



Airbnb: leveraging data and partnerships

Overview

Since 2008, Airbnb has disrupted the way people travel. Its platform “offers magical end-to-end trips, including where you stay, what you do, and the people you meet.”¹ Airbnb uses a design-driven approach and takes advantage of technology and data to empower hospitality entrepreneurs. Its mission: *“To live in the world where one day you can feel like you’re home anywhere & not in a home, but truly home, where you belong”*,² positions their hosts and guests at the core of their business model. Airbnb's disruptive success has proven to be resilient, even during the COVID-19 pandemic. Airbnb was able to achieve long-term success and stay relevant during the crisis by adjusting its business model to become “COVID-proof”.³ The company cut costs by letting go of 25% of its workforce and adjusting executives' salaries. Airbnb also focused on its core business by scaling back on any type of innovative investments. Additionally, its adhocracy culture enabled them to think outside the box and pivot by offering virtual experiences such as cooking nights with hosts. Much of its success during COVID-19 was due to its change management skills, confidence in its capabilities, organizational culture, and long-term optimism. Airbnb showed its support to hosts by refunding over \$1 billion to those affected by COVID-related cancellations. Airbnb trusted the economy would bounce back from this crisis and by relying on its capabilities, it retained customers while incentivizing potential hosts to join the platform. Airbnb's response to the global pandemic was its gateway to becoming a market leader and going public in the stock market.

- Generated \$5.9 B in revenue in 2021 yielding a 73% YoY increase.
- The user base reached 44.5 million users in 2021
- 356.9 M nights booked in 2021 representing a 42.1% YoY increase⁴

Capabilities

The company started with customer innovation and an untapped new market of individuals eager to rent their homes: the hosts, who since then have become Airbnb's most valuable partners. Other stakeholders Airbnb is responsible for are: guests, communities where they operate, employees, and shareholders. The company's value proposition can be divided into:

1. Enabling human connection beyond transactions (easy and safe)

¹ Michelli, J. (n.d.). *The Airbnb Way: 5 Leadership Lessons for Igniting Growth through Loyalty, Community, and Belonging*. O'Reilly Online Learning. <https://www.oreilly.com/library/view/the-airbnb-way/9781260455458/ch1.xhtml>

² (2019, June 28). *Airbnb 2019 Business Update*. Airbnb Newsroom. Retrieved December 2, 2022, from <https://news.airbnb.com/airbnb-2019-business-update/>

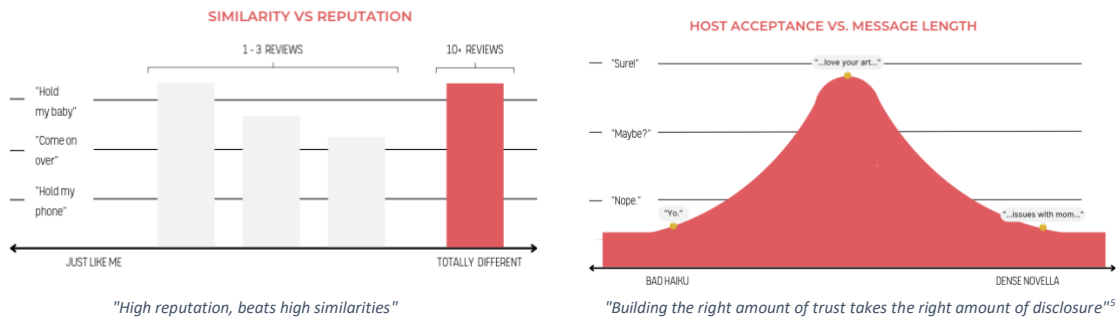
³ Taulli, T. (2020, November 21). *How Airbnb Beat The Covid-19 Virus*. Forbes. <https://www.forbes.com/sites/tomtaulli/2020/11/21/how-airbnb-beat-the-covid-19-virus/?sh=1308118f2bcf>

⁴ Curry, D. (2022, November 11). *Airbnb Revenue and Usage Statistics (2022)*. Business of Apps. <https://www.businessofapps.com/data/airbnb-statistics/>



2. Offering a variety of unique, flexible, and global stays to individuals at an affordable price, lower than traditional hotels.

When the entire business model relies on individuals opening their houses to strangers, a fundamental challenge rises the stranger-danger bias (we have been taught stranger equal danger). After studies, coupled with the firms' capability of fostering community through customer-centric service solutions, and a data-driven approach, Airbnb was able to design for long-term trust through the findings:



Airbnb successfully shifted the narrative and set strangers as 'friends who wanted to be discovered with the help of its reputation system. Empowered with technological development, ratings have become a fundamental practice at the end of the customer journey, both for hosts and guests. Airbnb aims to maximize the number of reviews because it reflects the trustworthiness of its users. This has allowed Airbnb to become the market leader in the sharing economy in the hospitality industry that it is today.

