

Airbnb - From authentic hero to mainstream zero

MANAGEMENT DECISION

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Airbnb 2015

Airbnb has grown rapidly since 2008, it has become a popular and lucrative business for homeowners. Nonetheless, 2015 was not an easy year for Airbnb. The company had to deal with plenty of negative headlines such as worldwide oppositions of authorities, locals and homeowners, due to dissatisfaction and the accusation of driving up regular rental prices in cities and disrupting communities. Cities started to sue the company and Airbnb had to pay high fines for breaching tourism laws, for instance, 33,000 US Dollar to Barcelona. Likewise, the hospitality industry was upset too since they have to operate under different laws, which are not as easily regulated as the ones Airbnb has to follow.

Henceforth, Airbnb was under high pressure to find a solution and to adjust their portfolio to satisfy the different stakeholders. In order to tackle the negative headlines and add value, Airbnb has enlarged its portfolio by five extensions since 2016 to align with their companies mission, which is to focus on '*reimagining travel by building an end-to-end travel platform that combines where you stay, what you do, and how you get there, all in one place*'. A time frame of the acquisitions and launches can be found in **Exhibit 1**.

Launches and acquisitions

Airbnb Experiences

In 2016, Airbnb launched Airbnb Experiences. The concept behind Airbnb experiences is to explore cities with locals, who are from there and to immerse travellers in local communities. The offered experiences are a one-of-a-kind activity since they go beyond typical tours or classes, with high standards and intimate group sizes, so the travellers will not get lost in the crowd. The experiences are categorized into animals, adventure, food and drink, art and culture, entertainment, nature and sports.

Airbnb is aware that travellers look for new, unique things while travelling. According to surveys, travellers would rather spend money on better activities than a nicer hotel room, which is supported by the forecast of the global spending of the so-called experience economy by Millennials. According to The New York Times, it is expected to reach 8.2 trillion US Dollar by 2028, which is a promising outlook for Airbnb Experiences.¹

¹ Airbnb, *Airbnb Experiences Update* [website], <https://news.airbnb.com/airbnb-experiences-update/> (accessed 19 February 2020).

Luxury retreats - Airbnb Luxe

One year later in 2017, Airbnb acquired Luxury Retreats for an estimated amount of 200-300 million US Dollar. Luxury Retreats is a luxury vacation rental company, from Montreal, offering over 4,000 homes in 100 destinations around the world. Despite the acquisition, Luxury Retreats is still operating as a standalone entity, however, Luxury Retreats' employees have been integrated into the Airbnb community and operate under Airbnb's working conditions. Airbnb's CEO Brian Chesky truly believes that this acquisition will add value since Airbnb has always been focused on providing a broad range of amazing experiences and trips and different types of accommodations. Additionally, Luxury Retreats and Airbnb share the same values and operate in the same industry, which Brian Chesky declares as a great support to Airbnb's mission.

The new add-on is called Airbnb Luxe, which focuses on high-end luxury stays, that include 24/7 access to a dedicated, highly trained trip designer who will ensure the stay is tailored to the travellers' unique needs every step of the way. Airbnb has picked 2,000 homes around the world from former Luxury Retreats, which were inspected and verified by 300-points on a checklist to meet high standards.

Niido powered by Airbnb

Another extension of the portfolio in 2017 was the start of the Niido powered by Airbnb. It is a partnership with the Newgard Development Group from Miami, who sells apartments from 300,000 up to 1.2 million US Dollar. The first project was a 324-unit building in Kissimmee, Florida. The concept is that residents will have the opportunity to share their units for up to 180 days per year and access a range of tools provided by Niido, including a new app that is integrated with Airbnb and supports checking in and assisting guests.

This partnership is one-of-a-kind since it invites residents to live and travel with unprecedented freedom and flexibility and enables the possibility for residents to earn extra income. The latter aspect is of great importance since the company is aware of increasing costs of living and that apartment renters under intense financial pressure, therefore the possibility for tenants to earn some extra income through the collaboration with Airbnb might provide a solution to this issue. It is a new experience, which is supposed to be fun, convenient, transparent, connected, and valuable for Tenant Hosts, Airbnb guests and landlords alike. Niido is expected to bring significant value to all parties.

