



CAR DEALS GUIDE

# Finding a good deal when buying a car

**Purchase channel: Auto auctions**



# Auto auctions

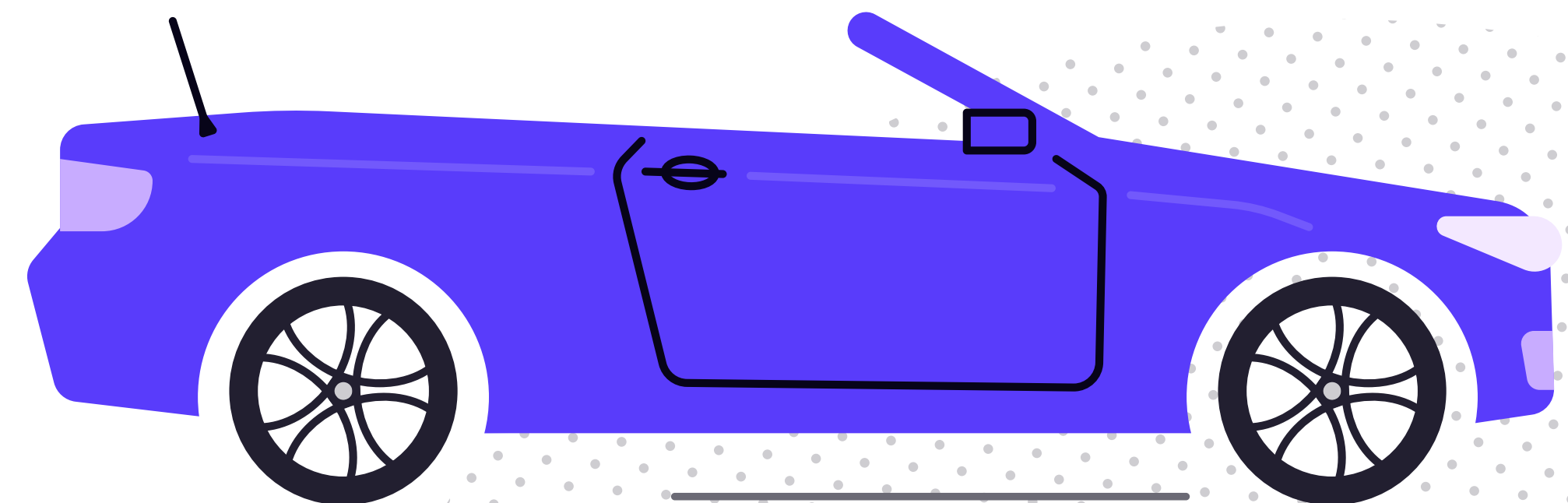
