

Chapter 4: Airbnb and the Ghost of Start-Ups Past

“You always had an entrepreneurial streak,” you tell yourself with a chuckle as you reflect over a hot cappuccino at your favorite coffee shop. With a technical undergraduate degree and a soon-to-be-granted master of management degree, a start-up sounds like a perfect way to jump back into the real world. Despite the COVID-19 pandemic crisis, venture funding was plentiful, and you were convinced that the right idea would get funding. Cameo (<https://www.cameo.com/>) raised \$6.5 million from heavy hitters like Kleiner Perkins to enable people to book personalized celebrity videos delivered directly to their smartphone . . . for a fee. Clubhouse (<https://www.joinclubhouse.com/>), which billed itself as “a new type of social network based on voice—where people around the world come together to talk, listen and learn from each other in real-time”¹ received funding by elite venture capital firm a16z at a valuation rumored to be around \$1 billion. Airbnb went public in late 2020, quickly surpassing the \$100 billion valuation mark. Airbnb was one of those rare companies whose brand had become a verb. While you may “Google” information, people were increasingly “Airbnb-ing” for vacation and work.

As a testament to its real or perceived digital disruption of the lodging industry, Airbnb was worth more than Marriott International, founded in 1927 (\$48 billion), and Hilton, founded in 1919 (\$33 billion), combined. As you ponder the issue, you reflect on lessons from tech ventures of the past. One that you studied deeply was eBay. You

recalled an interesting article from back in 2004 drawing a parallel between eBay and Amazon. At the time, the two firms were, respectively, 60th and 66th in *BusinessWeek*’s Top 100 Brands.² While *digital disruption* had yet to become a popular term, eBay and Amazon had clearly begun to disrupt retail:

“eBay and Amazon.com, the Internet’s top two eCommerce sites, are taking opposite approaches to growth. eBay raised its prices this month for the fourth year in a row, while Amazon renewed its pledge to keep cutting prices even if it means lower profits.”³

You recall Meg Whitman, at the time eBay’s chief executive officer (CEO), saying, “The eBay marketplace is a powerhouse. . . . We continue to enjoy ever-bigger, ever-faster cycles of success, fueled by the unlimited opportunity of our huge addressable market.”⁴ At the time, eBay was reaching the peak of its financial achievement and growth. You recall the same article quoting Amazon’s founder and CEO, Jeff Bezos: “We will, for years and years and years, consistently give back the gains we get in lower operating costs to our customers in the form of lower prices.”

Airbnb seemed to be on a similar trajectory, destined to become synonymous with digital disruption. As you ponder your next move, you cannot help but think that replicating Airbnb’s success is predicated on understanding its dynamics and those of similar successful disruptors.

¹ Monroy, L. 2021, April 9. “Clubhouse’s allure and pitfalls as the new social media sensation.” San Jose Inside. <https://www.sanjoseinside.com/news/clubhouses-allure-and-pitfalls-as-the-new-social-media-sensation/>.

² “The global brand scorecard.” 2004, August. *BusinessWeek* 72: 2.

³ Walker, L. 2004, January 29. “A study in e-commerce opposites.” Washington Post.

⁴ Ibid.

Discussion Questions

1. Reflect on what you have read and your knowledge of the impact of new technology on the competitive landscape and ask yourself. Why would Amazon and eBay act so differently?
2. Apply that thinking to the lodging industry. Is Airbnb in the same position as eBay? What about traditional incumbents, such as Marriott and Hilton?
3. What general rules can you extrapolate from your understanding of these cases? Rules that could help you position your own start-up?