gutierrez: [00:09:29] Absolutely. Especially with the hybrid market that you're seeing in the SUV now, RAV4 hybrid, Highlander hybrid, those are extremely popular vehicles.

Kelsey Soule: [00:09:37] Yeah.

Tracy Kaiser: [00:09:37] Absolutely.

Kelsey Soule: [00:09:37] So, if you're in the market for one of those, do your research.

Tracy Kaiser: [00:09:42] But that last word is the key, right? I mean, kind of pivoting and putting it to bed, the idea of a used car, or your trade-in trading, and you're planning to walking into a dealership, be informed, be educated, whether it's on the purchasing end, have an idea and a game plan of whether you want to buy a new car, a used car or certified preowned. And if you have a trade-in, have an idea of what do you owe on that vehicle, what's the condition? Pop your VIN number into one of these online resources, get an idea. But understand this, it's just an idea. It's a starting point, but you're walking in with, at least, some level of education and research before you go talk to the dealer.

Susan Gutierrez: [00:10:20] And then, you've got the option with that trade-in vehicle. You can sell it to the dealer and have them taken in as a trade-in, which is a very easy, simple process. Or you can keep it and sell it yourself, which is a little bit tougher but you'll probably get a higher dollar amount. So, you have to kind of weigh those restrictions with that too.

Tyler Lichenberger: [00:10:37] That tire trick, I didn't know that. But I'm definitely going to do that before I bring my husband's Ford to the dealership to trade it in. But that's not the only little trick that Tracy and Susan

have to save you money in the long run.

Tracy Kaiser: [00:10:47] Yeah, I think that that's a great question, actually. And my answer to that, it's always a great time of year to buy a car, but a couple of key tips and tricks there. Right? Over here, I worked for a sales company at the end of the day, so it's always great. But a couple of tips and tricks are, right now, it's November. And so, we're entering the end of the year, and there's always a mad dash by all of the manufacturers – Toyota, Lexus, our competitors – at the very end of the year to sell cars for a couple of reasons. You want to hit your yearend goals but, also, people are buying them too. So, you're going to see a very aggressive set of incentives, advertising around the end of the year. You'll also see a lot of advertising around your major holidays, especially during the summer months where people are out spending money and are more active. So, the summer months are always key. November, December, always huge months.

Tracy Kaiser: [00:11:45] But then, I'll also say that as you get into the late summer – August, September, October – that's when we have something called model year changeover. So, we sit in calendar year 2020 right now, but late summer, we start rolling out the 2021 model year. And as dealers start to get down on inventory of that current model year, that 2020, when the incentives are heavier, and there's good reason for consumers, as well as there's certain incentives at times for dealers to sell that car, but also they're trying to get out of that inventory because they want to make way for that brand new 2021 that's coming. And a lot of times, there's not a whole heck of a lot of difference between one year to the next, but dealers are trying to get out of that last year's inventory. So, as you get into August, September, October, there are some good opportunities to make a deal with the dealer.

Kelsey Soule: [00:12:40] So, on the deal situation, though, like you said, all the automakers are having a mad dash at the end of the year. They have the sales events basically. So, are those incentives really worthwhile or is it similar to what's during the year? But they're just marketing it more.

Tracy Kaiser: [00:13:00] Oh, gosh, that's a tough one. I would say that there's a mix, and there's a little bit of ebb and flow. I think that one of the things here at Toyota, and I actually used to work on incentives groups that became the groups worked very hard on was to make sure that there was a consistent message in the marketplace. So, I would say that there's always a competitive offer within the marketplace. I think that when you get into the sales event months or November and December, you might see them like the little cherry on top. You may see the zero percent for 60 months financing, and that may be something that's consistent, or has come on and off throughout the course of the year as seasonality takes place. But then, now, in November, December, you might see that zero for 60 with \$500 like EPR cash is a better example to pair with that. Like you might see that cherry on top. But I think that we've worked really hard to make sure that the incentives, there will be some fluctuation, but to make sure that there's always a competitive offer in the market.

