

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Airbnb – From authentic hero to mainstream zero

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First Edition
Student Case Papers

2020

Corporate Brand Management and Reputation: Master's Cases

The “Corporate Brand Management and Reputation: Master's cases” is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *“A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class.”*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as “written cases” (handed out and read in advance, later to be discussed in class) and/or as “live case” (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *“to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice.”*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions

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WRITTEN CASE

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Introduction

"Airbnb is about so much more than just renting space. It's about people and experiences. You're not getting a room, you're getting a sense of belonging." commented Brian Chesky, co-founder of Airbnb. What started as renting out an air mattress out of financial constraints due to the high rental costs in San Francisco turned into a 31 billion dollar business. The founders took the sharing economy in the literal sense and eventually elevated it to another level. Against all odds, they have managed to grow their business until the present 2016. They intended to build a company around their initial values, changed their logo in 2014 and it all seemed to come together. However, recently Airbnb started facing several issues. Cities and citizens being fed up with constantly changing 'neighbours' and increasing rentals shed a negative light on the company and thus threaten its authenticity. Since aspects such as 'sharing', 'authenticity' and 'new ways of travelling' make up the company's core, this development can be seen as a somewhat serious challenge or threat. The question might even arise if Airbnb is still about authentic travelling or if the financial aspects and profit outweigh by now. Hence, the company finds itself rather stuck in their current position and must take action in order to facilitate healthy growth, add value to their users' experiences.

The following paper sets forth a summary of both the background and history of Airbnb. This will then lead to the actual challenges they are facing, which is presented in the situational analysis. The document ends with an open management question to be discussed and to reach a consensus regarding potential actions to be taken.

Background and history of Airbnb

What is Airbnb?

In 2008, Brian Chesky, Joe Gebbia and Nathan Blecharczyk founded a company called Airbnb in the Californian Silicon Valley. The idea first emerged in 2007, when the founders visited a conference and were facing issues with paying their rent. As a consequence, two of them decided to rent out parts of their flats to earn some extra money as well as to finance their trip to the conference. Their first guests were a woman and two men, each of which was paying 80 US Dollar. This initially temporary solution quickly turned into a business idea as the founders intended to change the way people travelled. Starting with a rather limited offering, the company went into a partnership with Y Combinator in 2008, a model for supporting startups in their beginning stage. Their initial growth turned out as rather moderate until they realized that they had to promote the on the website offered facilities more appealingly and attractively. Hence, they started to take photos of the offered rooms in New York City and within a week, they started to face the first growth. After overcoming their initial difficulties, they grew steadily and managed to raise both awareness and money, until between 2010 and 2011 they raised 7.2 and 11.2 million US Dollars from various investors and also the actor Ashton Kutcher. In 2014, six years after their initial idea, the company was worth ten billion US Dollar. A timeline can also be found in **Exhibit 1**.

How does Airbnb work?

On their website, Airbnb offers the possibility to book part of or an entire private accommodation, but also to become a host. So, how does this work? First of all, there are hosts and guests. On one hand, hosts are defined as the property owners, offering their home while welcoming guests. On the other hand, guests are people travelling and seeking accommodation with a great local experience. Airbnb's customer segment is further divided by type, location, price, space, amenities and experience. Everyone can register and create a profile on the Airbnb website for free. Hosts are required to upload at least a picture and their contact, whereas guests must verify their identity through their full name, date of birth, email address, picture, telephone number, payment method and the agreement to the terms and conditions. Also, an identity document must be uploaded. Hosts then describe their offered spaces and usually add pictures to it. After a stay, both hosts and guests can write a review for each other and hosts get the opportunity to become e.g. super hosts when fulfilling certain criteria. While registrations are without charge, Airbnb takes a percentage from each service which was obtained via their platform. The host fee usually ranges between three and five per cent. Airbnb's revenue further comes from a travellers' fee, including reservation, cleaning, and service charges as well as occupancy, extra guest fees, currency exchange fees and local taxes, which can be up

to 20 per cent. Costs for the company itself mainly arise from aspects such as platform development, sales and marketing, customer acquisition, salaries, credit card processing fees, insurance costs and others.

What does Airbnb stand for?

Nowadays, Airbnb is present in more than 190 countries and above 34,000 cities have Airbnb listings. The founders' initial idea to change the way people travel grew into the company's mission to contribute to the creation of a world in which everyone can belong anywhere and provide people with the opportunity to live in a place instead of simply visiting it. Furthermore, their vision statement is defined as "belong anywhere", which is also related to their core values of championing the mission, being a host, simplifying, being a cereal entrepreneur, embracing the adventure and that every frame matters. The value "being a cereal entrepreneur" stems from the fact that the founders initially sold cereals.

