



CAR DEALS GUIDE

Finding a good deal when buying a car

Purchase channel: Dealerships



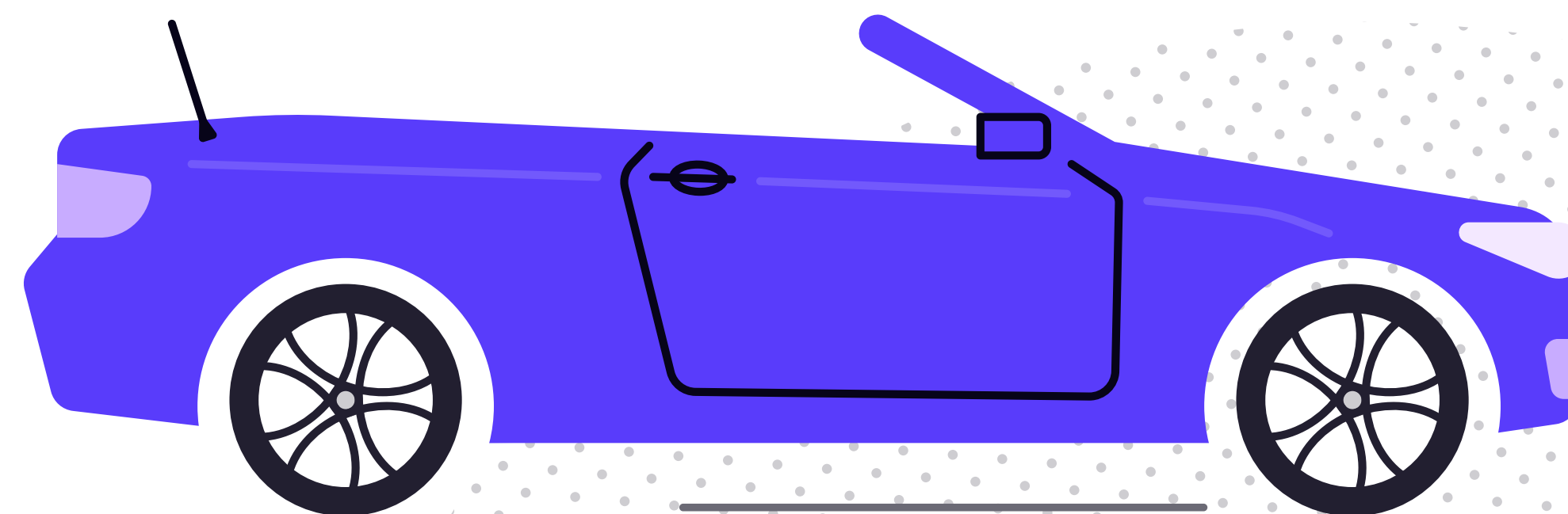
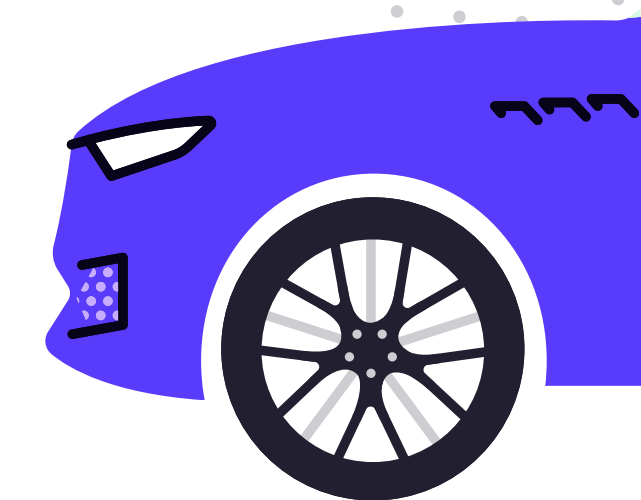
