

HOW TO CRACK A DEALER COST CODE

Now that you know how to save money on cars, can any of that information be used to save money on appliances, furniture and electronics? When you walk into a shop that sells furniture, electronics, appliances, or other major items, the sales force is often paid on a commission basis, either a flat percentage of whatever he or she sells, or rarely, on a basis like a car salesperson, a larger percentage, say, 20 – 30 per cent, of the gross profit to the dealership. Especially in the latter case, but often in the former as well, the salesperson has some leeway in pricing the object, as long as the store makes a profit, or perhaps, a profit greater than x per cent. When I was selling televisions, I had very little leeway, other than being able to throw in an antenna installation in order to make a sale. Of course, nowadays, the salesperson probably has a deal with a cable company or satellite company or internet TV provider, so that they get paid a commission for whatever provider he can sell you on, as well as the TV. If the salesperson asks you to make an offer, that is a clear indication they can sell you the item at any price they want to, as long as there is a profit. In any case, the salesperson needs to be able to very quickly determine the cost, so that the minimum sales price can be determined, to be sure they don't sell you anything below that number, for which the salesperson could be fired. There is often a cost code right on the price ticket, but not obviously so. That is, it won't be marked "this is what this piece of crap cost the store." But if you know that it is there, you can frequently look at the ticket and determine what the cost price is. It can appear either as actual numbers, or as letters. The numbers can include cents, or just round the cost up to the nearest dollar. If it is letters, there is a particular link as to what number each letter actually represents. That link is usually a 10-letter word or phrase with no repeat letters in it. One that we used when I first encountered this was "Winterlock." It could even be two words, in which case you might be surprised at the order. "BlackWhite" is a possibility, but it could also be "WhiteBlack" and you might find it hard to tell the difference. I once called on a motorcycle shop which used "BlackWhite" as his cost code. He might, though they don't usually, since they don't want to make it difficult on the salesperson, reverse the order on different objects to make it even more difficult for the customer to crack it. It should be obvious to the salesperson which order is in use on any given item, because he or she understands roughly what the item cost, so the first digit will tell them which word comes first. Another popular one is "QuickProfit," which has 11 letters but the second "i" is right next to the end, so it is fairly easy to ignore. A liquor store might use something like "Stolichnaya" with the second "a" ignored, which is fairly easy when it comes as the last letter in the word or phrase. But in any event, the first letter represents 1, the second letter represents 2, and so on. Given the word "Winterlock" that I referred to above, if the unit cost us \$579.63, we could have had a cost code of ELCRN (with or without a period as the decimal point), or rounded to EOK. We had a second word that we used in that store also, with a totally different set of letters, which would also make it more difficult for the customer to crack it. But if they have just one word or phrase, it should be fairly easy to crack it. I once spotted letters on a small appliance and furniture

store's price tags, and I told the owner that I was going to crack his cost code. He told me that it was an old family surname, and he did not think I was going to be able to crack it. I came back to him about 15 minutes later, and told him that it was "Kelvinator," an old appliance manufacturer, already out of business at that time. He was shocked that I could figure it out.

Cracking this type of cost code, assuming that they don't use more than one combination of letters, is not all that difficult. Profit on these items is usually 20 to 50 per cent, with 40 being almost universally common. That means that the dealer pays 40% off the retail price, not the selling price. If the "discount" is in the area of 20%, which is common, the cost should be in the area of 25% off of the selling price. When you stack discounts, the second discount comes off the first discounted price, not retail, so in this case, a 20% discount plus a 25% discount adds up to a total discount from retail of 40%, not 45%. So you write down all of the different letters you find on the price tags, and then look at the prices. Find an item with a three-digit cost code (or five if they are using cents too, but they usually don't do that, again, for simplicity in the sales person's calculations) that sells for more than \$100, but less than \$200. That first letter thus represents a 1. Next look for something over \$100, but with a two-digit cost code. The lowest cost item that fit those conditions would normally have a first digit that represents a 6, at 40% profit or a 7, at 25% profit. The highest cost item in that range would have a first digit that represents a 9, and the 7 and 8 should be pretty easy to place, based on the prices of the items with those letters. Then you look for an item over \$200, with a different first letter, and that should be your 2. Remember, the cost of a \$300 item at 40% profit is \$180, so the lowest cost item with a first letter representing 2 should be actually at least \$325 as the retail price or \$260 at a 20% discount. Then you look for an item at about \$500, more or less, with yet a different first letter, and that should be the 3. Remember the cost of a \$500 item at 40% profit, is right at \$300. That item would have a selling price of \$400 at a 20% discount, and 25% off that would again be \$300. Then you should look at an item for about \$700 at retail (\$560 with a 20% discount), with a different first letter, and that should be the 4. Your remaining letter should represent the 5. Put the letters together in that order, and you should have a word that is very close to a recognizable word or phrase, with perhaps one or two letters out of order. With the out-of-order letters corrected, that would be your cost code. It could also be an 11-letter word or phrase, with the second repeat letter ignored. That's not as common, but it is possible. They could even ignore the first repeated letter, but that again is unlikely, since it makes the salesperson's job that much tougher, and they want to avoid that insofar as possible. They want to keep it easy enough so that the salesperson doesn't get confused. You don't want the salesperson counting on his fingers in front of the customer!

