Case Study: Airbnb
July 8, 2015
How do you Disrupt an Industry?

• Completely **reimagine** the business model of an industry

• Completely change the way that you conduct marketing

• Airbnb did both, and today is worth about **$25 billion**
What is Airbnb?

• Airbnb is a peer-to-peer nightly room rental network

• People can put their spare bedrooms or entire apartments online and rent them out
An Urban Sanctuary in Portland

Hosted by Aura Spring

Private Room

Book It

An Urban Sanctuary in Portland

Private Room - 6 reviews - Portland

An Urban Sanctuary in Portland

Private Room

Arrives
Sat, Aug 30, 2014
3:00 PM

Departs
Mon, Sep 1, 2014
11:00 AM
Marketplaces

• One area of metrics we didn’t talk a lot about is around marketplaces

• Marketplaces are incredible difficult to build because you don’t just have one side of a transaction, but both sides

• On Airbnb, you need people to rent and people to provide rooms – at the same time!
Network Features

Airbnb has to do an incredible amount to make its marketplace function
Scheduling
Payments / Instant Book

<table>
<thead>
<tr>
<th>Check In</th>
<th>Check Out</th>
<th>Guests</th>
<th>$47 × 3 nights</th>
<th>Service fee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/15/2015</td>
<td>07/18/2015</td>
<td>1</td>
<td>$142</td>
<td>$18</td>
<td>$160</td>
</tr>
</tbody>
</table>

[Instant Book]
Insurance

AirBnb Guests Completely Destroy Rented House in "Drug-Induced Orgy"

AirBnb has agreed to compensate the owners of a Calgary home that was thoroughly destroyed in a “drug-induced orgy” while four people were renting it through the online service.
Insurance

Host Protection Insurance

A New Level of Protection
Effective January 15, 2016, if a guest is injured in a listing or elsewhere on the building property during a stay, the Host Protection Insurance program provides coverage for Airbnb hosts and, where applicable, their landlords under a general commercial liability policy.

Coverage for US Hosts
Up to $1 million worth of insurance protection in the U.S. Whether you rent or own, if you're hosting at a listing in the U.S., the Host Protection Insurance program is designed to cover you against claims arising during Airbnb stays.
Reputation Systems

8 Reviews

Summary

Accuracy: ★★★★★
Communication: ★★★★★
Cleanliness: ★★★★★

Location: ★★★★★
Check In: ★★★★★
Value: ★★★★★

Great location and hosts! Very friendly. The place was clean and exactly as advertised.

June 2015

The host was very welcoming. When we stopped at a nearby shop trying to find the location, he came in the rain to walk us there and he walked us to a delicious nearby Korean BBQ restaurant. He was helpful and an interesting person to talk to. The bathrooms were modern but the rest of the accommodations is deficient. The breakfast was awful.

+ More

From Prescott, AZ - June 2015

Best experience ever! This place is 2 minute walk from the subway. Guesthouse is really clean and they provide breakfast for you. The host, Leo and his family is very accommodating and they provide luggage service. I would definitely recommend this place to others.

From Los Angeles, CA - June 2015
Reputation Systems

Hey, I’m Jane!
US · Member since June 2014
Report this user

4 Reviews
Verified ID

Reviews (4)

Reviews From Hosts

Jane is a best backpacker I have ever seen she look like enjoying free style travel moreover she introduce me to her friend I really want to meet her again ^^

From Seoul, South Korea · June 2015

Jane was really nice guest, and i was happy to host her stay, easy to communicate with and to arrange her stay
Matching Supply and Demand
No wonder 1000 people work at the company!
Why is Airbnb successful?
Community
Stories from the Airbnb Community

Michael
New York, United States
A busy New Yorker keeps pace with tradition

Tessa
London, United Kingdom
Second Act: A new beginning

Judith
New York, United States
New Chapter: Breaking bread together...again

Andrew
London, United Kingdom
Sowing the Seeds: Of love, and of vegetables

Jonathan
Los Angeles, United States
The Art of Receiving: A host transforms his home, his work—and his life

Lisa and Byron
New York, United States
Full House: An invitation to friends, both old and new
A busy New Yorker keeps pace with tradition

Phones ringing off the hook... email in-box overflowing... Stressful doesn’t quite cut it when describing Michael’s job as marketing manager for Carnegie Hall. Nowadays, the iconic institution holds more than 800 performances a year.

Inspired by the desperate need for work-life balance and as a way to pay tribute to his late father, who died of cancer in 2003, Michael took up running. And not just any running, we’re talking marathons—two to three per year.

Michael shared a photo of his father running in a Marine Corps marathon. It was shot at Mile 24, the pain purely visible on Dad’s sweaty face. Every time he runs a marathon and reaches this point in the race and feels the pain, Michael sees it as a bonding moment between father and son.

