

AirBnb - Sharing Economy

What is the Sharing Economy Business Model?

The sharing economy is an economic model defined as a peer-to-peer (P2P) based activity of acquiring, providing, or sharing access to goods and services that is often facilitated by a community-based online platform.

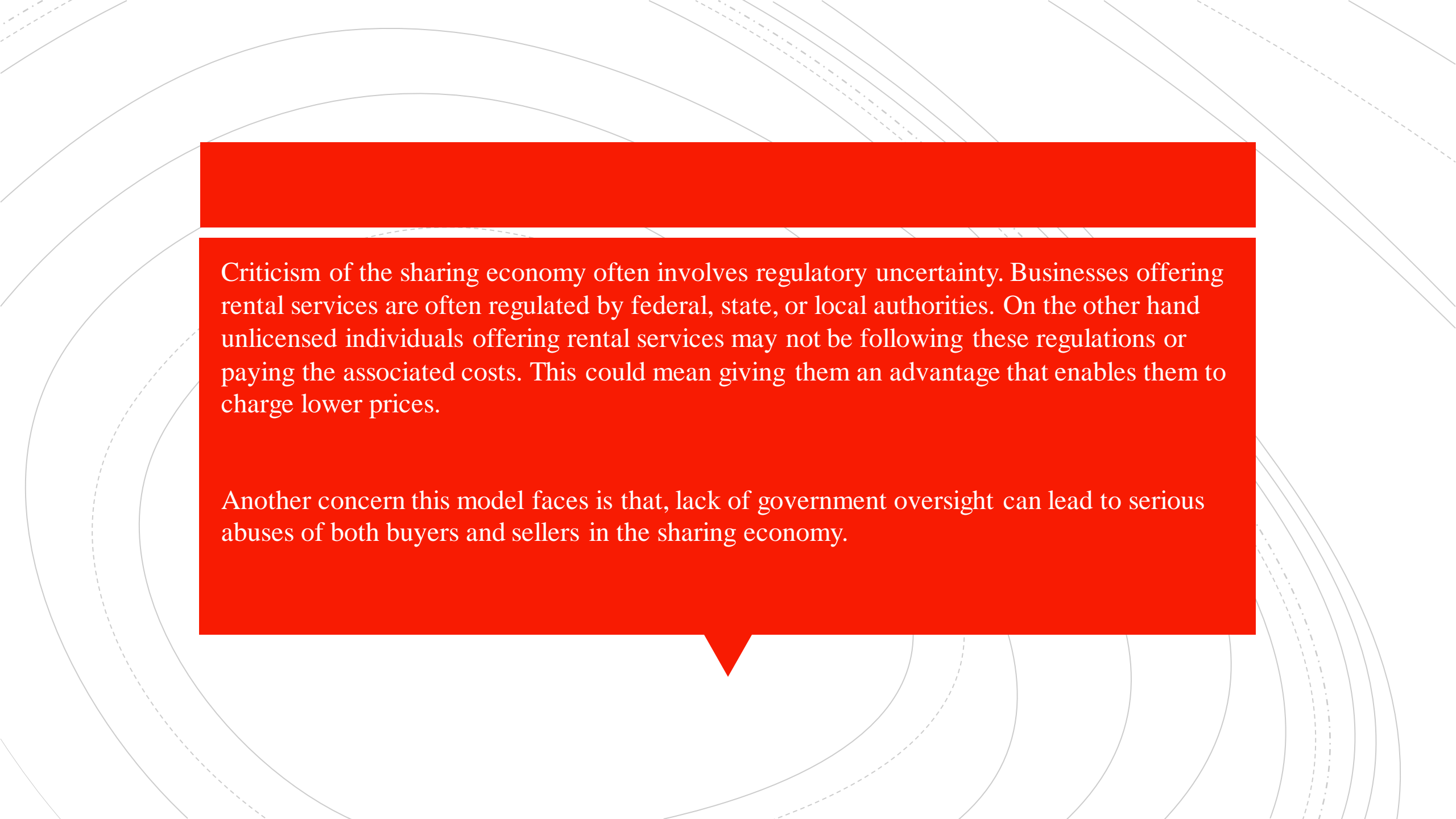
Other popular examples: Uber, TaskRabbit, CouchSurfing

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Sharing economies allow individuals and groups to make money from underused assets. In a sharing economy, idle assets such as parked cars and spare bedrooms can be rented out when not in use. In this way, physical assets are shared as services.

