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Online Rental Markets Are Thriving

Sites like RelayRides and Airbnb are in the vanguard of rental services for all manner of private property, from automobiles to power saws to spare bedrooms

By Barrett Sheridan

In August, Jessica Derosier and her husband, Moise, drove their 2001 Ford Focus 1,400 miles from West Palm Beach, Fla., to Cambridge, Mass., where Moise was set to begin a graduate program in education at Harvard University. Once classes began, the Focus started gathering dust. "We live very close to the Harvard Square area," says Jessica, who works in the university's admissions office. "My husband and I both walk to where we need to go."

The Derosiers didn't want to ditch the car, which they still use for grocery runs and other occasional trips, but hated paying to park and insure something they used so infrequently. They found a solution in [RelayRides](#), a Cambridge startup that helps car owners rent their vehicles. In November, the Derosiers' first full month using the service, they lent their Focus about 20 times and netted close to \$500—more than enough to cover the costs of upkeep.

RelayRides is in the vanguard of online services bringing the leasing office to the home. [Spride Share](#), [Zilok](#), and [Airbnb](#), to name a few, are creating online rental markets for all manner of private property, from automobiles to power saws to spare bedrooms. While lending goods is nothing new, the Internet presents an opportunity to make markets where none existed before to match renters and lenders who never would have found each other. "We have these goods that are sitting there depreciating," says Judith Chevalier, an economist at Yale's School of Management. "These companies let you wring a little bit of value out of them." And the companies are betting that "little bit of value," when wrung out of thousands or millions of goods, can add up to a big business. "Ebay became a billion-dollar company by monetizing the stuff in your house," says Brian Chesky, co-founder and chief executive officer of Airbnb, which specializes in spare bedrooms, among other places to stay. "How big could you be if you monetize the house?"

A good example of how peer-to-peer rental networks operate is RelayRides. The company is similar to car-sharing programs such as Zipcar, except that RelayRides doesn't own a fleet. Private vehicle owners add their cars to the system by filling out an online form, choosing the hours the car is available, and setting a price. Potential renters log into the RelayRides site and book vehicles at hourly or daily rates. (The Derosiers' Focus goes for \$6 an hour on weekdays; a newer car like a 2008 Toyota Prius costs \$8.) RelayRides handles the insurance, credit-card processing, and installation of a small electronic mechanism that goes inside the wheel well of each car. The device allows renters to unlock autos with a membership card. RelayRides keeps 35 percent of each transaction.

The company is still miniscule: Its Boston-area-only network has about 50 cars and 1,000 renters. There is already competition if RelayRides expands. Spride Shares and [WhipCar](#) operate similar businesses in San Francisco and the U.K., respectively.

The concept of peer-to-peer rentals is well-established for other types of goods. Airbnb has built a network of 50,000 private properties, ranging from spare bedrooms to castles and tree houses, in 10,000 cities around the world. "We're essentially unlocking the doors to all these spaces all over the city," says CEO Chesky. Other sites, such as Zilok and [Share Some Sugar](#), choose not to specialize and let users rent anything they please. At [SnapGoods](#), which launched in New York in July, you can rent an ice cream maker (\$5 a day) or a home pickling kit (\$4). The most popular items are high-end electronics such as iPads (\$20), which people want to test-drive before buying outright. Co-founder and CEO Ron J. Williams says he sees a path to profitability in this try-before-you-buy behavior, and is talking to product manufacturers to sponsor rentals of their own gear. That would supplement revenues from the commissions he plans to charge on other transactions.

Peer-to-peer rental sites generally include a rating system like that used on eBay. RelayRides founder and CEO Shelby Clark says that during the six months he's been in business, he's had to remove only one member—and it was a car owner, not a renter. (The member's car often wasn't where he said it would be, causing headaches for renters.)

There are more formal ways to ensure safety. RelayRides screens aspiring renters by examining their driving records and requires cars to have a recent safety inspection before joining the network. Airbnb offers lenders the option to require a security deposit. SnapGoods users can import their friend lists from Facebook and Twitter and opt only to interact with people in their social network. Although such checks may not be enough to assuage the concerns of every potential member, RelayRides user Derosier says they've worked for her: She hasn't found any scratches or dings on her Focus. "I think one time someone left a piece of paper in the car," she says.

Not everything lends itself to rental markets, of course. It's probably still easier to just buy, say, a screwdriver than to arrange to rent one. Rental sites may narrow in on the bigger-ticket items, like cars and homes, which can yield significant income for renters. (Clark says the average RelayRides car owner makes \$250 a month.) Some in tech think the rise of rental markets signifies nothing less than a historic shift toward a more fluid sense of ownership. "Fifty years of advertising have convinced people that owning stuff is part of their status," says Rachel Botsman, a former marketer and co-author of a recent book on sharing sites called *What's Mine Is Yours: The Rise of Collaborative Consumption*. "Future generations are growing up expressing themselves through digital means. They're thinking of themselves as the 'we' generation."

The bottom line: Online rental sites are letting consumers make money on their dust-gathering cars, tools, and whatever else they don't use much.

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