Group Case Report:

Airbnb scaling safety with rapid growth

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Introduction

With the rapid growth of technologies, *the peer-to-peer* business model has become a very popular and effective way of leading a business. We have seen successful peer-to-peer implementations in transportation, housing, and marketplace spheres. While most of the world's population cannot imagine life without such convenient services, certain notorious cases have raised awareness of the need for improved security, user accountability, and policy processes within large companies. In this case report, we will examine Airbnb's risk and liability management in relation to the story of Jacob Lopez and other unfortunate travelers whose experiences with Airbnb ended up being a nightmare. By further analyzing the case, we will identify steps the company should take to resolve problems that directly affect their customers and can negatively impact its reputation. Additionally, an implementation plan will be provided to successfully align with decision criteria that will improve user trust and help the company with its long-term success.

Identification of problems

Airbnb faces a complex number of problems, the primary issues identified are regulatory compliance, liability concerns, and the balance between scalability and user safety.

1. Airbnb has faced opposition from hospitality industries and local governments. Regulatory measures like San Francisco's "Proposition F" attempt to limit short-term rentals, enforce reporting requirements, and enable residents and housing groups to sue Airbnb hosts for non-compliance.

2. Airbnb's Terms of Service place legal responsibility on users rather than the company, which has led to liability challenges. Airbnb offers a Host Guarantee of $1 million, but it is secondary to the host's personal insurance which limits its effectiveness. Incidents like the Lopez and Hamptons cases show the gap in Airbnb's user protection policies which resulted in serious safety issues for users.

3. Incidents such as the New York City case involving illegal short-term rentals and the Hamptons property reappearing after a ban contributes to a negative public perception. Lengthy and complex Terms of Service documents make it difficult for users to understand their obligations, increasing the potential for legal and personal risk for hosts and guests.

Decision Criteria

Airbnb must consider the following criteria to ensure the sustainability of its business model and user trust.

1. Any solution that Airbnb finds must meet the requirements of local laws and regulations while allowing Airbnb to operate effectively.

2. Airbnb should develop a more transparent way that explicitly explains the extent of Airbnb's legal responsibilities while informing users of potential risks. Simplify the Terms of Service and improve transparency and trust.

3. For Airbnb to keep its users safe, especially in emergency situations, the company should prioritize 24/7 support with faster response times. Better safety policies, such as verifying host and guest information thoroughly, would provide an additional layer of security.

4. Airbnb should implement a strategy to strengthen its community standards and keep its users trust. A reputation strategy would ensure Airbnb's public image is kept in good standing

Analysis

Both success and major obstacles have resulted from Airbnb's quick rise in the sharing economy, particularly in relation to liability, user safety, and legal duty. An examination of Airbnb's response to these problems identifies weaknesses in both its risk management and user accountability.

1. Risk and Liability Management

According to Airbnb's Terms of Service, users (hosts and guests) are in charge of maintaining safety and legal compliance. The business positions itself as a simple peer-to-peer transaction facilitator and rejects responsibility for problems like property damage or personal harm. Although this is lawful, there are risks to one's ethics and reputation. The Nigel Warren case, for example, showed that Airbnb fails to sufficiently alert hosts to possible legal issues (such as breaking local housing rules), putting guests at risk of unexpected consequences.

2. <u>Safety Issues and Response</u>

A number of safety events that Airbnb has had highlight the inadequacies in its safety procedures:

The EJ Incident (2011): After facing criticism for its inadequate handling of theft and property damage, Airbnb introduced a $50,000 host guarantee, which was later increased to $1 million. But this incident exposed the company's lack of crisis management readiness.

The Hamptons Incident (2014): A host entered the property uninvited, which led to the couple leaving in fear. Despite following Airbnb's safety tips, the couple could not reach support immediately. This highlighted delayed responses and insufficient emergency procedures.

The Lopez Incident (2015): A failure to respond quickly in a potential emergency situation caused significant concern about Airbnb's policies around emergencies. The company has since promised to improve its emergency response systems.

These incidents show that Airbnb's reactive safety measures may not be sufficient to address urgent problems, and its crisis management needs improvement.

3. <u>Safety Measures and Improvements</u>

Airbnb has introduced verification processes (e.g., Verified ID) and increased its Host Guarantee coverage to $1 million. However, its insurance is secondary, meaning hosts must first exhaust their personal insurance. Furthermore, while Airbnb provides safety tips for both guests and hosts, the responsibility for ensuring safety ultimately falls on the users, leaving the company with limited accountability in high-risk situations.

4. <u>Ethical and Legal Considerations</u>

Ethically, Airbnb's approach raises questions about its responsibility to users. By placing the burden of legal compliance and safety on users, the company fails to fully account for the risks its platform creates. This approach, while legally defensible, could damage Airbnb's trustworthiness if incidents continue to highlight gaps in safety and liability management.

Additionally, as the company faces increasing regulatory scrutiny, particularly in cities with strict housing laws, Airbnb needs to address the ethical implications of facilitating transactions that may violate local regulations.

Alternatives

1. Better User Verification

Airbnb can improve its verification process to enhance safety for both hosts and guests. This could include requiring government-issued IDs, criminal background checks where legally allowed, and stronger profile verifications. For instance, ensuring hosts and guests have a Verified ID process tied to multiple sources like official IDs and social media could reduce the risk of incidents.

