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Rent your neighbor's ride

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Inside San Francisco's peer-to-peer car sharing experiment



Spend some time on the streets of San Francisco's edgy Mission or South of Market neighborhoods, and you'll probably witness a few unorthodox exchanges.

But on a blustery Thursday night in late March, two San Francisco denizens and a German shepherd met up on South Van Ness Avenue for a new kind of swap.

Technically, they weren't trading anything more exotic than a set of car keys. Angela Prager had agreed to loan Andrew Lee her 2006 Suzuki Reno in exchange for \$29 a day and a promise to have the car back on Monday night, free of cigarette butts and Big Mac wrappers.

What makes Prager and Lee's meeting significant is how they met – the pair connected through [Getaround](#) (<http://www.getaround.com/>), an online service that lets car owners rent their vehicles to other members of the service.

Like many San Franciscans, Lee doesn't own a car. In fact, the 26-year-old founder of a web startup eschews buying stuff as much as possible. "I don't like to have possessions," Lee says. "When I can rent everything, that's best."

And like a lot of other city dwellers, Prager has a car that she rarely uses. Her boyfriend has a car, too. Hers is mainly on hand to ferry around the couple's dog, Macy.

On this particular weekend, Lee wanted to take a trip down the coast. So he went on Getaround, and selected Prager's hatchback based on its price and availability.

San Francisco has emerged as the test bed for new peer-to-peer car sharing services like Getaround, [RelayRides](#) (<http://relayrides.com/>) and [Spride Share](#) (<http://spride.com/>) that hope to turn a profit while reducing the impact of carbon-spewing vehicles by eliminating the need to own one. These startups are betting that there are thousands of people like Prager and Lee in San Francisco, home to a population of techno-savvy, environmentally conscious early adopters already accustomed to sharing on Facebook, Twitter and other social networks born in the Bay Area.

And so Getaround and its competitors are using the city's hilly streets to try out business models that could make borrowing your neighbor's car only slightly more difficult than borrowing a cup of sugar.

But the companies aren't just competing with each other. They're going head-to-head with the idea of what's mine is mine and what's yours is yours, banking on seemingly un-businesslike concepts of trust and sharing, and hoping to create community along with profits.

SHARING VALUES

The idea for Getaround was hatched in 2009. Two of its three founders, Jessica Scorpio and Sam Zaid, were among the inaugural class at Singularity University, a Silicon Valley interdisciplinary postgraduate program aimed at using technology to solve social, environmental and humanitarian problems.

Scorpio has a background in political science and had joined the program to study energy and ecological systems. Zaid, a computer engineer who at 32 has already founded two successful tech startups, was there to focus on artificial intelligence.

Google co-founder Larry Page challenged the class to create projects that would impact one billion people in the next 10 years.

"We felt like an area that doesn't often get considered is our transportation sector," Scorpio, 24, says.

While many companies are focused on revamping transportation through electric vehicles, biofuels and other disruptive technologies, Scorpio and her colleagues wanted to focus on something that could have a more immediate impact.

Getaround's founders decided they wanted to upend conventional ideas about car ownership. Established car sharing companies like Zipcar were a great start, as they saw it. But traditional car sharing has limits, Scorpio says. Companies that own their fleets work well in urban centers and on college campuses, but the business model doesn't export well to the suburbs, less densely populated areas or even smaller cities, according to Scorpio.

Shelby Clark came to a similar conclusion in his own car sharing experience, which inspired him to start RelayRides, a peer-to-peer car sharing startup that was born in Boston and is now headquartered in San Francisco.

Clark turned to car sharing after a cross-country move in 2007. His car broke down, and after dragging his muffler across the state of Nevada, the car struggled across the Bay Bridge, collapsed in San Francisco and never started again. Clark signed up for Zipcar to tide him over until he bought a new car. A year later, he was still car free, and hadn't missed the burdens of ownership. But something was missing.

"All around I was a big fan of car sharing," says the 28-year-old Harvard Business School graduate. "But the idea broke down in practice."

Clark sometimes found it hard to find an available car nearby or on short notice when he needed one. That's because services that own their fleets have high fixed costs, Clark says. By design, in order to be profitable, a fleet car has to be in use as much as possible.