Susan Gutierrez: [00:13:59] So, pretty much everything that comes down to any of these questions we're going to talk about today is research and risk tolerance. You're buying a brand new vehicle, and you're going to keep that vehicle, you want to keep it for 10 years, there's probably a good reason to buy for an extended warranty. Or if when you're leasing the vehicle, and you know you're only going to have it for 36 months, and it's going to be under the factory warranty the whole time, that might not be the best way to spend your fund, but there are certain components that may no longer be covered while you still have the vehicle.

Susan Gutierrez: [00:14:27] So, again, it just takes you to really figure out, how long am I going to hold this vehicle? Am I going to drive it a million miles and really beat it up? Or is this vehicle going to be my second car that doesn't get very high mileage and is going to be covered by warranty the whole time I have it? There's great reasons to have an extended warranty. I think your example is a perfect reason why. So, that's really a question that everybody has to answer for themselves individually. But we have great products out there, so I would highly recommend that we all buy extended warranty.

Kelsey Soule: [00:15:02] Well, it's just hard, I think, when you're just from being in the dealership, where they're running the numbers for you and stuff, and it's already a big purchase, right? And then, they hand you a paper with all this stuff you can do at the end, the extended warranty being one of them, and it just keeps adding numbers and adding numbers. And I remember 24-year-old, however old was me, I was like, "No, none of it, none of it," because it's a lot of things that it's like, "When is this ever going to be a big deal?" Well, I'll tell you. A month later, in my car, I was driving down a road, and there was construction. And apparently, there was like a very large nail or something that I ran over with my front tire, and it flew back to the second one, and popped both of them. And obviously, I had no coverage for said tires. So, perfect example of maybe you should think about it.

Susan Gutierrez: [00:16:01] Yeah, the tires are expensive. I said that earlier, right?

Kelsey Soule: [00:16:04] Yes.

Susan Gutierrez: [00:16:05] And taking out two. Now, your vehicle has to be towed somewhere because you only have one spare.

Kelsey Soule: [00:16:09] Yeah, she did. Oh, yeah, she did.

Susan Gutierrez: [00:16:10] So, a tire wheel product would have covered you on that, but yeah. And key replacement. Have you ever replaced the key on your vehicle with these the smart fobs now?

Kelsey Soule: [00:16:18] Yes.

Susan Gutierrez: [00:16:19] I had to do that. That's expensive.

Kelsey Soule: [00:16:21] And I will say, from looking at the key replacement, it's a deal. You want to do it because if you have to replace your fob like more than once, it's thousands of dollars or something like that. It depends on what car you have, but it can be really expensive.

Tracy Kaiser: [00:16:36] Yeah. And I think it's important for people to know that, "Hey, why are those things so expensive?" Well, there's computers in everything we do right now, right? I mean, I'm sure my calculator's a computer, right? I mean, of course, obviously. But there's technology in that key fob that allows you to have that keyless entry when you open the door. All that has to be programmed. That's why that's so expensive. So, to Susan's point, having peace of mind, buying yourself peace of mind in a key replacement product is something that if you know you're prone to lose your keys, that's something you might want to think about because it could cost you a thousand dollars out of pocket in addition versus paying for that and baking that into your payment every month with the key replacement product.

Kelsey Soule: [00:17:20] And the coverage on those products is less than if you just have to replace them.

Tyler Litchenberger: [00:17:25] Oh, man. I'm starting to get flashbacks to my worst dealership experience, which happened when I was just eight or nine years old. My dad wanted to buy an Isuzu Trooper, and he made me wait in the dealership while he and the manager went back and forth for eight or nine hours. It was the longest day of my life. Okay. So, how do you avoid being my dad? How are we going to make this process as quick, and painless and affordable as possible? We've talked about being informed and prepared. But how much wiggle room is there really when it comes to the price?

