**MBA Case study 5: AirBnB**

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Introduction

Airbnb has revolutionized the hospitality industry in many countries that adopted its services. Guests are able to rent spaces that are unique to the local area and establish a connection with their hosts. They can spend less money on their staying and have a better experience compares to traditional hotels. The concept of Airbnb started as a simple idea to rent out part of the available space in an apartment to help the host cover part of their rent or mortgage. Since the majority of the population has some degree of financial struggle, Airbnb has opened a door for them to take some burdens off their shoulder. Therefore, the concept became very popular and the services expanded quickly from San Francisco to other large cities, where conferences were hosted frequently but hotel capacities did not meet the demand.

Strengths

1. Customer Feedback

Airbnb took customer feedback very seriously and responsively. The co-founders went out to the field to experience what their customers are experiencing during a rental and collect feedback. After each visit, the co-founders update their website with new features to enhance the experience on both the renter's and host’s side. Since the website was developed from a user perspective and gets updated frequently, user experience increased. People are more likely to book with Airbnb because it is convenient and fast. Trusted renters can even use the instant-booking feature to book in under a minute.

1. Professional photos

Unlike other listing websites like Craigslist, Airbnb hired freelancers to take professional photos of the properties. This gave them a major advantage over other competitors because their photos are more attractive. Often time, travelers can only rely on pictures to help them learn about the apartment and decide where to stay. So, Even though hiring professionals means an increase in company spending, Airbnb is able to get more customers and provide better customer services to the hosts.

1. Community

Airbnb encourages its customers and hosts to stay in touch through social media. As more people joined the community, it grew bigger and stronger. Users feel like they are part of the family and they are more likely to recommend the services to others. In addition, Airbnb shares wonderful stories and experiences of the customers’ staying on social media to bring out the positive impact of what Airbnb can bring you that a hotel can’t provide. The community and the experience are part of the company’s core values which makes it hard for other copycats to copy.

1. Large customer base

As of 2014, Airbnb had 10 million users on their platform and this number had increased to over 150 million users worldwide in 2022. The listing had also increased from 550,000 in 2014 to 5.6 million in 2022 in over 220 countries. With its large customer base worldwide, Airbnb is securing its number-one position and no one is able to come close to second place. Airbnb’s influence is continuing to increase and more people will list their properties on the platform as more millennials are becoming homeowners.

Weaknesses

1. Small Scale

One of the weaknesses from the early stage of development was Airbnb only trying to focus on conventions and reach their audiences through blogs. Although starting on a smaller scale is a good decision for a start-up company, but getting customers from blogs was inefficient. First, there were too many blogs out there and most of them don’t have significant audiences. Secondly, most people don’t go to blogs to book their stay. Third, the co-founders started with small blogs in hopes of getting audiences, which is purely based on luck. Airbnb can work with the local community and gain the trust of the convention host to spread the word in exchange for a commission.

2. Lack of experience and background

The co-founders of Airbnb have no prior experience working in the hospitality industry and the business model is a new concept. Therefore, they have no one to learn from and made many mistakes at the beginning. An example is avoiding collecting the fees and pushing the responsibility on the host. It is awkward and unpleasant for both parties to participate in such a task. It also creates an opportunity for conflicts if anything goes wrong in the process such as an incorrect amount of fees or charges. Users take all the risks in this process and the company will also be affected by any scandal.

Opportunities

1. Partner with local businesses

Airbnb can partner up with local businesses to provide a better travel experience for its users. Airbnb could work with travel agencies, car rental companies, and local public transportation providers to allow customers to book or purchase services directly from the Airbnb website as an extension service. Airbnb can also integrate a system that recommends nearby restaurants and cafes with reviews from the Airbnb community. This is different from Google as most Google reviews were written by people from the local and not travelers. A review system based on the traveler’s perspective would be interesting and match the needs of travelers.

1. Booking Bundle

Some hosts own some cool things in the property that they want to make available for the guest to rent. Some examples are boats, cars, equipments/gears, and etc… Airbnb could update the feature to allow hosts to rent out these as a bundle or extension of the booking. The host can make some extra money while the traveler can have a more unique experience staying with Airbnb.

Threats

1. Competitions

Airbnb’s successful business model has attracted many companies to copy their site. This included companies such as Wimdu and Airize that tried to copy the exact business model to capture a market that Airbnb hasn’t entered or has a significant customer base yet. If these companies succeed in other markets, Airbnb will face extreme competition in expansion since the customers have already been exposed to another provider. It is hard for people to switch to a different platform with the exact same function when they have already set up everything. Airbnb will have to acquire these companies if they want to enter the market.

1. Government regulations

The local government in different states have different regulations for hotels and property rental owners to follow to protect their economy. Some of these regulations could pose a challenge to Airbnb such as the New York regulations that prohibited short-term rentals. Although Airbnb has gone a long way in convincing more cities and states to allow their services. But, new regulations are constantly changing when a new authority figure stepped into office. In some scenarios, authorities were challenged to change the rules when something bad happened that has a negative impact on the public.

Potential solutions

1. Airbnb continues to grow in Social Media

Airbnb has been doing great with connecting users on its social media channels. Other than sharing amazing stores, Airbnb can develop another channel on displaying different properties that have very unique or cool features. There are many influencers out there that make videos about finding the coolest Airbnb booking, such as a house with water slides or basket court and sharing them with their viewers. Airbnb can start an official channel featuring these special properties around the world so more people can learn about them. This will attract more people to use Airbnb in different markets to book those places, which leads to an increase in market share.

1. Ask the Airbnb community to voice their opinion

Many government regulations are not very suitable for our modern society. Thus, we need people to voice their opinions and ask for change. Airbnb should let the community know about some of the challenges they are facing from the government and provide recommendations on how the community can help to improve accessibility. For example, New York residents can voice their opinions during the election period pick candidates that respect the homeowner’s right to rent out their properties freely.