Michael has found special ways to bond with guests who’ve rented the spare bedroom of his Queens home. Once upon a time, he literally took his work home with him: tickets to a show (executive box seats!) at Carnegie for a couple visiting from Italy. “They just went nuts,” said Michael, “and it was just so neat because I felt this connection that I was their tour guide, that I was their mentor while they were in New York City.”
Sharing Economy

• Airbnb invented the idea of the sharing economy – that people could use the property and assets they own and rent them out and share them with others

• An enormous part of Airbnb’s branding is based around the idea of community – that this isn’t a profitable venture
• Today, the sharing economy is a massive area of growth in the United States
MAKING THE SHARING ECONOMY WORK FOR YOU

DISCOVER WAYS TO EARN.

FIND WORK

RATINGS FROM YOUR PEERS
Ratings and review on sharing economy companies

MANAGE WORK

TOOLS TO SIMPLIFY YOUR WORK.

SUPPORT YOU NEED
Insurance  Tax & Financial  Legal  Manage
Branding

• Airbnb has built its brand about being responsive to both its hosts and its renters

• Key themes include exploration
Seoul

Get around with

Public Transit

- Street markets
- Street food
- Street shows
- Weekend hikes
- Biking on the Han River
- Relaxing at Jjimjilbangs
- Hongdae hangouts
- Karaoke
- Chicken with beer

See all listings

Known for

- K-POP
- K-drama
- Shopping
- Skyscrapers
- Changing fast
- Royal palaces
- Temples
- Night markets
- Korean BBQ with soju
- Beauty products
- All night drinking

Locals Love

Locals Complain About

- Traffic during rush hour
- Subways during rush hour
- Rising property prices
- Everything changing too quickly
- Trends and fads
- Hot summers
- Cold winters
Featured Neighborhoods
Explore 24 Seoul neighborhoods. Which are right for you?

Hongdae
Rock on. Hongdae.
Fashion Forward • Creative • Party Central • Indie Bands

Samcheongdong
The right destination for date night.
Hanoks • Nature • Hot Spot • Date Night

Gangnam
Only Gangnam does it Gangnam Style.
Offices • Bright Neon Lights • Shiny And New • Meet Up Spot

Find a neighborhood
Watch trends take form in Hongdae, a fashion-forward and forward-thinking Seoul neighborhood. To the west of business-savvy Jongno, Hongdae’s business consists of blankets at sidewalk markets and all-night dance clubs blanketed in bright lights. Wear what you like and say what you mean in Hongdae. Here, self-expression is paramount—it’s written on walls, espoused in streets, and danced in front of gathered crowds. What you see today in Hongdae, you’ll hear about tomorrow everywhere else.
Local Seoul favorites like “The Frypan” trace their roots to Hongdae.

Restaurants that began as inexpensive student hangouts have gained notoriety beyond Hongdae’s university population.
Popular Places to Stay

Luxury double, 2min Hongdae Seoul
By Martin
Business Model

• Airbnb also completely re-envisioned the idea of a hotel
Traditional Hotels

• For Customers:
  • Same experience at every location
  • Professional, but sterile
  • Massive and impersonal
  • Have lots of amenities
Traditional Hotels

• As a Business:
  
  • **Expensive** – have to own real estate in expensive cities where people want to stay and pay workers

  • **Growth is challenging** – new demand requires constructing a new building

  • **Competition is severe** - hotels constantly compete against one another
Airbnb’s Transformation

• For Customers:

  • **Economy of Abundance** - We can have whatever we want at many different prices

  • **Memories** – We can have unique experiences around the world that are very different than typical hotels
Lycheng and Van Bo's 1-SQM "house" in Germany ($14 a night)
Craig's lighthouse in New York ($350 a night)
Giraffe's manor in Kenya ($500 a night)
Airbnb’s Transformation

• For Customers:
  
  • **Economy of Abundance** - We can have whatever we want at many different prices
  
  • **Memories** – We can have unique experiences around the world that are very different than typical hotels
  
  • **Aspirational** – Sharing aspect targets a different consumer who desires a more personal relationship
Airbnb’s Transformation

• As a business:
  
  • **Immense Flexibility** – they can expand their supply of rooms simply by marketing
  
  • **Expense management** – if a room isn’t rented, Airbnb loses nothing – all risk is held by the hosts
  
  • **Emphasize Technology** – Hotels are traditionally service businesses. Airbnb is a technology company
New Competition
It’s On: Airbnb Regulation Set To Hit San Francisco’s Ballot This November

Posted yesterday by Kim-Mai Cutler (@kimmaicutler)
Final Thoughts

- Airbnb is a **movement company** - it has become the defining example of a new way to do business (the sharing economy)

- Therefore, it has not just built a great business, but has had tremendous influence on the rest of the startup ecosystem