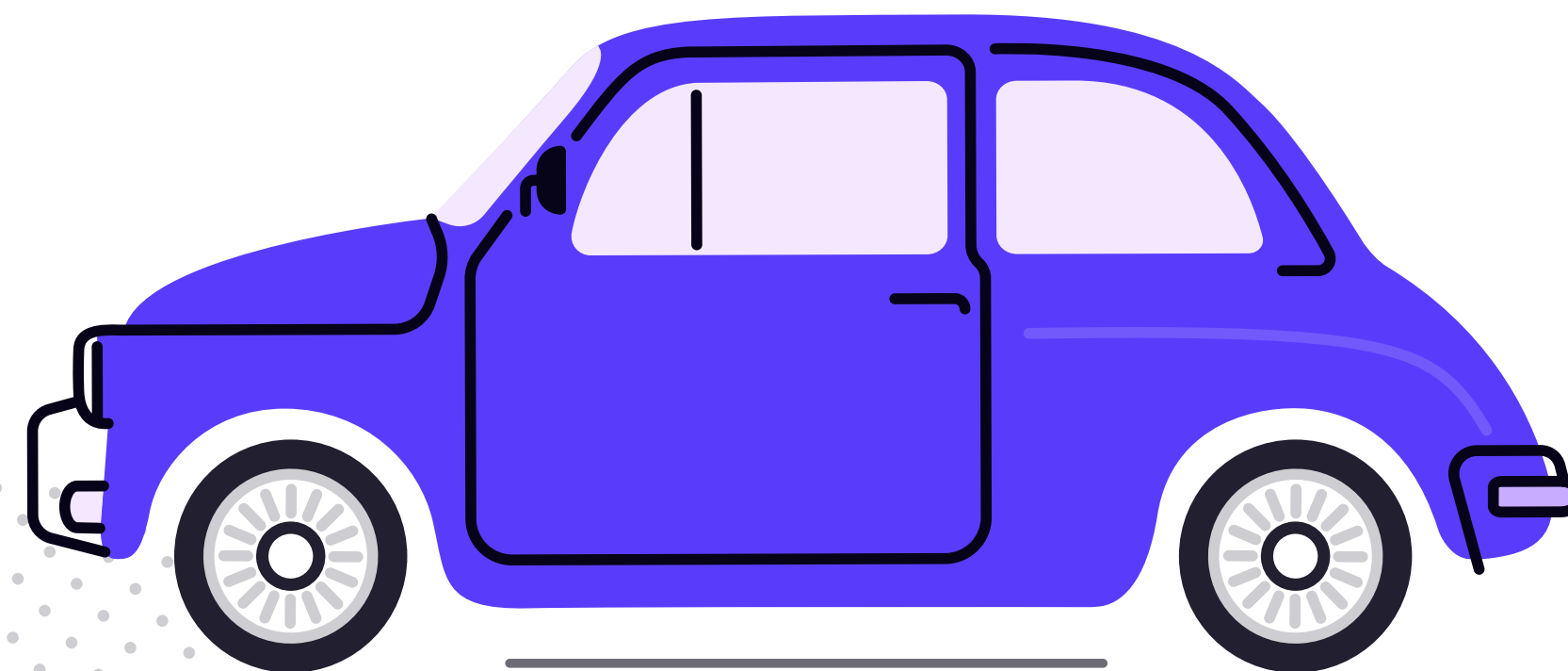
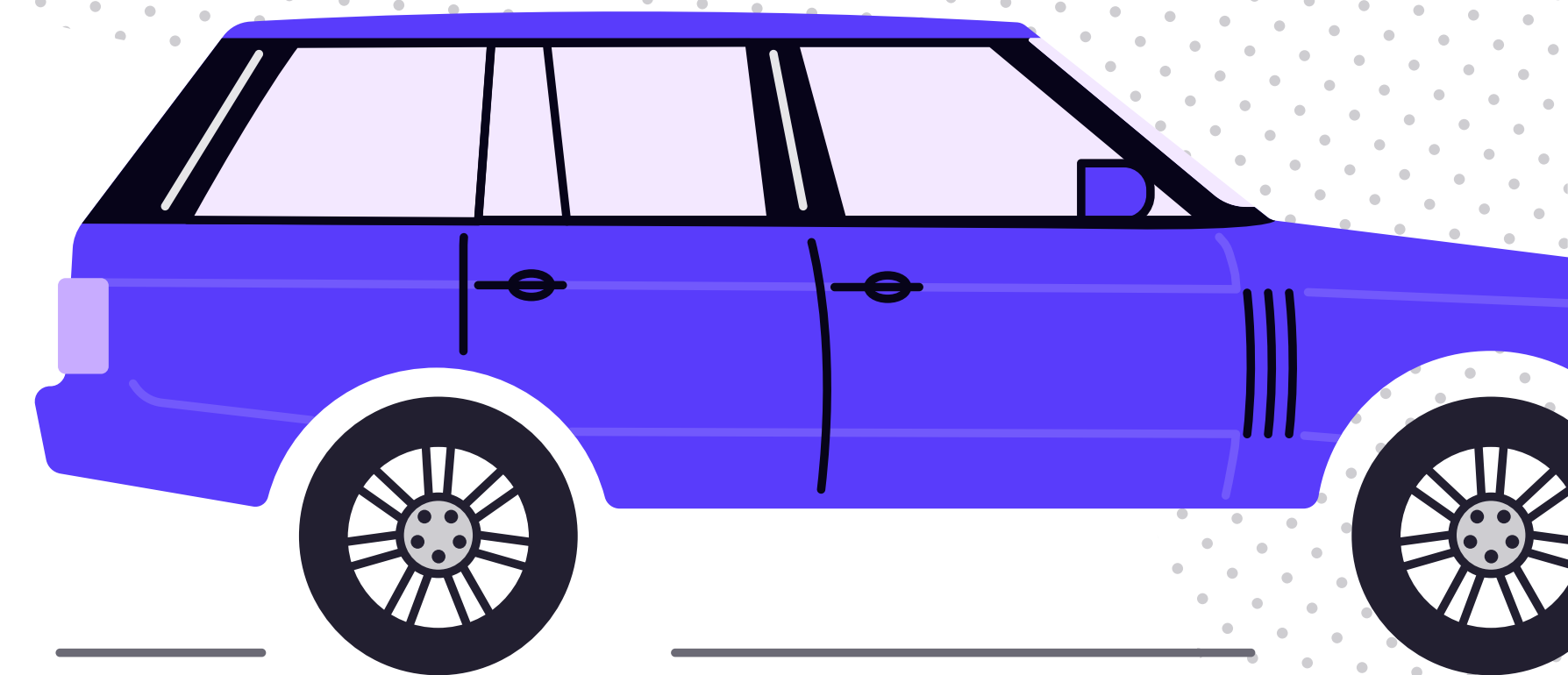
Dealerships

