The Peer-to-Peer Business Model

Idea In Short

Peer-to-peer commerce lets one individual sell directly to another, with a digital platform handling trust, payment and logistics instead of a company owning the product or service. The model took shape after Napster proved in 1999 that people would trade goods, in that case music files, without a retailer standing between them. Decades later, marketplaces such as Turo apply the same logic to cars: owners list idle vehicles, renters book them through an app and the platform earns a cut for verifying identities, processing payments and covering risk with insurance. This article explains how the peer-to-peer model works, why it appeals to both sides of a transaction and how a car-sharing marketplace turns that structure into a working business, using Turo's canvas as an example.

Origins of the Peer-to-Peer Model

The term peer-to-peer entered wide use when Napster launched on June 1, 1999, letting individual users trade music files over the internet with no record label or store standing between them. Built by Shawn Fanning and Sean Parker, the service grew fast enough that the recording industry treated it as a threat rather than a novelty and legal action eventually shut it down.1 The company itself didn't survive, but the pattern it demonstrated, connecting individuals directly and letting technology handle the exchange, outlived it. Entrepreneurs later applied that same pattern to spare rooms, cars and freelance labor, turning a file-sharing experiment into a template that analysts now describe as the sharing economy.

What the Model Actually Does

A peer-to-peer business model works as a matchmaker between someone who owns an underused asset or skill and someone who wants temporary access to it. The platform sets the rules: how listings are priced, how payment moves, how disputes get resolved and what happens when something goes wrong. This structure sits between a pure retailer, which

buys and resells goods and a fully independent exchange with no intermediary at all.2 Neither side needs to own a factory, a fleet or a warehouse, because the platform supplies the infrastructure a traditional business would otherwise have to build itself.

> The platform never owns what changes hands; it owns the trust that makes strangers willing to trade

Turo as a Modern P2P Marketplace

Turo shows what this looks like in a single industry: car rental. Car owners list vehicles they aren't using every day, set their own prices and availability and Turo's app connects them with renters who need a car for a few hours, a weekend or longer. The company doesn't own a single vehicle in its marketplace and its revenue reached $879.7 million in 2023, up 18% from the prior year, built almost entirely on fees rather than on the assets themselves.3 That asset-light structure lets Turo list vehicles across thousands of cities without carrying the fleet-purchasing costs a traditional rental company must absorb.

Building Trust Between Strangers

Every peer-to-peer platform has to solve the same problem before it can charge a fee: why should two strangers trust each other enough to transact. Turo answers that with identity verification, driving history checks, ratings after every trip and an insurance layer bundled into each booking, so a host doesn't have to personally vet every renter. That same trust infrastructure creates a risk for the platform itself, because once a host and guest have transacted successfully a few times, they gain a reason to rebook directly and skip the fee, a pattern researchers call disintermediation.4 Turo, like most mature marketplaces, counters that by tying its highest-value features, insurance coverage, dispute resolution and payment protection, to bookings made through the app rather than around it.

Monetizing the Middle Ground

P2P platforms generally choose from three revenue levers: a transaction fee taken as a flat amount or a percentage, a charge for enhanced access such as premium listing placement, or advertising sold against platform traffic.5 Turo relies mostly on the first lever, charging

hosts a commission that ranges from roughly 15 to 35% of a trip depending on the protection plan selected, plus a separate service fee paid by guests. Delivery fees, young-driver surcharges and paid tools for high-volume hosts add smaller, secondary revenue lines on top of that core commission. The mix ties Turo's earnings directly to transaction volume, which pushes the company to keep both hosts and guests engaged rather than collect fees on activity it didn't help create.

Costs Individuals No Longer Carry

Running any commercial operation involves expenses that individuals selling on their own would struggle to absorb: marketing, insurance, customer support, payment processing and dispute handling. A P2P platform absorbs most of that overhead in exchange for its fee, letting a car owner or a freelancer focus on the asset or skill they're actually offering rather than the machinery needed to sell it. That trade-off also lets sellers specialize instead of splitting time across sales, accounting and customer service, work a larger firm would otherwise assign to separate departments. For an occasional host renting out a car a few days a month, that division of labor is often the difference between participating in the market and staying out of it.

Friction With Regulators and Labor

None of this has happened without resistance. Traditional taxi operators, hotel owners and rental car companies have pushed back against P2P competitors they say operate under looser rules and gig workers across ride-hailing and delivery platforms have staged strikes over pay and their classification as independent contractors rather than employees.6 Car-sharing platforms face a narrower version of the same fight: cities regulate where hosts can hand off vehicles, insurers debate how liability shifts between personal and commercial policies and some jurisdictions require permits that didn't exist before P2P car rental became common. Those frictions haven't slowed the model's spread, but they shape how platforms like Turo design their insurance and compliance systems city by city.