Tracy Kaiser: [00:17:55] So, I think that MSRP, the manufacturer suggested retail price, I'm going to harped on the suggested part there, is because it does provide you an opportunity to negotiate. Just because that's what's suggested doesn't mean that that's what you have to pay for the vehicle. So, I think that any time you walk into a

store, and you're starting to work a deal, I would say anything is negotiable. And again, we've already talked about being prepared, so you'll have an idea of what you can afford from a payment standpoint and what the car should cost overall. But I think that that's just a starting point to to open up dialogue and discuss with the dealer. So, they're suggested for a good reason.

Tyler Litchenberger: [00:18:38] And it goes into the economics of what we talked about earlier, where you're hot, where you're not hot.

Susan Gutierrez: [00:18:43] Demand and supply. And also, a lot of dealerships are changing their selling models because of what you talked about, that negative experience where you sit there all day long, and you just feel exhausted by the end, and you're starving. And we have dealers, some of our Lexus stores, they keep little plush animals and give them to the kids that come in, so there's a more positive experience for that.

Susan Gutierrez: [00:19:02] Or we're actually rolling out, TFS in partnership with TMNA is rolling out a new program called SmartPath. And it's basically giving you the ability to buy a car from your iPad on your home couch, so that when you do get to the dealership, it's just a quick sign. I mean, you've already negotiated everything, but a lot of that is going to be pricing that's set at the dealership level based on what they think the market area, if people are paying for the vehicle. So, it is more of that one-price option.

Susan Gutierrez: [00:19:29] And dealers are seeing a lot of success with that. So, we think we're going to have more and more dealers that adopt that technology. But it's a really exciting way to buy a car, where you have, again, all of the information at your fingertips. Like when you go to look at the new iPhone, you can go to the Apple Store, and look at the different options from the comfort of your couch, and figure out what you want, and then be empowered when you walk into the dealership to take delivery.

Kelsey Soule: [00:19:51] All right, hold up. So, I can shop for a car without getting off my couch? We had to figure out more about this. So, we hopped on a call with our favorite returning guests, Jack Hollis, Senior Vice President, Automotive Operations for Toyota Motor North America, and Tim Bliss, General Manager of Retail Transformation, also at Toyota Motor North America. So, what's up with SmartPath and Monogram, Jack?

Jack Hollis: [00:20:16] Well, it's good to, first of all, be back with you. You were silly enough to let me be on one time. You're even sillier now. I'm not so sure why but we'll do our best here. And it's good to be on with Tim Bliss because Tim has done a fantastic job of really taking the reins of SmartPath and Monogram from Joe Moses, who also did a fantastic job as we started this.

Jack Hollis: [00:20:35] And so, this partnership have looked at the dealerships as that like society, everything has changed. Everything is changing, right? We're talking about changing now of stupid COVID, but that's changed everything. Before then, we already know we had to change because customers are getting used to the idea of a digital world where everything is at their fingertips on their mobile device, or an iPad, or whatever it might be. I would simply say that nobody really believes that that is going to be the normal anymore. There are people, though, which is crazy, and there's still people who do want that experience. And they're going to still make that happen for themselves.

Kelsey Soule: [00:21:11] Yeah. And I love that we're giving people options, right, because not everybody wants to buy a car in the same way. Some people really value going to the dealership, and getting all those amenities, sitting on the nice couches, getting the coffees, all the things, wheeling and dealing. But some people, just, they do want to do it at home first.

Tim Bliss: [00:21:27] I mean, I think you guys nailed on the head. From the very beginning, we needed this to be flexible because guests are all over the spectrum in regards to what they want out of buying a new vehicle. And the one thing we always have to keep in mind – and a lot of companies do this, we sometimes do this – is

we put automotive retail in the same category as Amazon, put it in the same category of even Apple. But you think about how many times a customer really buys a new vehicle in their lifetime compared to how many times they're interacting with Amazon or how many times they're interacting with Apple. Buying a vehicle is still a big event in someone's life. And we want to keep it a special event.

