

## Vehicle Pricing FAQ

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### What is a dealer invoice?

A dealer invoice, also called a factory invoice, is the bill from an automaker to a dealer for a vehicle the dealer acquires for the purpose of selling. A genuine dealer invoice always shows the name of the manufacturer, the name of the original dealer who ordered it (name may be different from the dealership that the customer is visiting due to dealer trades/inventory balancing etc.), and the vehicle's identification number, or VIN.

Listed on a dealer invoice are the charges the dealer must pay the manufacturer for a vehicle, and also the suggested prices the manufacturer recommends the dealer charge consumers when selling the car at retail. The manufacturer's charges to the dealer constitute a vehicle's invoice price. The recommended retail prices constitute the Manufacturer's Suggested Retail Price, or MSRP.

### What factors make up the invoice price of a vehicle?

Invoice price is the amount a manufacturer charges a dealership for a new automobile. This sum includes the base price of a vehicle, all options added by the manufacturer, delivery (destination) charges, holdback, regional advertising assessments, and other costs such as fuel added to the tank at the factory. Some invoices even charge for the invoice itself.

### What do the prices listed in MSN Autos include?

Prices listed in MSN Autos reflect the base price of a vehicle plus the price of the options listed. Destination charges are also shown. All other items included on an actual dealer invoice, such as regional advertising and fuel costs, are additional charges. The consumer is also responsible for sales tax, licensing/registration fees and any dealer-installed equipment.

### What is the difference between invoice price and base invoice price?

Base invoice price is the base wholesale charge to the dealer before options, preferred equipment packages, destination charges, etc. are added.

### Is invoice price the same as dealer cost?

No, invoice price is different from dealer cost. The latter is comprised of invoice price plus additional expenses associated with selling the vehicle. These added costs include interest ("flooring charges") the dealer pays to finance the purchase of a vehicle from the manufacturer, vehicle insurance, sales commissions, dealer advertising and other business-related costs. The longer a car remains unsold on a dealer's lot or in a showroom, the greater the dealer cost for a vehicle becomes. However, a vehicle's invoice price does not change.

### What is destination charge?

Delivery, or destination charge, is the amount a manufacturer charges a dealer to deliver a new vehicle from the factory. The charge varies between manufacturers and sometimes even between models of a similar make. MSN Autos publishes destination charges in a number of places including the MSN Autos Vehicle Pricing Reports, the Auto-Pricer and the pricing area of all new vehicle information pages.

### Can I save destination charges if I pick up the car closer to the factory?

In most cases the destination charge for a given vehicle is the same to any point in the entire country, whether the car has to travel across town to a dealer in Detroit, or across the continent to a dealer in Los Angeles. And because it is a fixed, unavoidable cost to a dealer, destination charges seldom can be negotiated.

### What is dealer holdback and what is it for?

Holdback is an amount (typically 1 to 3 percent of the MSRP) a manufacturer sets aside from a sale and keeps in an account for the dealer. The amount is built into the invoice price, but periodically—usually every three months—accumulated holdback amounts from vehicles sold during the interval are paid back to the dealer. So holdback, in essence, acts as a dealer discount—a refund from the manufacturer that in the end lowers a vehicle's invoice price. The official purpose of holdback is to ensure that dealers have enough money on hand during the year to pay taxes and other ongoing overhead charges.

### Can holdback be used in the negotiation process? Should it be used?

The amount is seldom brought to the bargaining table, but by knowing the holdback a dealer receives on a vehicle, a customer negotiating a purchase price can better gauge a fair profit to be incorporated in the sale. Holdback is not normally considered sales profit by the dealer. Most dealers must use it to help offset their overhead expenses.

### Why do I have to pay for regional advertising?

Advertising fees are charged to dealers by regional dealership administrations underwriting area advertising campaigns. For example, when an ad contains a phrase like "Brought to you by your friendly Northwest Dodge Dealers", all the dealers benefiting from that ad are billed to help pay for it. Advertising fees vary from region to region. Because they are unavoidable for a dealer they are seldom negotiable.

### Is there a difference between regional advertising and dealer advertising?

Regional advertising is normally an unavoidable part of the cost of a vehicle. Dealer advertising, however, is what the dealers spend locally to promote themselves individually. This is a cost of doing business for the dealership and should not have any bearing on what the customer pays for a vehicle.

**Can a dealer ask a price higher than MSRP?**

The Manufacturer's Suggested Retail Price (MSRP) is a vehicle's retail selling price as recommended by the manufacturer. Dealer profit is built into every item; as a result, all elements of MSRP are negotiable.

A dealer may add an additional markup to the MSRP. The extra amount appears on the dealer's price sticker normally referred to the "side sticker" or "dealer addendum" (not on the manufacturers window sticker called the Monroney label) and may be termed a "marketing adjustment" or "additional dealer mark-up," etc. Such added markup amounts can range from a few hundred to several thousand dollars, depending entirely upon consumer demand, product availability and what the market will bear for a specific model. To learn whether a vehicle carries an additional dealer mark-up, ask that each item on the dealer's price sticker be identified and explained in full.

**What's the difference between a customer rebate and a dealer incentive?**

When the supply of vehicles is greater than demand, a manufacturer may offer price reductions in the form of rebates or incentives to help dealers sell them.

Rebates are refunds made to customers by the manufacturer. Typically, a customer can choose to have the rebate amount mailed to him or her after the purchase, or the rebate can be signed over to the dealer and immediately deducted from the purchase price of a new vehicle. However, sales tax still applies to the full price of a vehicle, not the price after the rebate has been deducted.

Incentives are rebates made to dealers. It is up to the dealer whether or not to apply the amount to a vehicle's purchase price. Unlike a sale involving a customer rebate, sales tax on a vehicle whose purchase price is reduced by a dealer incentive is calculated on the price after the deduction is made. Because incentives to dealers are not advertised, few customers know their amounts when vehicle shopping. MSN Autos publishes current dealer incentives for all models for which figures are available.

**What are preferred equipment packages? Do all cars have them or can I order a car without a package?**

Preferred equipment packages (also known as "value equipment" or "popular equipment" packages) are different from trim level packages. A trim level package such as GT, XLT, Eddie Bauer, Limited, etc. may offer two or more preferred equipment packages to choose from. These preferred packages normally include equipment such as power windows and locks, air conditioning and stereos bundled in different groups to appeal to different buyers, and they usually offer savings over ordering the items individually. Most manufacturers require a preferred equipment package to be designated when the dealer orders a vehicle from the factory, so it is likely that a car on a franchise dealer's lot will contain some type of preferred equipment package.

**How do regional manufacturer discounts work?**

Manufacturers will take regional preferences into account when developing consumer incentives to help sell more vehicles. For example, a manufacturer may offer an incentive of free air conditioning for models sold in the southwest, while possibly offering a free automatic transmission for the same model sold in the northwest. The incentives are normally shown as discounts or adjustments to the price of a vehicle and can either appear on the manufacturer's side sticker or, if part of a shorter-term promotional push, will be offered to the consumer similar to a rebate.

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