

Name: Yash Udasi

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Instructor's Name: Dr.Ronald Lesniak

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Business Model Canvas For Airbnb

About the company:

Airbnb is an online marketplace connecting travelers with local hosts. On one side, the platform enables people to list their available space and earn extra income in the form of rent. On the other, Airbnb enables travelers to book unique home stays from local hosts, saving them money and giving them a chance to interact with locals. Catering to the on-demand travel industry, Airbnb is present in over 190 countries across the world.

The Business Model Of Airbnb:

1 Solution:

- a. **Value Proposition:** Airbnb enables owners to list their space on the platform and earn rental money. It helps the owners to earn an extra income from their property which is currently unused. Airbnb also provides insurance for the listed property, thereby ensuring the hosts that their property is safe. Airbnb is an affordable platform for travelers. It gives cheap options to travelers to stay with local hosts. Airbnb also facilitates the process of booking living space for travelers. Guests can browse and choose their best possible stay experience. Guests usually get more space, amenities, customization for sure as they can choose the place and the host of their choice. Airbnb also provides a rating and review system for both, the hosts and the guests. Finally, Airbnb provides a user-friendly app and web-based structure which enables its users to book or list their place with just a few clicks.

b. Pricing Strategy: Airbnb offers free listings to property owners and lets 's browse the listed spaces and select the one which best suits their needs on the platform. The business model of Airbnb is such that the booking and monetary transactions are done on Airbnb's platform. This is from where the company earns its share of revenue from 2 different sources.

- **Commission from Property Owners (Hosts):** Airbnb charges flat 10% commission from hosts upon every booking done through their platform.
- **Transaction fee from Travellers (Guests):** Airbnb charges 3% of the booking amount as transaction charges from travelers upon every confirmed booking.

2 Customer Acquisition

The three customer segments that define the Airbnb's Business Model are:

- **Hosts:** Hosts are the people who own property and want to make some money by renting out their available space. They can create a listing for their property on Airbnb, add property details and set their own rent, check-in, check-out time etc. Hosts can accept or reject a booking after reading the reviews of the traveler or after going through his social profiles.
- **Travelers/Guests:** Travellers are the people who book the listed available spaces from local hosts. Travellers have the option to search for a property by filtering them according to rent, amenities provided, location etc. Travelers can book a space by paying through the Airbnb portal.
- **Freelance Photographers:** Airbnb has a vast network of freelance photographers in all major cities of the world who go to a location and click high-definition photographs of the property. The high-quality photographs get more responses and the freelance photographers are paid by Airbnb directly.

- a. **Relationships:** Airbnb has a 24/7 customer service for its users. It is a global platform used by customers in different time zones, therefore, it provides 24/7 customer support. Since it is C to C platform, it can easily get into hassles of agent theory. Airbnb tries its best to satisfy both ends of business transactions. Airbnb also provides great promotions and loyalty program which attract first-time users and encourage repeat uses of original users. There is a sign-up discount bonus as well for new users which they can use on their first booking. Social media is the key for Airbnb and it is great at maintaining customer relations through it by generating awareness and hyping up the brand via social media channels. Airbnb also provides home insurance to the hosts which helps them to trust Airbnb with their property and thereby improving customer relationships.
- b. **Channels:** A customer for Airbnb is the one who adds up to the company's revenue. He can be a host who offers his space for rent and lists it on the platform or he can be a traveler who books a space. So the question, from where does Airbnb find hosts and travelers, is really important for their business. The following are the channels through which Airbnb mainly acquires its customers.
- Airbnb Website (airbnb.com): This is the most important channel of all for Airbnb as all the searches and transactions are executed here and it has no affiliations and partnerships with other travel booking sites.
 - Mobile Apps: This is another important channel for Airbnb as all the features and transactions from the website can be executed on its mobile app. The Mobile app is available for both iOS and Android platforms.
 - Social Media: Airbnb gives strong emphasis on social media by running its own fan pages and placing banner ads.
 - Word of Mouth: Airbnb constantly tracks and maintains feedbacks of both hosts and guests and tries to improve its services so that more and more people will recommend it to others.

3 Cost Structure

Being a \$3.8 Billion company Airbnb has to manage its cost effectively. Since it is 100% online transactions, transaction fees to online payment processors like Visa, MasterCard, PayPal would take the biggest chunk of the cost. Another major cost is website creation and maintenance since its website is the main source for its revenue. Airbnb needs to keep its website current and trendy, but also intuitive and efficient to streamline the overall transaction process. Insurance for rental space of hosts and travelers also adds up to the cost requirements. The business is heavily dependent on human resources and it needs to keep those highly creative talents to sustain its success. Heavy online ad campaigns, moderate level of offline-based ad campaigns and event sponsorships also account to the cost requirements for its business.

a. **Key Activities:** The key activities include:

- **Building Host Network and Managing Hosts:** This activity is important since the more the registered hosts and their spaces, the more the freedom of choice for guests.
- **Product development and Management:** A variety of staying options can be offered by budget, region, season, activity, occasion, features and many more. Newer variety will attract potential customers and for that, the homepage has to stay updated and well maintained.
- **Dispute Management:** Since it is C to C platform, it can easily get into hassles of agent theory by settling disputes down between parties which is extremely crucial for its business.
- **Advertising:** A great way to boost their awareness and customer consideration level is through advertising. The budget for online as well as offline marketing should be managed properly as this is one of the main channels for customer acquisition.

b. **Key Resources:** The following are some of the key resources required by Airbnb for its business:

- **Brand Name:** The brand name itself carries a huge value and future potential for the company
- **Network of Hosts:** The more the hosts, the more choices to choose from for customers.
- **Skilled Employees:** Airbnb needs Tech, online experts who are able to maintain and deliver a user-friendly website. They need creative, innovative professionals who can deliver beautiful and intuitive images of Airbnb via design, homepage, ad/commercial and public relations.
- **Technology:** Since Airbnb is a 100% online-based transactions business, it needs to have a fast and smooth online system which facilitates overall transactions.

References:

1. <https://canvanizer.com/canvas/nAUoKzQGsb0>
2. <https://jungleworks.co/airbnb-business-model-revenue-insights/>

My business model canvas for Airbnb