Tim Bliss: [00:22:10] And so, even as we add even more technology to it, how do we keep it special? How do we keep it flexible? Because it needs to work not only for every type of consumer, but it needs to work for every type of dealer, and also work for every type of nuance of every new vehicle transaction. And there are numerous nuances that go in to a new vehicle purchase, whether it be an Isuzu Trooper like Tyler and your family or I remember the time when I was at a Pontiac dealership with my dad, pretty much maybe I think it was two days just to buy a Pontiac Grand Safari Station Wagon.

Tyler Litchenberger: [00:22:44] Amazing.

Tim Bliss: [00:22:44] I mean, there's so many nuances to it. And that's where this is really the trick is where do we find that sweet spot with the technology to deliver that? And we feel like we're on that path, the SmartPath and Monogram.

Jack Hollis: [00:22:55] We actually started with a group of dealers that we called the Trailblazers. These were top dealers from around the country who wanted to blaze trails in how we were going to change the entire process of buying and financing, even servicing a vehicle online. And we actually learned a lot from you go back to my time in Scion, we learned a lot about the guests at that time with Scion because it's what we're looking for, right? They want a totally different experience. And these trailblazers were willing to do that or they were willing to think through that.

Jack Hollis: [00:23:24] And so, everything that we're going to talk about here today – it doesn't matter if it's SmartPath or monogram – actually started with the bases of this Trailblazer group. And what's incredible is that they stayed with us the whole time. Like not just those dealers, but more dealers. So, what we're talking about today is dealer-driven, not company-driven to say, "You must do this." No, we went to the retail side and said, "Hey, how can we team to make this great?" And so, maybe more of the specifics I'll let Tim go with, but that's the background of how we got to the launching of the SmartPath and Monogram.

Tim Bliss: [00:23:56] Exactly. That's what's so great. I think the relationship we have with our dealers allows us to, sometimes, see things that are happening with the consumer before any study comes up, before any research paper comes out, and that just constant dialogue and relationship we have with the dealers, like Jack mentioned, is what really drove this. And they were seeing a shift in what consumers were looking for. And then, they were asking us, "Hey, help us with the technology that's going to allow us to really bring this experience to life."

Tim Bliss: [00:24:24] As we really started to dive into this, and dig into this and start building it out, I mean, what came through loud and clear in talking to the dealers, talking to guests, looking at research was really three things that needed to, as we mentioned earlier, be about time. How do we make it more efficient? How do we build trust, not just in the product, but in the process, and then the dealership, and then the experience? And how do we make it more transparent? I mean, it was really those three keys that we focused on, and we built all of this on. And that's what's really allowing this experience to come to life.

Jack Hollis: [00:24:58] And I would always stop and ask, reverse it on Tyler and Kelsey, think about your shopping experiences that you're doing any time. What is it that you want? What is it that you want, ultimately, in any shopping experience? I'd ask you that now that we're talking, what do you want? I don't care if it's a car, but how about any shopping experience, what do you want?

Kelsey Soule: [00:25:16] I want to have what I want when I want it. And if I have to go into the store to pick it up, I want it to be in a little bag, and I just want to leave.

Tyler Litchenberger: [00:25:25] I'm like Kelsey. I want exactly what I want, and I want to be able to find it, and I want it quickly. And I don't mind searching around for exactly what I want. I've done that buying a car, right, or looking for the car that I want, but I go to multiple dealership websites, maybe find the exact grade or something that I want, and then I reach out.

Jack Hollis: [00:25:45] And so, ultimately, what we're finding is there's nuances. Some people want to pick things up in a little bag, have it all fully prepackaged. Some people want to spend a little bit more time on the shopping side, but when they want to buy, they want to slow down. Some people want to have a long time on the buying process, short time looking because they want to go to the buying process quickly because they're like, "I'm ready to go, and I don't need as much research time." And well, ultimately, what we're trying, which I'm really proud of the team on, is we created the spectrum, and the person who wants to do nothing online, nothing, zero, just do all traditional or one hundred percent online, and everything in between. Now, you have that option. So, every customer gets to choose what they want, do it the way they want to do it every time.