Airbnb Plus

According to surveys amongst Airbnb customers, Airbnb learned that their customers are willing to pay more for a home that is verified for quality and comfort, which revealed a new opportunity for the company. In 2018, Airbnb launched **Airbnb Plus**. This feature is intended for guests looking for beautiful homes and exceptional hosts. Airbnb Plus accommodations are carefully inspected and verified by Airbnb employees. Each home needs to be verified by a 100-point checklist, which covers for instance cleanliness, maintenance, comfort and design. This extension

offers great opportunities for hosts, due to the benefits from top placement, in-home services such as design consultation and expert photography, more visibility to guests, an increased booking and premium support.

HotelTonight

Last year, in 2019, Airbnb conducted their biggest acquisition. The company bought HotelTonight for an estimated amount of 300-400 million US Dollar. HotelTonight is a hotel-booking service focused on making last-minute trips easier, offering guests seamless and on-demand booking for boutique and independent hotels. Through this acquisition, Airbnb is extending its reach into the hotel industry as a disruptive force and will be able to offer travellers the possibility to book last minute. A big part of building an end-to-end travel platform is serving every guest. The add-on of boutique hotels will support Airbnb's vision 'belong anywhere'.

"We want Airbnb to be the place where travellers plan all of their trips, whether they are booking one year or one day in advance."- Airbnb President of Homes Greg Greeley.

Result of the decisions

Now, it is the year 2020 and Airbnb has more than seven million listings worldwide and has welcomed about 500 million travellers. Since the formation of Airbnb in 2007 a lot has changed for the company, but also within the industry. The company has grown immensely and aims to host one billion travellers in 2028.

Despite being an open case, there has been some development for the individual launches/acquisitions, which can be named. Since Airbnb Experiences have been launched, it has been growing fast and is paying off. The qualitative experiences mostly receive five-star reviews, meet the demands of the society and provide small entrepreneurs with the opportunity to grow. In 2018, Airbnb increased its bookings for Airbnb Luxe accommodations by 60 per cent. These accommodations cost at least 1,000 US Dollar a night, which results in economic benefits for Airbnb. Likewise Airbnb Plus is featuring especially beautiful homes, which have been verified by a 100-point checklist, however, this comes with a price. The costs for these accommodations can be rather expensive, therefore this extension does not focus on the majority of Airbnb travellers but a small proportion. In contrast, the partnership with Niido turned out to be a failure. The plan was to launch 14 locations by 2020, however, since 2017 only two have opened. Airbnb has invested eleven million US Dollar into this partnership and is now suing NDG since they did not stick to the agreements and further the CEO Hernandez is accused of siphoning one million US Dollar. This partnership and its outcome were supposed to positively support Airbnb's process to go public in 2020.² And lastly, the newest acquisition by Airbnb, HotelTonight. It is hard to evaluate since not even one year has passed since the acquisition, however, some travellers have already mentioned their concern that booking hotel rooms do not align with being authentic, as Airbnb claims to be.

² Lee, D., *Airbnb sues US developer it partnered with to build apartments* [website], <https://www.ft.com/content/cb99d4ba-3ec2-11ea-a01a-bae547046735> (Accessed 28 February 2020).

Overall, it can be said that Airbnb is still fighting city officials and negative headlines, nonetheless, the company is aiming to start collecting taxes in more cities, which will be received by the cities and in order to prevent scam listing they aim to verify all listing, but this will take time and resources.³ All things considered, Airbnb faces challenges, but still tries to offer unique experiences for their guests with homes that tell stories, which makes them special compared to standard hotel rooms.

Exhibit 1 The acquisitions and launches of Airbnb



³ Moore, E., *Airbnb; finally a tech listing that may not flop* [website]
<https://www.ft.com/content/d84fa418-56f6-11ea-abe5-8e03987b7b20> (Accessed 28 February 2020).