Zipcar, the biggest player U.S. car sharing market, has been around for more than a decade. While the Massachusetts-based company has grown rapidly – it increased its revenues tenfold between 2005 and 2009, when it brought in \$131.2 million – it's also yet turn a profit, according to the company's initial public offering filing.

Those costs of ownership are ones the peer-to-peer startups don't share. The companies, which make their money by taking a cut of each transaction, say they can work alongside Zipcar and other services in big cities, while also driving car sharing beyond downtown.

Getaround and RelayRides are starting to take baby steps outside the city, but both say San Francisco is the ideal place to hone their technology and business models.

"San Francisco is the best city in the world to grow a consumer Internet startup," Clark says. "The willingness to try something new is remarkable."

In that sense, they're following on the heels of what's probably the best-known peer-to-peer sharing startup yet – [Airbnb](http://www.airbnb.com/) (<http://www.airbnb.com/>), which connects travelers with people willing to rent space in their homes. Early this year, the company reached the milestone of one million nights booked through the site.

The peer-to-peer car services also benefit from a California law passed in 2010 that allows vehicle owners to share their cars through a service without jeopardizing their personal auto insurance policies. A similar law is in the works in Oregon.

Since the cars in the peer-to-peer services are people's personal vehicles, there's a much wider range of rides available than there is through a typical car rental or a traditional car sharing service. There's also likely to be personal touches, like random CD collections, or in Prager's case, a little dog hair – call it the fuzzy-dice-in-the-rearview-mirror factor.

Cars range from Toyota Corollas and late- 90s Volkswagen Beetles going for \$5 and \$6 an hour to more exotic cars like a smart fortwo and a bright yellow 2007 Hummer, which rents for \$13 per hour.

For anyone willing to shell out \$50 an hour, Getaround also offers a Tesla Roadster. Getaround administers the rental and keeps the car in a garage in the city, on loan from its owner who wants people to have the experience of driving an electric car.

A NEW MODEL

The San Francisco peer-to-peer car sharing startups share fundamental similarities, namely a community of lenders and borrowers, an online network to connect the two groups and in-car hardware to facilitate rentals. But each takes a slightly different approach.

RelayRides members get a device installed in their car that allows authorized borrowers to access the vehicle. Owners determine the hourly rates and availability for their cars, which are listed on the company's website. Borrowers, meanwhile, make online or over-the-phone reservations for the car of their choice and access vehicles with a keycard.

Another peer-to-peer car startup called Spride Share has launched a pilot with San Francisco's non-profit City CarShare. Approved car owners' vehicles are outfitted with City CarShare's technology, and essentially become part of its fleet.

Getaround owners also set rates and availability, but they must approve each rental request. On the company's website, a borrower can sort through nearby vehicles and make requests to borrow a car, receiving approval and pickup instructions via email or through Getaround's iPhone app. About 10 percent of the cars in Getaround's network are outfitted with a proprietary hardware that allows borrowers to unlock cars with their iPhones. The rest rely on an old-fashioned in-person key handoff.

The face-to-face interaction of the key swap is something Ishmael Riles says he likes about lending his car through Getaround. A web developer who shares a flat with roommates in San Francisco's Mission District, Riles and his 2009 Subaru belong to both Getaround and RelayRides.

Riles was a longtime Zipcar member but bought his car when he got a job that required commuting. Now, with a different job, his car sits idle most of the time – Riles estimates he uses it himself only about once a week.

In the three months since he started his car sharing experiment, he's lent out his car about once a week, and has made about \$600 through both services combined. He's also made a shift in how he thinks about his vehicle.

"It was definitely a change in my attitude towards my car," Riles says. "I went from thinking of it as an expensive thing that loses value to something that can pay for itself."

As someone who identifies himself with sharing culture in general, Riles is eager to support the burgeoning social and business movement of collaborative consumption, which encourages and facilitates the sharing and lending of goods, rather than purchasing. Or, as Clark describes it, trading ownership for access.

From power tools and children's clothes to finance and housing, it's a movement that's taking root in a wide swath of markets.

According to Clark, the global economic crisis has fueled an interest in sharing by making people rethink their purchasing habits and open up to new ways of consuming. Meanwhile, the proliferation of social networks has made people more comfortable with the concept of building trust online, and the technology piece of the equation has become cheaper and easier.