Kelsey Soule: [00:26:25] That's awesome. And I feel like a lot of people don't ... I mean, what we're trying to do, obviously, is bring awareness to this. There's a general perception out there that when you go to buy a car or when you go to a dealership, that everybody has a little bit of a chip on their shoulder, right. They're like, "Oh, I'm going in hot. I'm going to make a deal. I don't want the dealer to get me." You know what I'm saying. Like, everybody wants a deal in a car, right. It's a big purchase. And so, I think giving this transparency up front, if you go online, you look, you get a realistic idea in your head of what you're going for. Then, when you go in there, the dealer knows, you know, you guys are starting on the same page. That way, the relationship is being built from the jump when you walk in the door.

Tim Bliss: [00:27:08] Right, absolutely. We go one step further too where the technology helps us on that front is in stores, as Jack was mentioning, we have a mobile sales tool. And one of the things we teach the dealers on how to really utilize that to the fullest is hand it to the guests. Let them, actually, some time in the store start desking their own deals, start playing around with the different payment options. And that almost immediately takes that on guard, Kelsey, that you're talking about. Almost just lightens that.

Tim Bliss: [00:27:37] And we've gotten so many verbatim from guests who said, "This is so much easier. This is just wow! I didn't expect it to be this simple." And every time we launch a new store, we usually get a video from the first deal that the dealer did with SmartPath, and you see these giant smiles, not just on the guest who bought their new car, but also the sales consultant who also realized, "Wow! That was extremely easy, thanks to that technology." And that's what we've been aiming for.

Jack Hollis: [00:28:06] The entire kind of scariness of buying a car that I think, traditionally, I mean, people especially older who were like, "I just don't know. And if I go there, what's going to happen?," it takes us some of that away and says, "No, all of it is to you, whether in the dealership or here, you could do it." We keep talking about the word transparent. It's whatever you want. And I think we got to remember that. That's what's cool. Like the name, SmartPath, and that's what we started with. It's like, "Whatever path you want to take, it smart for you. Like whatever, it's yours. So, take the SmartPath for you." And I think that's what we end up getting out of all this. This should become the norm. It really should be. And the dealerships who are using this already are saying, "It's very easy transition to this becoming the norm," because it's just more efficient, time saved, and everybody wins, in this case.

Tyler Litchenberger: [00:28:51] I really cannot wait until this is just the way that people buy cars. Now, let's get back to Susan and Tracy, because we want to let you in on another little tip you might not know to save money when you're getting a new car. Leases are negotiable, too.

Susan Gutierrez: [00:29:05] Yeah. So, with the lease, you're still starting out with, in the lease, it's called the capitalized cost vehicle, but it's still the selling price of the car. We're still starting with that same number, whether you're leasing it or buying it. So, yeah, you can negotiate the selling price of that vehicle. The difference with leasing ... And I'm also a big fan of leasing myself for the same reason. I like to turn over my cars pretty quickly, and I'm not one that's going to invest in a vehicle to hold it for 10 years. But you're taking the selling price of the vehicle and subtracting what the vehicle's estimated-to-be worth at the end of the lease when you turn it back in, and then adding in that costs of the lease and whatever taxes for the area that you're in. And that's how these payments are calculated. But to your point, you start out again with the selling price of the vehicle as your first point in the lease.

Kelsey Soule: [00:29:54] And one thing I want to mention, I grew up with the mentality, Tyler, like your husband, where, like, you need to own your car because then you won't have payments. I wish I would have educated myself more at 23-24 about leases because I had negative equity with a car I couldn't afford instead of just signing up for a lease, knowing what my payments were for a set amount of time, and then getting out of it, like when you get a new car or whatever. It's like yes, you may have a payment, but also if you never intend on keeping your car long enough to pay it off, don't do that.

Tracy Kaiser: [00:30:30] Yeah. No-

Susan Gutierrez: [00:30:31] Absolutely. And the flip side, leases aren't for everybody. People that drive 50 miles each way to work, not a good idea to have a lease because you're going to have mileage limits on that car.