The letters could be part of the dealer's own item number, or they could be a standalone item, and in either case, there could be miscellaneous letters in front of or behind the price code, again to make it more difficult to decipher. The salesperson already knows what letters are in the cost code, and might be trained to ignore all other letters. Or they might be in a particular pattern, with the first four or the last four not being part of the code, or whatever. The cost code could also be backwards, though that is again not common, because you don't want to

confuse the salesperson. But if you look at enough tickets, see if you can find a pattern which would put such a figure on the ticket. If so, you can now figure the dealer's cost on any item in the store—and you might find a special purchase where the dealer is making more than the normal profit, and has more room for negotiation.

If they are numbers, again, they might or might not include the cents figures. If there is a decimal point (period) two digits from the left end, that would indicate that the numbers were reversed as long as the cost would reasonably be more than two digits. Again, using the 40% profit, calculate 60% of the retail price, or perhaps up to 80% of the selling price, and see if the numbers in the dealer's own item number, bear any resemblance to what you came up with. Again, there could be random numbers in front or behind, but other than a string of zeroes, that is probably unlikely. If it says this is an item number, however, there could be a series of numbers that actually represent the item in the dealer's computer, and these would be part of a larger number, usually with a fixed number of digits, and the cost code would start at a given point within that number. The camera dealer referred to earlier used his code as part of a much longer number which included the date the item came into the store. He also put the numbers backwards, with a couple of letters in the middle for confusion, so a price code of 00CC001 would mean that the item cost the store \$100.00. If it is a stand-alone number, it is more likely to have other numbers before, and/or after the actual cost code, but not always. There is unlikely to be a period or decimal point in there, but if there is, that could be a clue as to which numbers you are looking for. Numerical cost codes are much more difficult to decipher, since they could use any formula. They might say add or subtract 5 from each number, for instance, so that one through five actually represent six through zero (ten) and vice-versa. But if you look at enough tags, and calculate cost as 40% off retail, or 25% off a discounted selling price, you should be able to come up with an idea of how they coded their cost into the ticket. It's not rocket science, but they don't want you to know that it is there, or how to decode it.... Anyone who knows what the item cost you has an advantage during negotiation, and the dealer does not want to be negotiating with a customer who knows his cost.

Note that not all stores do this, but most stores that allow the salesperson to negotiate the price, do have the cost coded on the price tag. You just have to look for it, and when you see something that looks like it could represent the cost, see if the same thing appears on most of their price tags, and if the same set of rules can be formulated to make the cost appear correct. Once you have that, you may find certain items that have an unusually low cost. These will be items the store purchased at a clearance, and is continuing to sell at full retail, or nearly so, in order to make a huge profit. When I was selling motorcycle parts and accessories, we had a closeout on a Chinese made HJC helmet that they were discontinuing. Retail was \$100 each, and we paid about \$20 each. We sold most of them at full retail, and then closed the last few out at about \$60 each (limited to sizes and colors on hand), for a huge profit! When I owned a computer store, I bought some VESA Local Bus IDE cards and video cards, for about \$1.50 each for the IDE cards, and \$2 each for the video cards. I bought ten of each, and then sold them for about \$20 and \$30 each, about 15 times what I paid for them. I had the only VLB

cards in stock in the whole town, and I did a brisk business at a huge profit. Find something like that, and especially if they have a lot in stock, they might give you a good deal on them. I knew I would never sell all of those cards, but I knew that if someone brought in a computer for repair, I would have the parts, and would be able to fix computers that nobody else could fix, and score on the labor as well, and since I owned the whole stack for free after I sold the first one, that was not a problem!

How low can you go? I used to buy all of my photography equipment from a small store at 5% over dealer cost. It was a quick turnover for the dealer, and he used my orders to pad out his own stock orders in order to obtain free shipping. Most appliances and electronics are floor-planned, so the dealer has costs associated with keeping them in stock. He wants to turn them over as rapidly as possible. He might not go for 5%, but he ought to let it go for 10% over cost, especially if he had to work like hell to get you up that high. At some point in the negotiation, you might say something like “Well, I like this refrigerator, but I know it only cost you \$640, and I simply will not pay over \$700 for it.” That should throw him off his guard....

Once you know the dealer’s cost you can negotiate based on the information in Jay’s book, **HOW TO BUY A CAR WITHOUT LOSING YOUR SHIRT**, which is available on Amazon either as a Kindle book, or as a paperback book. The paperback may be available in local stores, as well. The Kindle version can be found at <https://www.amazon.com/dp/B019EP49XU> and there may be links from there for the paperback version, or you can find it at createspace.com