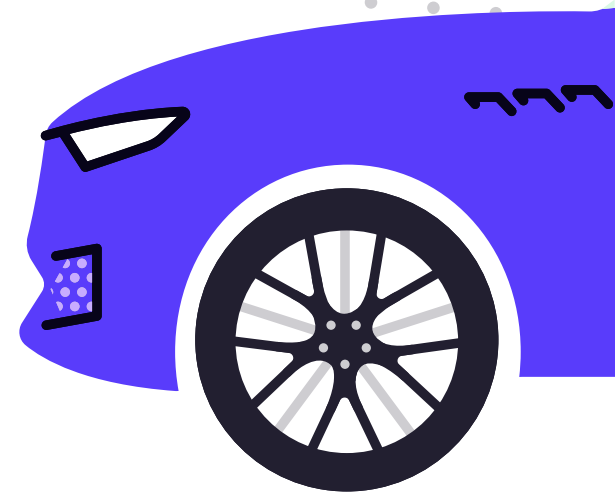
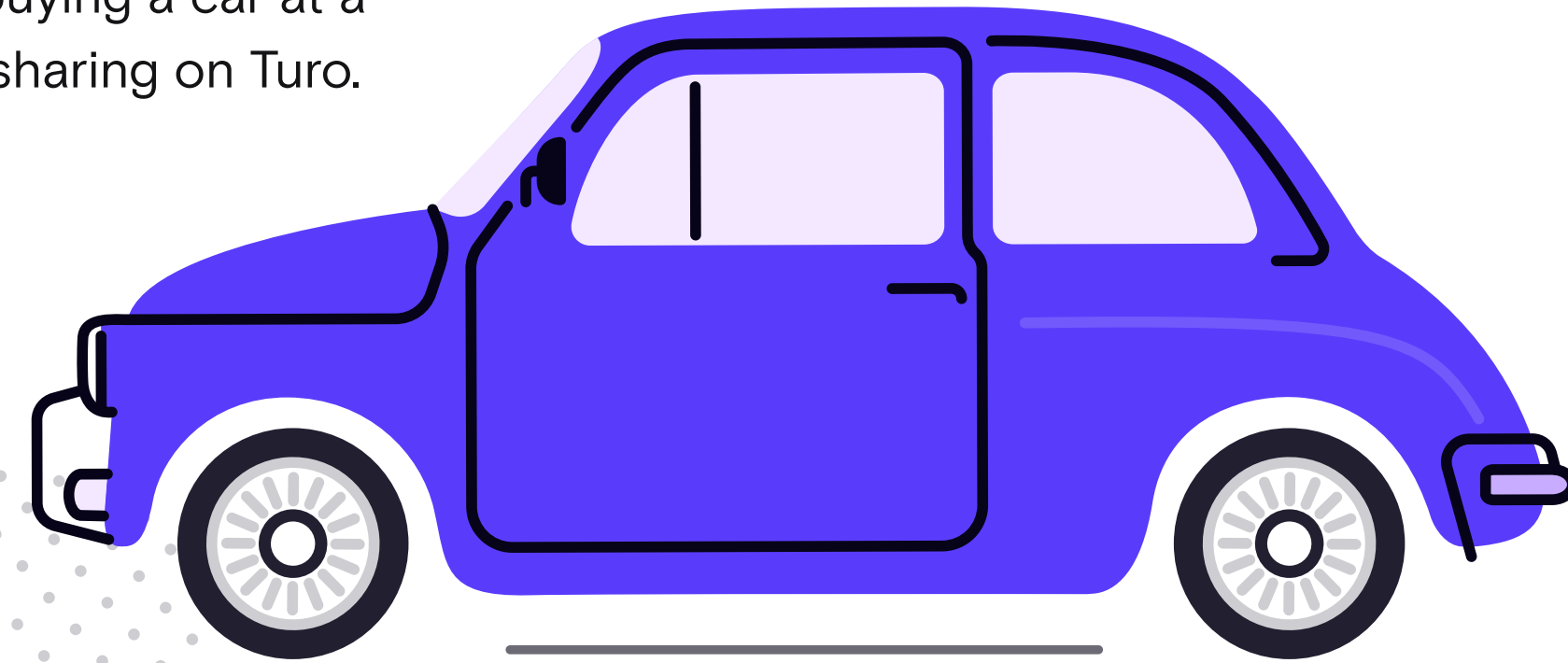
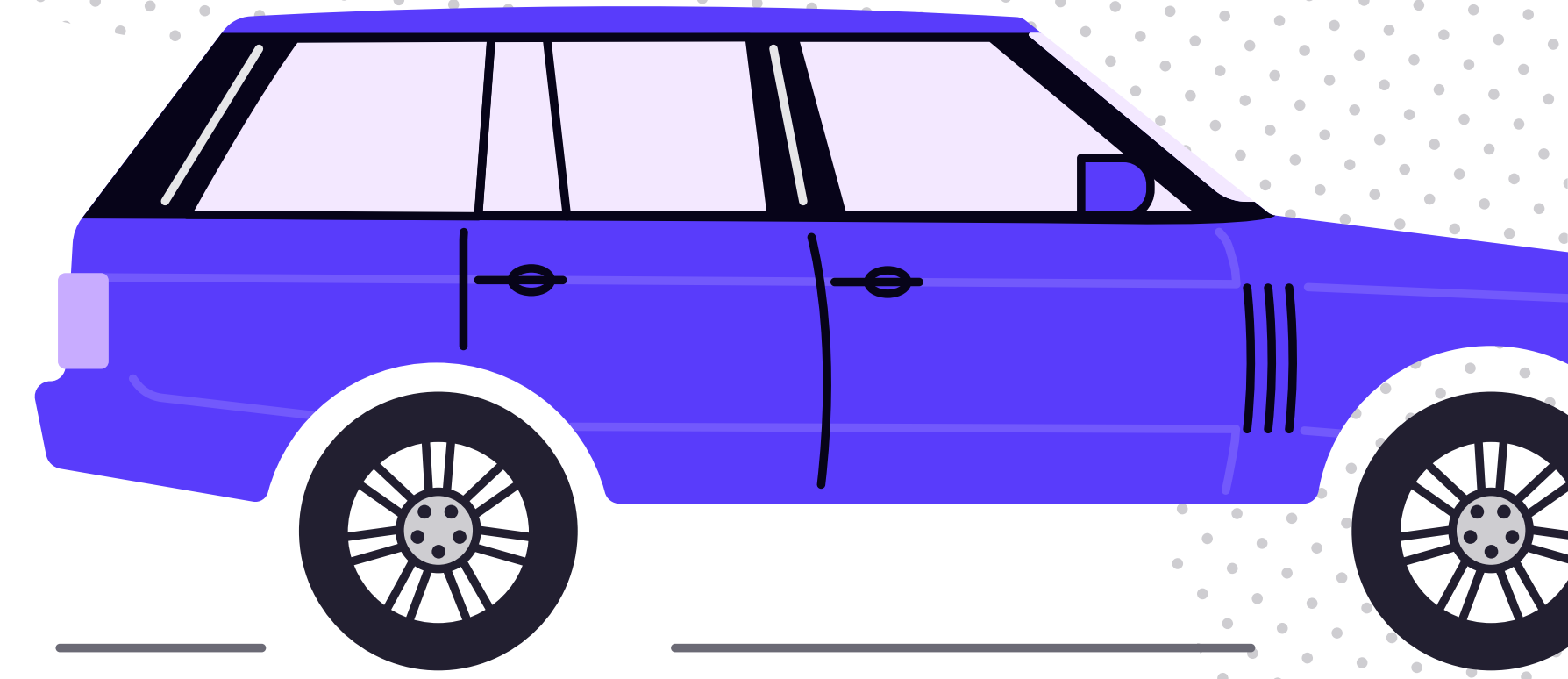
When buying a car, auto auctions, and specifically, dealer-only auctions, offer outstanding opportunities to find deep discounts on the widest selection of vehicles in the market, but have steep barriers to entry.