Howard Hartenbaum, a partner at Silicon Valley venture capital firm August Capital became a believer in the collaborative consumption business model as the founding investor of Skype, which taps users' computer processing power.

"It educated me on the power of peer-to-peer business models," Hartenbaum says. "When I see companies now that have something in that realm, it interests me and I take a look."

In late 2010, August Capital, along with Google Ventures, invested \$4.5 million in RelayRides. Getaround has raised seed funding from angel investors as well as Madrona Venture Group and Redpoint Ventures, a venture capital firm focused on early-stage startups, while Spride is backed by founder Sunil Paul's Spring Ventures.

Beyond winning the support of investors, for collaborative consumption startups to turn a profit, they need to build and enable networks of sharers. In that sense, it's less about geography than it is about creating a large group of users.

"Critical mass is one of the most crucial things to achieve in terms of making a profit," says Lauren Anderson, innovation strategist and project manager at CC Lab, a consultancy that advises companies on [launching and scaling collaborative consumption ventures](http://cclab.collaborativeconsumption.com/) (<http://cclab.collaborativeconsumption.com/>).

Its founder, Rachel Botsman, co-wrote the book on collaborative consumption – literally – called ["What's Mine is Yours: The Rise of Collaborative Consumption"](http://www.collaborativeconsumption.com/the-book/) (<http://www.collaborativeconsumption.com/the-book/>) and has become one of the

movement's most vocal boosters.

"It's a natural place to start, in the city," Anderson says, though she adds that the systems' technology makes it easy to roll out wherever there's interest. WhipCar, the British answer to peer-to-peer car sharing, even lists two vehicle available on a remote island off the northern coast of Scotland.

For now, RelayRides' network-building strategy is to start small and take a hyperlocal approach, rather than shooting for rapid growth, Clark says. In San Francisco, it has a few hundred borrowers and a handful of cars and is enrolling about one new car per day. Across its fleet, which includes Boston, it has about 100 cars and 2,000 members.

Getaround hopes to build a pod of regular borrowers for each car. In San Francisco, it has about 1,000 members sharing about 120 cars, and it's starting to move into San Diego, Portland and Seattle.

In the long term, though, Getaround's founders haven't forgotten the challenge by Larry Page that sparked their company in the first place.

"We have pretty hefty goals," Scorpio says. Beyond American cities, Getaround is looking at foreign markets, like India and China, which in 2009 outpaced the United States as the world's largest auto market.

The number of cars on the planet is projected to double in the next decade and Getaround wants to make sure that doesn't happen, Scorpio says, by positioning car sharing as an option from the time people are trying to decide whether to purchase a vehicle.

And while Getaround strives to reduce the number of cars on the road, its founders are also hoping to build trust and connections among its members, something that collaborative consumption advocates say offers benefits beyond having access to your neighbor's wheels.

"There's definitely a deep sense of community that comes out of this," Scorpio says.

COMMENTS



SUBMITTED BY: ANGELA REID (NOT VERIFIED) | DATE: 05/02/11 | TIME: 10:01AM. (LINK) (ARTICLES/2011/05/RENT-YOUR-NEIGHBORS-RIDE#COMMENT-29517)

Great article. Hope this comes to Oregon soon.



SUBMITTED BY: MARK SANCHEZ | DATE: 05/02/11 | TIME: 10:27AM. (LINK) (ARTICLES/2011/05/RENT-YOUR-NEIGHBORS-RIDE#COMMENT-29521)

Neat article about p2p car sharing! Whats great about this is that it works everywhere, not just downtown cities like where you find Zipcar. Like most folks, I used a rental car service before but it does not help out my environment like p2p which focuses on sharing rather than owning. My friend has an atv & wanted to share it with others but didnt know which p2p service could help him do it. He told me about this new company from SF called JustShareIt that helps people share atv's, boats & cars as well. I read about them at <http://www.crunchbase.com/company/justshareit> <http://www.crunchbase.com/company/justshareit>.

Great to know that we have choices to share with others while taking cars off the road. Can't imagine a world with double the amount of cars, wow, what a strain on the planet!

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