On This Blockchain-Based Version Of Airbnb, There's No Middleman

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*By Ben Schiller*4 minute Read

Yes, Airbnb just reached cashflow profitability and could be heading to IPO promised land. But, in the long-term, could the technology that gave rise to bitcoin and other digital currencies emerge as a serious threat? Distributed ledger systems can dis-intermediate sharing platforms, say blockchain advocates, eating into the fees that startups like Airbnb, Uber, and Upwork currently charge.

Instead of a centralized system of exchange, where sharing economy companies stand in the middle of transactions, blockchains open up a world where interactions are automated and the power of the network is distributed to users. That lowers transaction costs (and perhaps prices) and creates a communication system more akin to email or the web. Rather than sending orders to a company that then finds customers for them–like when you search for houses in Paris on Airbnb and it finds a suitable place–on a blockchain-based network, the matching is done using protocols that route orders automatically.
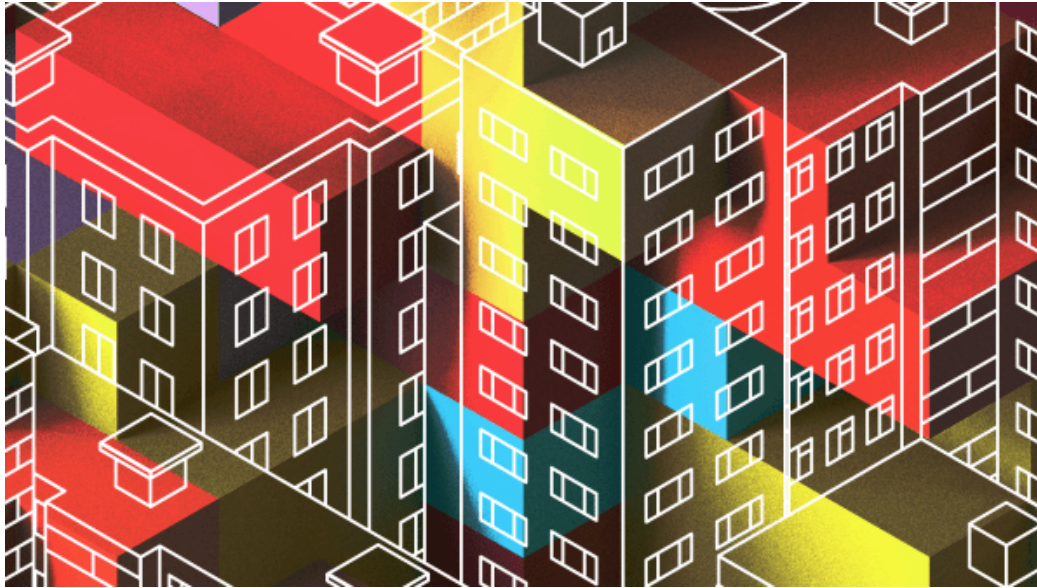
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This may sound far-fetched, but blockchain-based sharing startups are already beginning to emerge. Look, for example, at Bee Token, which is being developed by several ex-Uber programmers. Based in San Francisco, the startup aims to be just like Airbnb, complete with glossy photos, user ratings, reviews, and hosting rules. But instead of paying in dollars or euros, guests use site-specific tokens to rent rooms that they purchase using either bitcoin or ether (paying for the tokens with credit cards will become possible at a later date, the startup says).

The other big difference compared to Airbnb: while the former charges hosts 15% on every transaction on its platform, with Bee Token, hosts will pay no fees to rent out their rooms. The platform, which is soft-launching in the next three weeks, plans to make money from licensing its technology to other startups, and by charging fees of 1%-2% if users choose to pay for rooms using bitcoin or ether instead of buying tokens. (Token systems incentivize users to buy into their currency to push up its value.)

The big question is whether a decentralized ledger can substitute for the role Airbnb plays in bringing hosts and guests together. Bee Token wants to move to a fully automated system, where smart contracts–legal arrangements written into code–stand in for the role that Airbnb plays with its conventional website. But that seems like a tough job. Airbnb has developed a sophisticated matching algorithm, a loyal base of homeowners and users, and it serves to resolve disputes when they arise. Though it encourages members to manage their own squabbles, its managers will, if asked, step in to collect information from both parties and find a compromise.

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Bee Token's CEO Jon Chou tells *Fast Company* that the Bee Token customer experience will be similar to using Airbnb. A host sets a price. Users book, paying for rooms with tokens. Then, when guests leave and indicate they are happy with the experience, the tokens are released to the host. In the beginning, the platform will settle disputes using a five-person arbitration team randomly selected from its user-base (they'll be rewarded with tokens for their trouble). Over time, Chou says the self-executing smart contracts will decide everything. In other words, disputes will be settled according to contractual computer code.

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"A lot of the hosts say they want to [operate with] crypto and they like catering to a community that is more crypto focused," Chou says. "We think we can carve out a market among crypto enthusiasts. Our [long term] hypothesis is that crypto will go mainstream. We're not chasing mainstream. We're waiting for mainstream to come to us."

Bee Token is raising about $15 million in a multi-stage Initial Coin Offering (ICO). And it's already contacting Airbnb "superhosts" asking them to switch over (superhosts are high-commitment, highly-rated hosts). It hopes to have 50 signed up for a full launch in the next couple of months, all in San Francisco. Hosts can trade their tokens on an outside exchange, much like bitcoin, or use them to stay at another residence listed on the network.

Chou, a former senior programmer at Uber, thinks other sharing platforms could be decentralized in the same fashion as the Airbnb platform. "I think all middlemen extract more value than they deliver–that's why they are profitable," he says. "Any network that can be decentralized, and gives the value back to people, will have an attractive reason [for people] to sign up." He reckons Bee Token home listings will be cheaper than on Airbnb because hosts will be able to pass on some of their 15% savings to customers.

From an engineering point of view, creating a blockchain version of Uber is a harder task than an Airbnb or freelance-matching network like Upwork. Uber needs to match up drivers and passengers in an almost instantaneous manner. Airbnb can do its match-making at a more leisurely speed, placing fewer demands on the underlying system.

"I think a lot of [developers] want to do it but they are intimidated by the complex matchmaking algorithm that Uber has," Chou says. "It's a very heavy load for the blockchain. I would love to give my expertise to help it out, but we're still waiting [for the right project]."

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