Experienced hosts with access to a broker and mechanic can find amazing deals, and buying a car at a discount is one of the most important factors to get a return on your investment when sharing on Turo. But beware, auctions are not for the faint of heart.

In this guide, you'll learn about the impact of a discount of three-year gross profit, the different types of auto auctions, the pros and cons of each type, and best practices for navigating this complex landscape.

Created September 2020

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## THE IMPACT OF A GOOD DISCOUNT

# The depth of discount can have a substantial impact on 3-year ROI

Getting a discount on the initial price paid for a car is one of the most important factors in becoming profitable as a Turo host. Hosts who purchase at a discount often see stronger profit margins over a three-year period.

**Auto auctions offer outstanding opportunities for experienced, connected car buyers to get deep discounts and access to a wide variety of cars. Auctions are also the most complex car buying channel, and should only be considered by hosts with access to a broker and a mechanic.**



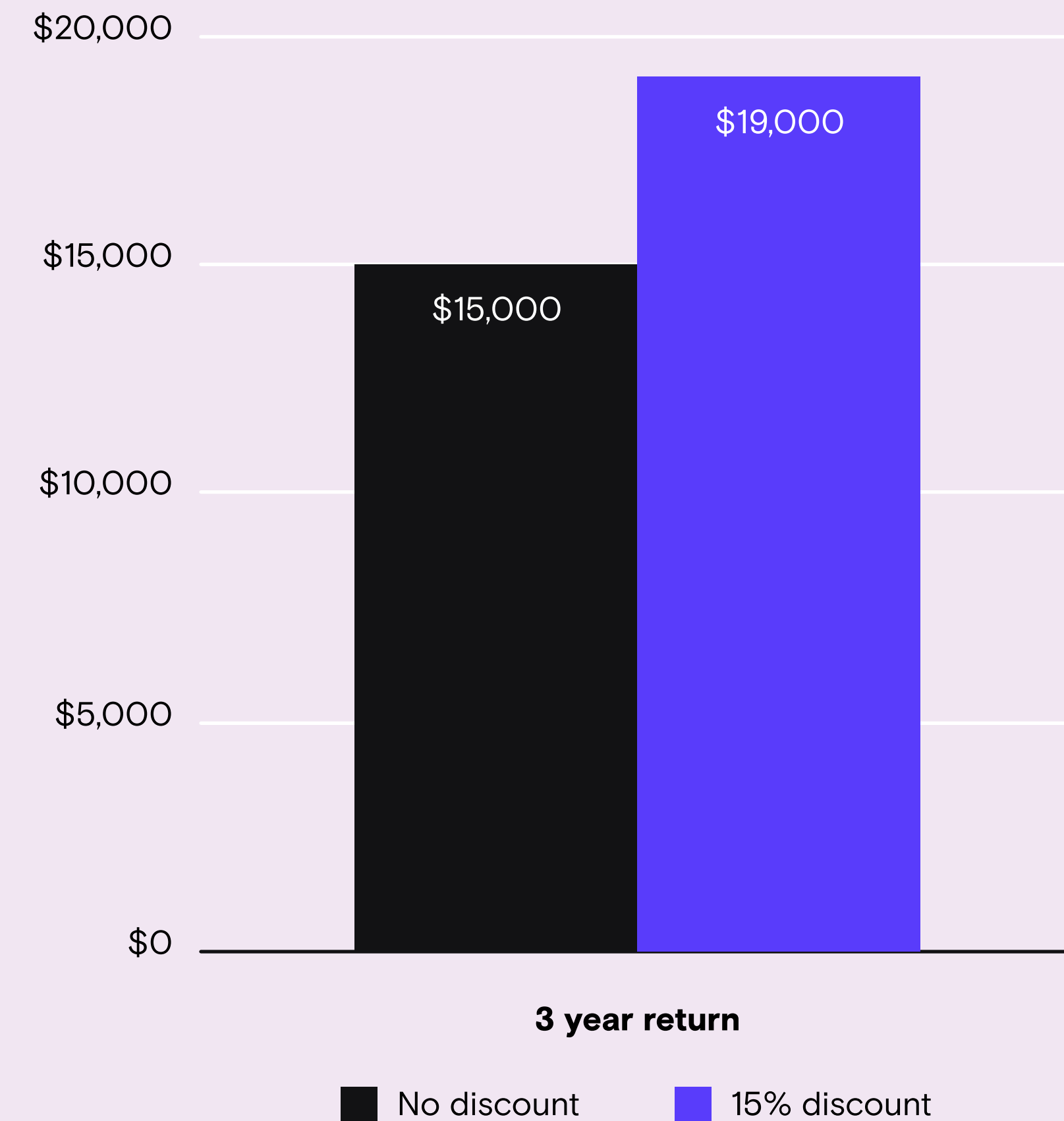
### Example A:

Host purchases a vehicle for roughly \$26,000 with no or with very little discount. After sharing the car on Turo for three years and selling the vehicle, the host earns roughly \$15,000.\*

### Example B:

Host purchases the same vehicle with a 15% discount. After sharing the car on Turo for three years and then selling the vehicle, the host earns roughly \$19,000.\*

\* Actual figures may vary, estimated based 74% utilization rate with a 2019 Toyota RAV4 in the Los Angeles market, and rounded to the nearest thousand. See the sample balance sheet in the appendix for more on the methodology.