Tracy Kaiser: [00:30:42] And a couple other tidbits on leasing. You know, one of the differences is that, well, first of all, I should go on this one. So, as I look at my phone, here's a buzz. I look at cars very similarly to like how I look at my iPhone. Every year, Apple launches a brand new iPhone with a new feature that I want. In a car, you're not turning it over every year necessarily. People do. You typically lease a car for three years. Or three years, there's new technology, right?

Tracy Kaiser: [00:31:10] Think of Apple CarPlay as we pick on Apple here. The Apple CarPlay is something that is newer in a lot of Toyota vehicles. Three years ago, that wasn't available in as many models. So, I get like gadget envy, I would want to go get the new technology when it becomes available. So, I think leasing is very important in that regard and very valuable in that regard.

Tracy Kaiser: [00:31:32] The other area where I would say that it's valuable or that I think people should know about is when you have your APR rate, your zero percent for 60 months, that's a great rate, zero percent, doesn't cost you, you're not paying any interest on that vehicle. And that's fine. but say you do have an interest rate, so you're paying three percent, and you're going to pay three percent over the life of that loan. Typically, 60 months. On a lease, you have what's called a rent charge factor. And it's called rent charge factor because you're only paying for that portion of the car that you're really using, right.

Tracy Kaiser: [00:32:02] So, it's a great way to just, one, control your payment, especially if you're one that likes new technologies. It's a perfect coupling with that. But you're only paying for the part of the car that you're actually using versus, "Hey, look. You might sign a 60-month contract, but you may only own that car for four years, 48 months out of that, and have a payoff at the end of that," right? So, just some of those things are good to consider before going in.

Kelsey Soule: [00:32:27] All right. So, up to this point, we've mostly talked about purchasing new cars, but we know that people have different budgets and goals and not everyone is looking for the newest model. So, we had to ask Susan and Tracy about used vehicles and the difference between a used vehicle and a certified preowned vehicle.

Tracy Kaiser: [00:32:43] Yeah, that's a really good question. So, certified preowned vehicle is going to be a vehicle that has gone through a rigorous inspection before making it out on the lot. And that's not to say that a traditional used car doesn't have that same rigorous inspection, but with a certified used car, all of the OEM manufacturers have very strict guidelines in which the dealers have to ensure that the vehicle's up to use from a specification, or does it have good brakes, does it have good tires, all of those types of things.

Tracy Kaiser: [00:33:15] And when we do that, this goes in that peace of mind column again. To go with that, we do provide a warranty to go with that vehicle because it has gone through that rigorous inspection. So, if you're going to buy, you're going to pay a little bit more for it. And again, this goes to peace of mind and personal risk tolerance, as Susan puts it. I love that. It goes into your risk tolerance of, "Hey, do I want to pay a little bit extra for the peace of mind, knowing that this vehicle has been through a great inspection, and that it's backed by manufacturer's warranty on the back end of that too, to shore up that inspection?" So, that's really the difference. That's gone through a rigorous inspection, and we support it with a warranty versus a used car is buyer beware, essentially.

Tracy Kaiser: [00:34:01] So, let's talk about TFS for a second. I've taken all the tips from earlier. I've done my homework. I know what car I want. I know my credit score. I know the MSRP of the vehicle. Is there information on getting pre-approved from TFS for a loan? Do I have to go with TFS? Can I come with my own bank or credit union? What's the deal?

Susan Gutierrez: [00:34:23] So, yeah, absolutely, you can get prequalified through TFS through Toyota.com. When you build your vehicle, you can request that preapproval, and that's going to come through TFS because, obviously, we're the partner with Toyota Motor North America as the captive finance company. There are lots of benefits to using TFS. We are extremely customer-centric. You have people that we have helped build this company for many, many years and we're very proud of what we do. We always put our customers first, and we're constantly listening to the customers to figure out how to make our services better. We have the relationship with Toyota, with the manufacturing company, so that we are one team, one Toyota group that comes together, and you really get the backing of Toyota when you get financed with TFS.