When buying a car, dealerships are the easiest, most straightforward channel to navigate, but also frequently yield the shallowest potential discount opportunities. Buying a car at a discount is one of the most important factors to get a return on your investment when sharing the car on Turo.

In this guide, you'll learn about the impact of a discount on three-year gross profit, the different types of dealerships, the pros and cons of each, and best practices for negotiating the best price.

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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.

Dealerships, while the most approachable and traditional of car buying channels, yield the slimmest opportunity for a discount and are not recommended for hosts looking to become profitable sharing their car on Turo.

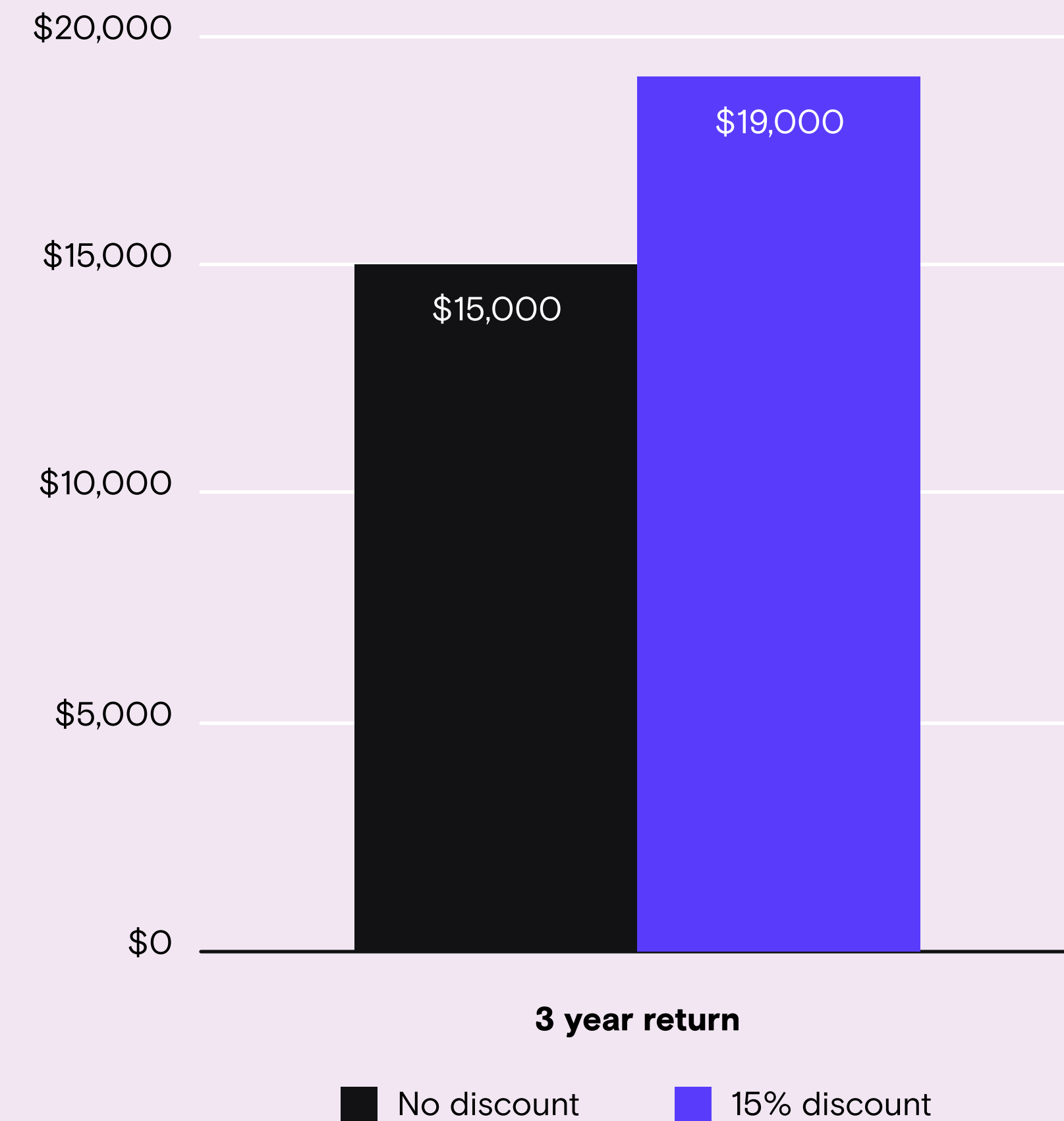
Example A:

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

Dealerships overview

Licensed dealerships

The easiest, most approachable channel for buying a vehicle, licensed dealerships typically sell cars for full manufacturer suggested retail price (MSRP). To get any sort of discount, the buyer would need to negotiate.

Certified pre-owned (CPO) dealerships

Sometimes located on the same lot as a licensed dealership, CPO dealerships typically have newer model-year inventory that comes with warranty (the industry average is a 7-year, 100,000-mile warranty). Similar to licensed dealerships, the buyer would need to negotiate to get a discount.

Used car dealerships

Used car dealerships are non-manufacturer-licensed dealerships that sell used vehicles, often at deeper discounts than CPO dealerships. There are national used car chains such as CarMax, and local used car dealers in most large metro areas. Unlike CPO dealerships, however, vehicles bought from used car dealers typically don't come with a CPO warranty, and thus should be more rigorously inspected.