The sharing economy relies on a new economic construct that links excess capacity with real-time demand. It connects consumers to providers via online ecosystems or platforms, transforming traditional business-to-consumer models into consumer-to-consumer models.

Using Big Data helps asset owners find those who seek to use these assets. Often facilitated by a community-based online platform.

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Criticism of the sharing economy often involves regulatory uncertainty. Businesses offering rental services are often regulated by federal, state, or local authorities. On the other hand unlicensed individuals offering rental services may not be following these regulations or paying the associated costs. This could mean giving them an advantage that enables them to charge lower prices.

Another concern this model faces is that, lack of government oversight can lead to serious abuses of both buyers and sellers in the sharing economy.

Airbnb is an online community marketplace that connects people looking to rent their homes with people who are searching for accommodation.

Founded in San Francisco in 2008 the company has become a worldwide booking platform as it currently operates in 220 countries.

150 million active users, 5.6 million active properties listed

More than 100.000 listings in Greece

Innovations

The Disruptive Innovation Theory outlines a process through which a disruptive product transforms the market, as it grows so much that it can challenge the most dominant companies in the same area. That disruptive product often marks some specific characteristics.

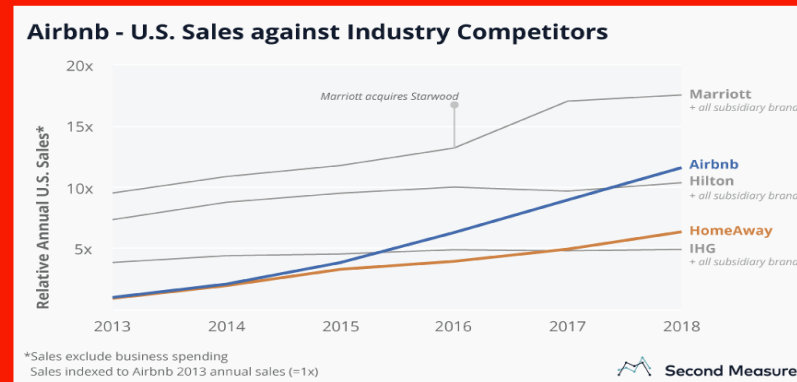
In this case the disruptive product is Airbnb, with its traits being cheaper, simpler and more convenient than the competition.

Airbnb's app is available to all iOS and android devices making it accessible to everyone. The ability to host guests with by listing your own property, to come in contact with the host or with previous guests, the detailed photos of the properties provided, the use of real time data for payments through the app, the superhost system to review the hosting experience and house, along with the fact that you don't have to pack too many things for your stay as the rented houses come fully supplied with food and working appliances are some of the innovative solutions Airbnb brings to the travel market.

Competition

Airbnb's rapid growth in the tourism market has made it a threat to traditional tourism industries such as hotels, bed & breakfast stores (B&Bs) and online travel agencies (OTAs). Airbnb competitors include websites like **Vrbo**, **Booking.com**, **Tripadvisor**, **Agoda**, **Expedia**, **TUI Villas**, **TravelStaytion**, HomeToGo, Plum Guide, and Homeaway. Not all of them are vacation rental marketplaces. Main competitors are traditional hotel chains. Airbnb isn't at their level yet but steadily rises up there.

Research conducted in 2019 showed that Airbnb accounts for 20% of the vacation rental industry. That number has risen due to Covid-19.