Kelsey Soule: [00:35:14] Yeah. And I guess the difference, then, there is because you could go through a bank, any bank that's out there that can finance your car, but they don't have that direct connection to the manufacturer like TFS does.

Susan Gutierrez: [00:35:26] Yeah, absolutely.

Kelsey Soule: [00:35:26] So, I mean, generally, you can think of TFS as a bank, like any other bank that's out there. It's just catered specifically to automotive.

Susan Gutierrez: [00:35:35] No, I absolutely I have to say that you do have choices. A lot of times, any of those incentive offers that you're going to see like the zero percent financing or the 1.9, that's all TFS. You're not going to be able to get that with a regular bank.

Tracy Kaiser: [00:35:48] Yeah. And that was one of the points I was going to bring up is that right there. You can get very competitive rates, but those very best rates, that zero percent, that 1.9, you're not going to get with another lender necessarily. It's possible, but it's not typical. But one of the other things that I would say is really important and one of the things to think about with going with the captive is when the pandemic hit, because we are a full-servicing bank, we were able to step up and do some tremendous things to take care of and look out for our customers, especially on the lease side – list deferrals. We were able to take some liberties, and just defer people's leases, and have some flexibility – is the right word to say – with customers when the pandemic hit.

Tracy Kaiser: [00:36:35] And again, not to say you can't get those things with other banks, but I think that's one of the special things about working with a captive, particularly TFS, is that we are full service. We do have that service center that Susan spoke about earlier that is making outbound phone calls to reach out to you. Not only do we do those referrals during the pandemic, we made outbound phone calls to customers to reach out to them. We had a campaign to touch base with our customers. I don't know that you get that same type of attention with other banks.

Kelsey Soule: [00:37:06] Okay. We talked a lot about how he can save you time and money, but there's something really important that we failed to mention so far.

Tracy Kaiser: [00:37:12] Have fun! And maybe that's just because I'm a car guy, and I've been around the industry my whole life. But when you really think about it, buying a car is the second biggest investment next to buying a house or sending your kids to school that you'll ever make. Have fun with it. Cars are cool. Especially now with all of the technology that's in it, I reference Apple Cardplayer earlier. That's something I personally geek out on because I love plugging my phone in and, boom, there comes my map. But just have fun, enjoy it. It can be stressful. It can take a long time, whether it's a long time on the research end or at the dealership buying the car. Forget about all that. Just have fun, enjoy the car, drive the car, rip it up, have fun. So, that's my advice.

Kelsey Soule: [00:38:00] Rip it up?

Tracy Kaiser: [00:38:00] Not tear it up, but like get after, like, drive the car, have fun with the car. Not truly tear the car up.

Kelsey Soule: [00:38:07] I mean, you're going to spend a lot of time in a car whether you keep it for two years, or ten, or forever. You know, driving takes time. You're going to spend time and you got to love it, so.

Susan Gutierrez: [00:38:16] The car is a member of your family. Both if us named our vehicle.

Tracy Kaiser: [00:38:21] That's right.

Susan Gutierrez: [00:38:21] So, yeah, make sure you love it.

Tyler Litchenberger: [00:38:22] But just make sure you get that tire and wheel coverage that Kelsey didn't. Thanks for listening to Toyota Untold. This is Tyler.

Kelsey Soule: [00:38:29] And this is Kelsey.

Tyler Litchenberger: [00:38:30] And now, you have all the info you need when you walk into that dealership.

Disclaimer: [00:38:37] This podcast is brought to you by Toyota Motor Sales USA Inc., and may not be reproduced or redistributed in whole or in part without prior permission of Toyota. The opinions expressed in this podcast are those of the guest(s) and/or host(s) and do not necessarily reflect the views or opinions of Toyota. Please note that Toyota is not responsible for any errors or the accuracy or timeliness of the content provided. Used with permission. All rights reserved worldwide.