Also, Airbnb intends to add value to both the guests' and hosts' experiences. Hence, the added value for guests when booking with Airbnb is the possibility to save money as well as a platform that is easy to navigate and save to book with due to background checks and secure payment. Also, guests can benefit from spacious properties instead of tiny hotel rooms and they can choose amenities based on their preferences and needs. Last but not least, a unique experience is offered to them, which relates to the initial idea of Airbnb. On the other end, there are the hosts. The value proposition for them is found to be in the opportunity to make some extra money as well as the simple and secure way to publish their facilities as they are in full control. Also, communication with guests is facilitated for them and two-way reviews provide a means to be more attractive to potential guests. Moreover, they are given the opportunity for professional services, such as a professional photographer for their properties. Valuable interaction and exchange between both hosts and guests may come along with hosting a and living with a stranger.

How has Airbnb changed along its way?

After revolutionizing people's ways of going on holiday, Airbnb also chose to rebrand and change their logo in 2014. What started with the blue and pink logo saying 'AirBed&Breakfast' in 2007 already turned into a simple blue 'Airbnb' in 2009. Five years later, in 2014, after having found accommodation for over nine million users, they changed their logo again, this time rather radical. The name remained, colours changed from blue to pink and the new logo, referred to as the 'Bélo', is intended to unite a mix of people, places, love and Airbnb. The development can be found in **Exhibit 2**. By now, it has turned into an iconic logo that is immediately recognized by many people worldwide and is used as a community symbol which expresses the sharing aspect, thus sharing economy.

The situational analysis

Where does Airbnb stand in 2016?

What started a bit bumpy in 2008 has turned into a truly valuable business by 2016 for the founders and their employees in numerous offices worldwide. The initial idea to share space proved attractive to contemporary travellers all around the world as they were longing for authentic experiences away from traditional hotel rooms. Also, the interaction with locals offered them a great value as they could get first-hand knowledge and tips on the places they visited, some even might have made friends for life. Like with other companies that grow bigger over time, what had sounded so good in the beginning turned into a business not merely associated with the initial positive and authentic image anymore. Recently, the usage of home-stay accommodations has blown up worldwide and using platforms such as Airbnb comes with further issues and drawbacks.

What are the major economic and social issues Airbnb is facing?

To begin with, it must be said that saving money on the travellers' side and making some extra money on the hosts' side are part of Airbnb's value proposition. Though, it must be added that money should not be the main motivator for booking an Airbnb, at least not when considering the founder's idea of changing the way people travelled. However, making money through renting out an Airbnb constitutes a dramatic development in many places worldwide and especially highly populated cities are affected. Local laws differ from each other, wherefore not every Airbnb might be even legal, despite being listed on the official Airbnb website. New York, for instance, faces serious issues with the home-sharing platform since for instance in 2014 a total of 72 per cent of all reservations were illegal according to law. The same applies to cities like Barcelona, Paris, Berlin, Venice or Amsterdam. The issue here is that people often rent out entire apartments only for financial profit. These apartments are often located in city centres and exclusively used as Airbnbs. Looking at cities such as Barcelona or Amsterdam, which are already facing explosive rentals and a lack of available housing despite consistent salaries, this can cause serious harm and anger among locals. Janet Sanz, Barcelona's Housing Councillor, for instance, commented "Barcelona exists for its people. The priority is it's a place to live". Thus, the misuse of housing represents a serious downside and also puts at risk Airbnb's authenticity and legitimacy. In major cities, for instance Barcelona, locals even demonstrate against Airbnb on the streets, of which an illustration can be found in **Exhibit 3**.

This, in return, leads to a rather negative impact on the quality of life of locals in some major cities inside and outside Europe. The travellers intend to find a cheap, short-term holiday accommodation, which, however, drives up rental prices for

permanent residents. Also, these travellers are often accused of causing noise within the building complex they are renting, and, not to forget, the annoyance for tenants of ever-changing 'neighbours'. Short-term rentals further affect the sense of neighbourhood and an additional side effect, certainly important to mention here, too, is 'over-tourism' that some major cities face. Of course, this is not caused by Airbnb specifically, however, it does its stint. Over-tourism is associated with many things but authenticity, which in turn might affect Airbnb's initial identity and transmitted image alike. Consequently, not only Airbnb has turned into a big business but also renting out otherwise uninhabited apartments and houses.