Target Group

Mainly, Airbnb caters to the needs of two customer segments: **guests (personal travelers) and hosts (residential asset owners)**. That means the company is targeting pretty much everyone, whether you are a traveler or just want a place to spend the summer break.

By using the app anyone that is looking to rent a place for vacation or spend a couple of days there can do so in a fast, easy and safe way.

Same thing goes for anyone who is looking to start a passive income source by renting his property to others through Airbnb.

Clients, both hosts and guests, of Airbnb appear to come from anywhere in the world and from all financial backgrounds as the cheap prices are appealing to many.

How does it work ?

Peer-to-peer accommodation made possible by the exploitation of web 2.0 internet technologies.

Even though Airbnb is a leader in the rental travel industry the company does not own any private property.

To book or rent out a place, one must have an Airbnb profile. Hosts and guests can chat and ask questions to each other. Through the app users can submit reviews and share their experiences.

After you book your accommodation, Airbnb offers two ways to pay: as one payment or in installments. A payment plan is available on most listings, allowing you to pay an initial deposit for your stay upfront, with subsequent payments charged on the date or dates listed during checkout. Hosts have the choice to accept or deny a reservation.

After booking, the host leaves the keys for you to pick up on the submitted date of your arrival.

How does Airbnb make money ?

Airbnb charges both its guests and its hosts a fee for arranging stays.

Payments are made through the website and Airbnb earns revenues for the service offered.

Hosts are charged 3% of the booking's value to cover the cost of things like processing payments and running the site.

Guests are charged 6% to 12% depending on the value of the booking. Guests get the benefit of 24-hour support in return for that charge.

In 2019, the company's revenue skyrocketed to 4.7 billion US dollars!

Marketing

Inbound Marketing: Airbnb partnered with Google early on to create ads that would help them approach their customers geographically. They carried out banner ad campaigns that featured images of the houses available for rent which helped the company gain international awareness.

Social media Marketing: Through their accounts in popular platforms like facebook and instagram they can share superhosts, popular listings, best countries to visit ect. in order to get closer with the community and attract more travelers.

Content Marketing: The main objective of this tactic is to strengthen the relationship between the brand and its customers, continuing the engagement before, during and after transactions and, therefore, influencing long-term loyalty. With the help of storytelling from customers with positive personal experiences Airbnb creates a personal connection with new people based on trust.

Problems

There is a fear that the greater amount of information shared on an online platform can create racial and/or gender bias among users. Airbnb had to face racial discrimination complaints from African-American and Latino would-be renters due to widespread user preference not to rent to these customers.

Unfortunately there have been reports of abuse, theft or even murder cases, in airbnb houses in the U.S. which made the company force both hosts and guests to follow strict guidelines.

Another challenge was the tax regulations in many countries. Airbnb had to comply with many laws both tax oriented and to ensure customer security and fair play in a competitive environment. This is also what happened in our country, Greece, where the ministry of tourism had to intervene and regulate Airbnb's action plans.

Last but not least, 2020 was the year the company planned to go public, which wasn't financially as successful as predicted, since the pandemic didn't help the travel and accommodation industry.

Advantages & Disadvantages

BENEFITS OF USING AIRBNB

- Variety: The Options Are Unique And Nearly Endless
- Accesibility: The only thing you need to have is internet connection as you can place a booking by using the app or by logging on to the website
- Contactless interaction: Transactions are made through the website and the host just leaves the key in the mailbox for you. This is very helpful during the pandemic crisis.

DOWNSIDES OF AIRBNB PLATFORM

- Regulatory uncertainty: Businesses offering rental services are often regulated by federal authorities: unlicensed individuals may not be following these regulations.
- Lack of government oversight will lead to serious abuses of both buyers and sellers in the sharing economy. (hidden cameras in rented rooms, lawsuits over unfair treatment)
- Host risk: property damage can potentially occur by the guests



<https://youtu.be/1Tc9YScMtN8>

Sources

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* Useful tool was also the airbnb app which i downloaded and used, to get some hands-on experience.