## CHANNEL LANDSCAPE

# Ways to purchase a vehicle

## Dealerships

Retailers of new or used cars based on contract with a manufacturer or subsidiary

Licensed dealerships

Certified pre-owned dealerships

Used car dealerships (non CPO)

## Online marketplaces

Online platforms that connect buyers and vehicle dealers

Used car aggregators  
(highest potential ROI)

New car aggregators

## Online classifieds

Online platforms that connect buyers and personal sellers

Personal listing websites  
(highest potential ROI)

## Vehicle auctions

Auction houses that offer below market rate for qualified participants

Dealer-only auctions  
(highest potential ROI)

Open-to-public auctions

Police & towing garage auctions

# Auto auction overview

## Dealer-only auctions

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With the highest barrier to entry, dealer-only auctions are geared towards dealers, so you need a dealer license or a broker with a dealer license to access these auctions.

## Police & towing garage auctions

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Police auctions sell impounded vehicles with questionable histories. It is possible to find a needle in a haystack (for instance, seized, high-value vehicles that were offered up as collateral by a defendant with no liquid assets), but these auctions are not recommended for Turo hosts, as many of these vehicles have branded or salvage titles, which are prohibited from being shared on the marketplace.

## Open-to-public auctions

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Public auctions offer up the leftover inventory from dealer-only auctions, but still require access to a broker and a mechanic.



### Proceed with caution

Auctions are highly complex purchase channels and should only be pursued by savvy, experienced, and properly connected hosts.



### Check the title & mileage!

Make sure to buy only vehicles with a clean title, as vehicles with salvage or branded titles are not allowed on Turo. Also check the mileage before purchasing — if it's already clocked more than 130,000 miles, you won't be able to share it on Turo per the terms of service.

## PROS &amp; CONS

# Weigh your options

## Auto auctions



While auctions are highly complex and have high barriers to entry, they can provide some of the most notable deals available. Auctions are excellent options for savvy hosts who have access to a broker and a mechanic who can validate the vehicle value before committing to the purchase.

**Anticipated purchase price discount: ~35+% off MSRP**

### Pros

- Lowest average sale price and deepest discounts
- Extraordinary vehicle selection
- Can buy multiple vehicles in a single day

### Cons

- Requires daily searching across multiple sites
- High access barriers for dealer-only and public auctions; high potential for quality issues with vehicles bought at police auctions
- Broker & mechanic are required to ensure safe purchase

## AUCTION DEEP DIVE

### Before you consider auctions...

- Do you have access to a dealer's license or an auction broker?
- Do you have access to a mechanic who can attend the auction?
- If you can answer "Yes" to both questions, then auctions are an option for you.



## Auction best practices

- Compile a list of cars you want to buy and compare it with the daily auction inventory — inventory changes quickly.
- Look up the prices of all the cars on your list on used car aggregators (e.g. cars.com), and subtract 45% to find your target price.
- Consider only shopping for reliable makes and models to get the highest return on investment.
- Avoid auctions in places with heavy snow or flooding seasons. Flood and snow damage is tough to screen for during limited auction inspection times, and can be very costly to repair.
- Hide your auction number in your booklet — don't pin it to your shirt (to avoid accidental bidding).
- Bring your broker and mechanic to each auction; they should be able to determine the quality and caliber of the vehicle within minutes and provide purchasing guidance.

## APPENDIX

# Sample balance sheet

See the following balance sheet to understand the calculation behind the estimated impact of a discount on the initial price paid on three-year Turo host profit.

	<b>Host 1 (no discount)</b>	<b>Host 2 (15% discount)</b>
Vehicle:	2019 Toyota RAV4	2019 Toyota RAV4
Market area:	Los Angeles, CA	Los Angeles, CA
<b>Vehicle MSRP:</b>	<b>\$25,950</b>	<b>\$25,950</b>
<b>Vehicle discount:</b>	<b>0%</b>	<b>15%</b>
Vehicle purchase price:	-\$25,950	-\$22,058
3-year vehicle earnings on Turo:	\$25,987	\$25,987
3-year vehicle operational costs:	-\$4,784	-\$4,784
3-year vehicle resale price:	\$20,348	\$20,348
<b>Estimated 3-year host profit:</b>	<b>\$15,601</b>	<b>\$19,493</b>