<u>Why this is important:</u>
Incidents like the Lopez case show the dangers of insufficient vetting, where individuals with harmful intentions could misuse the platform. Strengthening verification will help build trust and reduce risks.

Challenges:

Stricter checks may face resistance due to privacy concerns and could be costly to implement globally. Airbnb would also need to navigate local laws about what checks are permissible.

2. Help Users Follow Local Laws

Airbnb should create resources to help users understand and follow local regulations. This could involve providing simple, localized guides on legal requirements for short-term rentals, zoning laws, and taxes. Airbnb could also send alerts to hosts when their listings may not comply with regulations in their area.

Why this is important:

Many users, like Nigel Warren, unknowingly violate laws when hosting. Providing this support would protect hosts from legal trouble and reduce Airbnb's conflicts with local governments.

Challenges:

Regulations vary widely between cities and countries, making it challenging and resource-intensive to maintain accurate and updated guidance.

3. Faster Emergency Support

Airbnb needs a robust 24/7 emergency hotline that users can access quickly in times of crisis. Adding multilingual support and real-time GPS location sharing for emergencies could save critical time. Airbnb could also have a team dedicated to responding to ongoing emergencies and contacting local authorities on behalf of users.

<u>Why this is important:</u>

Delayed responses during incidents like the Lopez case and the Hamptons property invasion showed gaps in Airbnb's crisis management. Faster support would protect users and demonstrate Airbnb's commitment to safety.

<u>Challenges:</u>

Creating such a system would require significant investment in infrastructure and training. Ensuring the service is not abused would also be a challenge.

4. Simpler Terms of Service

Airbnb's Terms of Service (currently over 16,000 words) should be rewritten to be shorter and more accessible. Key responsibilities and risks could be highlighted in plain language during sign-up or before a booking. For example, a summary could show users their liabilities and safety tips in a clear, visual format.

<u>Why this is important:</u>

Lengthy and complex terms make it hard for users to understand their obligations. Simplifying these terms would improve transparency and trust, reducing legal and personal risks for users.

<u>Challenges:</u>

Ensuring all legal bases are covered in simplified terms might require careful revisions and legal expertise to balance clarity and thoroughness.

5. Stronger Insurance Policies

Airbnb's Host Guarantee could be updated to provide primary coverage rather than requiring hosts to rely on their personal insurance first. The policy could also expand to cover more situations, such as liability claims or common area damages.

Why this is important:

Incidents like EJ's case, where a host faced significant losses, highlight the need for stronger protections. Better coverage would reassure users and enhance trust in Airbnb.

Challenges:

Such an overhaul would increase costs for Airbnb, which might need to pass these costs to users or hosts. Negotiating terms with insurance providers would also be complex.

6. Tools for Reporting Problems

Airbnb should empower users with better tools to report unsafe or suspicious activities. This could include a quick-report feature within the app and regular audits of flagged properties. Airbnb should ensure that banned users or properties cannot re-enter the platform by improving monitoring and enforcement systems.

Why this is important:

In the Hamptons case, a banned host was able to relist their property, undermining Airbnb's trustworthiness. Enhanced reporting and moderation tools would ensure community safety and accountability.

Challenges:

Airbnb would need to prevent misuse of the reporting system while maintaining fairness and transparency. Regular audits would require additional resources and staffing.

Decision

The alternative chosen will be the third one listed: faster emergency support. A round-the-clock emergency response system with multilingual features, GPS location sharing, and specialized crisis management teams should be established by Airbnb. This will ensure faster and more effective support during emergencies by addressing reaction time gaps that have been shown by previous disasters such as the Lopez and Hamptons cases.

Airbnb can enhance its reputation, better meet regulatory requirements, improve customer safety, and provide a more transparent, user-friendly platform by tackling these interrelated problems in a single, all-encompassing approach. In addition to reducing the risks it currently faces, this will set up the business for long-term success in a sector that is becoming more regulated and competitive.

Implementation

Development Stage (6 months)

1. Develop an algorithm for a 24/7 emergency support system
2. Advertise appropriate job postings and staff a team specifically trained to handle crisis situations
    a. The job position offers a work from home option to cut costs on the company's end.
    b. There will be an extensive hiring process and added firewalls to ensure the safety of clients.
3. Develop training plans and algorithm for incoming staff (i.e. practice call dialogues and various approaches to handling issues)
4. Partner with law enforcement to ensure a quicker process for contact

Enhancing Algorithms (2 to 3 month testing period)

1. Setup algorithms that are able to prioritize the severity of cases. Customers would input details into the system prior to being connected to a representative. This information would be routed through an automated system and sorted according to severity. This would thus avoid traffic.

2. During this allotted testing period, track response times and and rates of resolutions. With the given stats, enhance and optimize the system.

Pre-Launch Plan (2 months)

1. Educate customers and users on the new and upcoming system. Create tutorials and guided access on the app so that customers are able to understand how to navigate the newly introduced system.

2. Post a list of acceptable uses of the system and what constitutes as an emergency

3. Implement consequences for customers that abuse or misuse the system
   a. Establishing $100 fines for misuse of emergency system

Launch Plan

1. Once the program is launched, regularly assess by including end-of-call surveys for customers to evaluate their experiences.

2. Continuously record calls for training purposes.

3. Conduct monthly reviews with call center employees and use collected data to enhance the program.