Key Partners

Turo depends on vehicle owners willing to list their cars, since the marketplace has nothing to sell without them. Insurance underwriters back the protection plans bundled into every trip, covering liability and physical damage that individual hosts couldn't insure on their own.

Payment processors handle the movement of money between guests and hosts and roadside assistance providers step in when a rented vehicle breaks down mid-trip. Together these partners let Turo offer a rental experience without owning any of the underlying risk or infrastructure itself.

Key Activities

Turo's central activity is matching hosts and guests through search, pricing and booking tools that keep listings relevant to renters. The platform verifies driver identities and screens users before a booking is confirmed, reducing the risk each side takes on. It also administers insurance claims when accidents or damage occur, coordinating between hosts, guests and underwriters. Ongoing support for both hosts and guests, including dispute resolution, rounds out the activities that keep transactions moving smoothly.

Key Resources

The booking and pricing platform itself, spanning the mobile app and website, is Turo's core resource, since it's the only place hosts and guests can transact. A large base of hosts and guests generates the marketplace liquidity that makes the platform useful in the first place. Data on pricing, host reliability and risk scoring lets Turo set commission tiers and flag problem listings before they cause losses. Its insurance partnerships and protection-plan framework round out the resources that let strangers transact with confidence.

Value Propositions

For hosts, Turo turns an idle car into a source of income without requiring them to manage bookings, payments or claims themselves. For guests, it offers a wider selection of vehicles than a traditional rental counter, often at a lower price and closer to where they actually are. The app-based booking process is faster and more flexible than standing in a rental line. Guests also gain access to a car for exactly as long as they need one, without the commitment of ownership. Both sides get a marketplace that handles the trust and logistics work neither would want to do alone.

Customer Relationships

Most of the relationship between Turo and its users runs through the self-service app,

where hosts manage listings and guests search, book and pay without human intervention. A ratings and review system after every trip lets both sides build a reputation that carries into future bookings. Turo's support team steps in for claims, disputes and cancellations that the app can't resolve on its own. Programs that reward high-performing hosts with better visibility reinforce the relationship over time.

Channels

The Turo app and website are the primary channels through which nearly all bookings happen. Airport pickup locations extend the platform into a channel that competes directly with traditional rental counters. Word of mouth and referrals from existing hosts and guests bring in new users at a lower cost than paid advertising. Partnerships with travel and hospitality brands occasionally extend Turo's reach into channels it doesn't own directly.

Customer Segments

Car owners with a vehicle sitting idle for part of the week make up Turo's supply-side segment, ranging from individuals with one car to small entrepreneurs running several. On the demand side, leisure travelers looking for a vehicle during a trip form a large share of bookings. Business travelers use the platform for flexible, often less expensive alternatives to corporate rental accounts. Local residents who don't own a car but need one occasionally round out the customer base.

Cost Structure

Turo's costs center on building and maintaining the technology platform, along with the trust and safety operations that verify users and screen listings. Insurance claims and underwriting costs represent a significant and variable expense tied directly to how many trips happen. Customer support and dispute resolution add ongoing operating costs as booking volume grows. Marketing spend to acquire new hosts and guests rounds out the major cost categories.

Revenue Streams

Turo's main revenue stream is the host commission, which ranges from roughly 15 to 35% of a trip depending on the protection plan a host selects. A separate service fee charged to

guests adds a second layer of revenue on top of every booking. Delivery fees, when a host brings a car to a guest's location and surcharges for younger drivers contribute smaller additional amounts. Paid tools and higher visibility options for frequent hosts round out the remaining revenue lines.

- 1Napster's History And Legal Battles
- 2How Two-Sided Markets Connect Buyers And Sellers
- 3Turo's Revenue Growth And Profitability
- 4Why Trust Can Lead Users Around A Platform
- 5Common Revenue Models In The Sharing Economy
- 6The State Of Gig Work And Worker Classification

Summary

The peer-to-peer model did not eliminate the middleman; it changed who plays that role and how much value they keep. Companies such as Turo built businesses by giving individuals the infrastructure, insurance and trust systems that once belonged only to large firms, letting a car owner operate like a small business without the overhead. That shift lowered prices for buyers, opened new income for sellers and pulled regulators into disputes over labor status, safety and taxation that traditional retail rarely faced. As connectivity spreads and more assets sit idle between uses, the pressure to monetize them through platforms will likely keep growing. The businesses that last will be the ones that manage trust and risk well enough to keep both sides of the marketplace coming back.