SWOT framework

Strengths <ul style="list-style-type: none">• Brand reputation (trust and quality)• Breadth of listings (unique accommodations and global listings at affordable pricings)• Entrepreneur community-based platform enabled by technology development (Safe and easy experience for hosts and guests)• Reviews system: creates trust and ensures credibility• Superior customer experience (trust)• Diversification in revenue streams (Aircover, experiences, hosting)	Weakness <ul style="list-style-type: none">• Poorly written rules• Accused of gentrification• User data transparency• Negative guest and host experiences• Landlords' resistance in accepting Airbnb bookings
Opportunities <ul style="list-style-type: none">• Technology is changing behavior and services expectations• Customer experience excellence, drives loyalty and enables premium pricing• Sharing economy market growth• Strategic long-term partnerships	Threats <ul style="list-style-type: none">• Government regulations, cities where laws restrict short-term rentals• Competitors• Uncertain future regulations

⁵ TED. (2016, April 5). How Airbnb designs for trust | Joe Gebbia [Video]. YouTube. <https://www.youtube.com/watch?v=16cM-RFid9U>



Despite Airbnb's outstanding performance throughout the last decade, there are still factors that need to be addressed for future success. One of the weaknesses Airbnb has continuously faced since its early years is its poor relationship with big landlords paired with the uprising threats of uncertain government regulation restricting short-term rentals. It is a reality that 'illegal subleasing' is a trend where landlords are not made aware of the fact that tenants are profiting by listing their apartments for a short period. One reason for this is tenants' fear of resistance from landlords, thus they don't ask for permission to rent their spaces.

Airbnb-Friendly Apartments: Leveraging Partnerships

On November 30th of this year, the market disruptor launched the new **Airbnb-friendly apartments**⁶, to increase transparency, ameliorate its relationships with big landlords and multifamily buildings, and expand its wide listing offer. This business expansion strategy was an opportunity to "unlock the economic benefits of hosting to help renters cover the rising cost of living". Hosts have always been key partners and at the core of Airbnb's activities. The company's value proposition is, now, to make it more accessible for people to find apartments where they can also reap the economic benefit of home sharing. In other words, people will now be able to rent apartments where they can also host guests for short stays to finance part of their rent balance, in return, landlords will receive a share of the total booking revenues from Airbnb sublets (normally 20%)². This partnership is also a strategic move from big landlords and multifamily buildings standpoint, because data shows that the phenomenon of illegal sublets exists, with or without consent, and they must adapt to change, and stay flexible while creating an innovative revenue stream.

During the past years, Airbnb has successfully increased its listings in many perspectives: stays range from apartments, houses, igloos, caves, boats, etc.; duration includes short and long-term rentals, and formats are stays or experiences. Key to their success? Airbnb's primary and support activities. If we look at Airbnb's value chain, the firm's activities are mostly supported by technological developments. Airbnb's key activities are interconnected working together to improve the firm's competitiveness; therefore, helping the firm pursue this expansion strategy.

1. Marketing (primary activity) helps them increase brand awareness and engage the users.
2. Platform maintenance (core activity) is needed to run the company's operations (primary activity) (Design innovation and technology development (support activity) are essential to facilitate the workflows and guarantee an easy process for both guests to book, and hosts to rent, which will maximize customer lifetime value).
3. Scalable customer service (primary activity) designed focused on trust to foster a meaningful community with both, guests, and hosts.

⁶ (2022, November 30). *Introducing Airbnb-friendly apartments* [Video]. Airbnb Newsroom. <https://news.airbnb.com/introducing-airbnb-friendly-apartments/>



Value-Added Through Data Analytics

Airbnb is known as a market leader for its ability to leverage AI, Machine Learning, and Data Analytics. Some of the ways the company has deployed distinct technologies in its processes are by using image classification, ranking models, using AI to assess hosts' credibility, and A/B testing. Airbnb believes "enabling humans to partner with a machine in a symbiotic way exceeds the capabilities of humans or machines alone"⁷. An example of this is Aerosolve, Airbnb's machine learning algorithm which is a dynamic pricing feature that helps hosts choose better pricing for their listings. Airbnb's experimentation culture has enabled it to continuously improve its offerings. The newly launched service adds value to hosts and landlords through the following AI-powered tools:

Browse engine	Used to browse available apartments, view floor plans, and what each building has to offer.
Dashboards	Landlords can view which units are being rented on Airbnb and which have a guest staying.
Earnings calculator	Those interested in joining have access to a custom-built calculator estimate of profit potential from part-time hosting.
Connect with building management	Prospective renters have access to additional information on individual buildings, including interior and exterior photos and information about what's nearby.
Airbnb Setup ⁸	Hosts will be matched with super hosts to be guided, making the experience as easy as possible

Managerial Conclusion

Airbnb is a clear example of how integrating business analytics into primary and support activities can enable capabilities that help a firm build a powerful competitive advantage and lead the market. Its competitive advantage: a system of trust.

Airbnb-friendly apartments service shows how the company effectively used the SWOT framework as a tool to generate its new expansion strategy and took the internal strengths, its brand reputation, reviews system, community, and breadth of listings, and used them to neutralize external threats such as government regulations on short-stay rental and landlords' resistance of joining Airbnb's community. As well, the company exploited external opportunities like the sharing economy market growth and technologies' influence on consumer behavior, while mitigating internal weaknesses.

This expansion strategy is a decisive step where the firm uses its creative spirit to pursue the most valuable type of capabilities it has, which are the breadth of listings, and trust building. With the Airbnb-friendly apartment service, Airbnb is adding value in terms of expansion with big landlords by committing to them and making them part of their main stakeholders, and in terms of trust also increasing transparency with a group that has been ignored until now.

⁷Yee, H., & Ifrach, B. (2018, June 4). Aerosolve: Machine learning for humans - The Airbnb Tech Blog. Medium. <https://medium.com/airbnb-engineering/aerosolve-machine-learning-for-humans-55efcf602665>

⁸ The Airbnb 2022 Winter Release. (n.d.). Airbnb. <https://www.airbnb.com/2022-winter>