Look out for depreciation!

Keep in mind! Buying a car brand new means you'll take the highest depreciation hit, so consider used options to get a higher return on your investment. In many cases, a one- or two-year-old vehicle (in great condition) will earn similar daily rates on Turo, while saving 10% to 20% in purchase price and improving a host's three year return on investment significantly.



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 & CONS

Weigh your options

Licensed dealerships

Not ideal for hosts who want to get the highest return on their vehicle investment. Brand new vehicles lose 20–30% of their value as soon as they leave the lot.* If you want a very new vehicle, consider purchasing a vehicle from the previous model year with extremely low miles to minimize depreciation.

Anticipated purchase price discount: 0% off MSRP

Pros

- Easiest access (dealerships in most main markets)
- Vehicles are brand new, no need for a pre-purchase inspection (PPI)
- Vehicles come with warranty (and much lower maintenance cost)

Cons

- Most expensive, paying close to full MSRP (assuming negotiation)
- Financing terms can be prohibitive & difficult to navigate
- Buying brand new means taking the highest depreciation hit
- Need to search through multiple dealer inventory manually (unlike aggregator)

* Source: [Autotrader](#)

Certified pre-owned (CPO) dealerships

An option for hosts with little-to-no mechanical knowledge, no access to a mechanic for a PPI (pre-purchase inspection), and who want to assume the lowest level of risk possible and purchase a vehicle as soon as possible.

Anticipated purchase price discount: ~7+% off MSRP

Pros

- Higher discount rate than purchasing brand new from licensed dealer
- Vehicles are close to brand new, no need for PPI (pre-purchase inspection)
- Vehicles come with warranty (thus lower maintenance cost)

Cons

- Second most expensive option, paying close to full MSRP on vehicle (assuming negotiation)
- Financing terms can be prohibitive & difficult to navigate
- Difficult to find deep discounts
- Need to search through multiple dealer inventory manually (unlike aggregator)

Used car dealerships

A solid option for hosts with a bit of mechanical know-how, access to a mechanic for a pre-purchase inspection (PPI), and who want the ability to choose from hundreds of vehicle options with a short-term purchase horizon (hosts who want to purchase sooner rather than later).

Anticipated purchase price discount: ~11% off MSRP

Pros

- Brick and mortar locations in most major cities
- Multiple makes and models available, with opportunity to comparison shop
- Some vehicles come with warranties

Cons

- Difficult to understand if all dealers in one area are under one owner. If all dealers are indeed owned by a single company, they are less likely to agree to offer discounts due to less in-market competition.
- Need to search through multiple dealer inventory manually (unlike aggregator)
- Mechanical knowledge required to evaluate vehicle

BEST PRACTICES

Tips to get a good deal

- Start the negotiation process at the end of the month (good), quarter (better), or December 31 (best).
- Engage and conduct all negotiations via email. Avoid using the phone. Having everything in writing will help you understand, analyze, and keep track of all the costs and options being presented to you.
- Only go to the dealership in person once you have an agreed-upon out-of-the-door price.
- Ask if loaner vehicles, or prior year inventory (still brand new) are available.
- If financing, acquire loan approval from a credit union or other financial institution before starting your search.
- Check if the manufacturer has a **dealer holdback**, or an artificially inflated sticker price that a dealer pays initially to the manufacturer, but eventually gets reimbursed the markup. The unsuspecting car buyer, however, would pay the markup if they don't do their research and use it as a negotiation tactic.*
- Pit dealerships against one another to start a bidding war (especially at the end of month).

* For more on dealer holdbacks, [here's a helpful article from Edmunds](#).



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.

	Host 1 (no discount)	Host 2 (15% discount)
Vehicle:	2019 Toyota RAV4	2019 Toyota RAV4
Market area:	Los Angeles, CA	Los Angeles, CA
Vehicle MSRP:	\$25,950	\$25,950
Vehicle discount:	0%	15%
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
Estimated 3-year host profit:	\$15,601	\$19,493