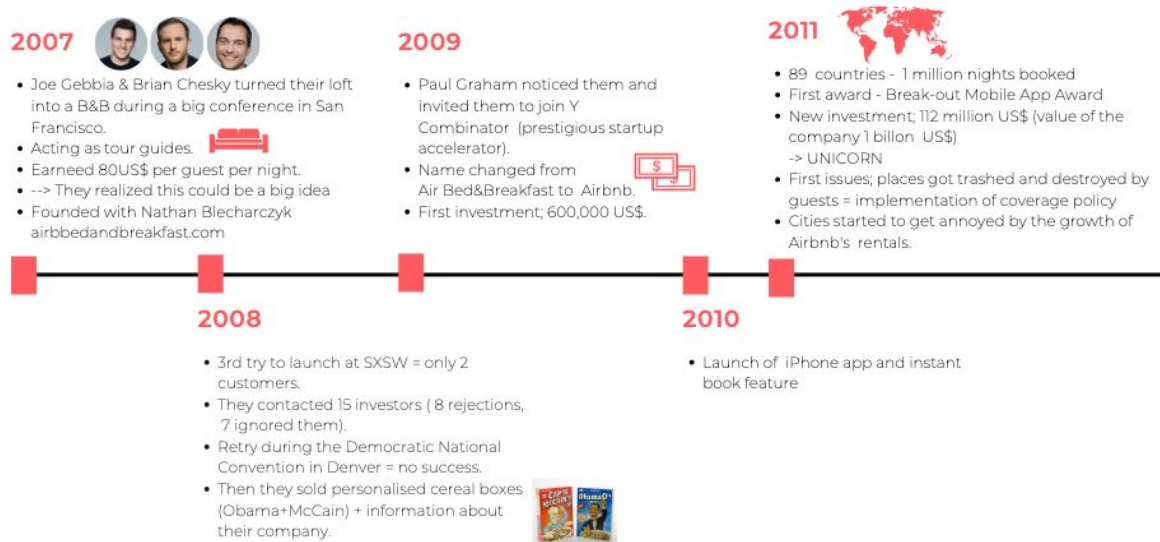
Why is this relevant?

Even though many travellers might not be aware or even think of this emerging issue when renting an Airbnb, it can be said that there is a growing awareness among an increasing amount of people. There is not much left of the initial authentic idea behind the business and it is likely that people, at least those valuing these aspects, lose their interest in the long run and look for more authentic alternatives. And Airbnb is aiming even higher. By 2028, they aim to host one billion travellers per year. Still, the question arises how Airbnb as a company should deal with the previously mentioned problems and developments in the long run. Stuck somewhere between being profit-driven, moderate growth, mission/vision/values and a decreasing level of authenticity, the company must figure out how to deal with this situation in order to adjust their portfolio, facilitate healthy growth and add value, but also to regain both authenticity and trust among users. So far, the company has claimed that it solely encourages the diversification of tourism by attracting travellers to less-visited places and taking the pressure from tourism hotspots. However, in 2016 and even years before that, this has not been quite mirrored in their existence and action must be taken. Therefore, the following question arises:

How can Airbnb adjust their portfolio to tackle the negative headlines?

Exhibit 1 Timeline Airbnb

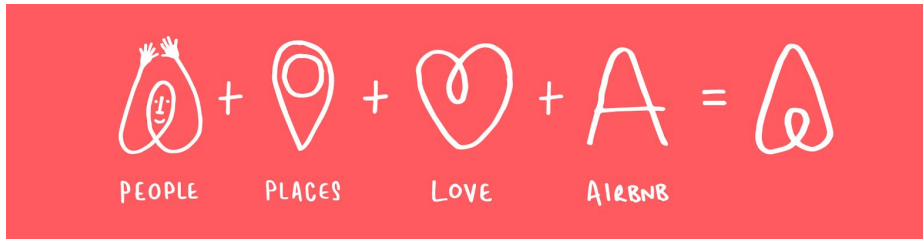
HISTORY OF AIRBNB



HISTORY OF AIRBNB



Exhibit 2 Airbnb's rebrand



NAME AND LOGO

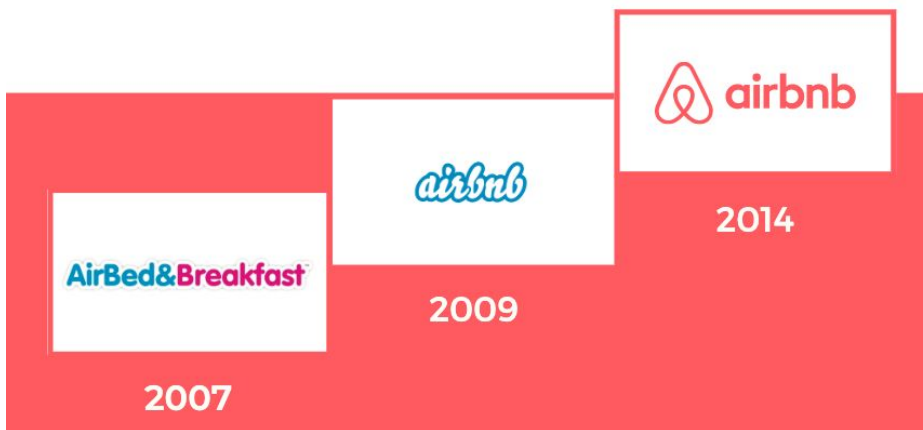


Exhibit 3 Demonstrations against Airbnb in 2015

