Peer-to-Peer Business Models: Good for Some, Not So Good for Others eer-to-Peer business models are hot.The idea was that if you only use a power saw or a high-end camera once or twice a year, why buy one if your next-door neighbor has exactly what you need and would be willing to rent it to you for a modest fee.The failures include BlackJet, a service that matched the owners of private jets with people who wanted a seat on a private jet for a trip, Ridejoy, a car- pooling service, and Neighborrow.com, a service that allowed people to list household items for rent, such as vacuum cleaners, tools, and food mixers.Sam Altman, president of Y Combinator, a start-up accelerator, was quoted in a Wall Street Journal article saying aEURoeWeaEURre bullish on the sharing economy (a catchall term for peer-to-peer businesses), and we'll definitely make more investment in it.aEUR?On the surface, BlackJet, Ridejoy, and Neighborrow.com seem very similar to Airbnb, Uber, and Lyft in that they matched people wanting a particular service with someone willing to offer it. BlackJetaEURs basic premise was that once a person joined the service, s/he could book a seat on a private jet within minutes for a ride to a desired location.The success of Airbnb, Uber, Lyft, and others has captured the attention of investors, who are generally bullish on the peer-to-peer concept.Instead of paying Ridejoy its 10 percent transaction fee for a trip from Portland to San Francisco, for example, the car owner and riders would just exchange cash among each other instead of paying by credit card on RidejoyaEURs website or mobile app.Relying to some degree on smartphone technol- ogyaEURs capabilities, Lyft and Uber match people who need a ride with people who are willing to provide rides.For those seeking rides, BlackJet charged a $2,500 yearly membership fee and up to $4,000 per ride.Anyone can book a first-class seat on an airline and ride in relative luxury, without having to pay a yearly membership fee.Neighborrow.com would let people list household items for rent, such as vacuum cleaners, cameras, tools, and electronics.Airbnb, Uber, and Lyft, three of the most successful firms in the peer-to-peer business model space, are growing and are worth hundreds of millions of dollars.Ridejoy was a carpooling service that focused on connecting people that wanted to share rides for long distances, such as Los Angeles to San Francisco.During its first year, 2011, its user base grew about 30 percent a month, with more than 25,000 drivers signed up and an estimated 10,000 rides completed.Peer-to- peer businesses act as matchmaker between individuals with a service to offer and others who want the service.In addition, it had competition from free alternatives, such as carpooling forums on college web- sites.The site got plently of public- ity when it launched, including a story in USA Today and a spot on NBCaEURs early morning program, the Today Show.The idea was that BlackJet would sign up a large number of owners of private jets, who would let BlackJet know when they were making a trip.In addition, a private jet ride isnaEURt something people need frequently, so BlackJet wasnaEURt an option that was foremost on peopleaEURs minds.said Howard Morgan, co-founder of First Round Capital, in the same Wall Street Journal ar- ticle mentioned above.Further compounding BlackJetaEURs challenge, there are readily available substitutes for BlackJetaEURs service.Lyft and Uber, mentioned earlier, focus on short rides.Ridejoy shut down in the summer of 2013, returning about half of its funding to its investors.Airbnb, for example, matches people who are look- ing for a place to stay (for a day or two or longer) with people who have an extra room that theyaEURre willing to rent.If a seat was open on the jet, it would be made available to a BlackJet member who was looking for a ride to the same destination.Ridejoy experiened early success.But it didnaEURt grow fast enough to satisfy its investors.Also, some riders started cutting Ridejoy out once they got to know one another.In addition, borrowing an item such as a power drill isnaEURt typically an urgent need, so people didnaEURt tend to think aEURoeOh, lAlthough they may have read about the company in USA Today or seen it featured on television, they soon forgot about the service.Neighborrow.com folded in 2011, after a five-year runDespite the promise of the peer-to-peer business model, several high-profile peer-to-peer business have failed.As it turned out, there just werenaEURt enough people willing to pay that stiff of a fee for the service.aEURoeIf you have to reacquire the customer every six months, theyaEURll forget you,aEUR?BlackJet closed in late 2013, after only about a year in service.It also had thousands of people sign up and list their items.What the company eventually found is that people donaEURt like borrowing things.could get that through .Neighborrow.com.aEUR?So, what went wrong?The problem: very few people actually used the service