

AIRBNB: BUSINESS MODEL DEVELOPMENT AND FUTURE CHALLENGES¹

Sayan Chatterjee wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e) cases@ivey.ca; www.iveycases.com.

Copyright © 2016, Richard Ivey School of Business Foundation

Version: 2016-11-24

In 2007, Brian Chesky and Joe Gebbia founded Airbnb. Chesky and Gebbia had met several years earlier as students at the Rhode Island School of Design. After initially working in Los Angeles after graduation, Chesky decided to move to San Francisco, where Gebbia was living. The two shared an apartment but were struggling to pay their rent. While brainstorming ideas to earn more money, they came up with the idea to rent out the three airbeds they had available. There was an upcoming design conference in their neighbourhood, and all of the nearby hotels were sold out. They set up a quick website to advertise their offer for an overnight stay on an airbed in their apartment, along with breakfast in the morning. One would normally expect to find a few younger 20-somethings who might be interested in sleeping on someone's couch during the conference. However, the three people who stayed with them were a 45-year-old father of five from Utah, a 35-year-old woman from Boston, and a man from India. Given the interest in their apartment airbeds from a wide variety of people, Chesky and Gebbia decided to expand their small idea and Airbnb was formed. Engineer Nathan Blecharczyk was added as the third co-founder.²

From this serendipitous beginning, Airbnb grew into a business that spanned 16 countries and was valued at \$10 billion³ in the most recent round of financing in 2014. However, as of early 2014, its business model had hit a major road bump. At the request of the State of New York attorney general, Airbnb was forced to hand over anonymous listing information of hosts who rented out apartments in New York City. While the listings were anonymous, the attorney general was determined to subpoena some of the hosts that might have violated a New York law that prohibited any private rentals under 30 days where the host was not present.⁴ This caused some consternation among hosts based in New York, and some pulled their listings. The founders had to evaluate if these short-term rentals in large cities, which drove the majority of their rentals, had suddenly become vulnerable. They also had to decide whether to defend their business model in a court of law and in the court of public opinion, or change it.⁵

CONFERENCE PUSH

For the first year of its existence, Airbnb needed to focus entirely on the gaps between the number of available hotel rooms and conference attendance. The founders did not seek out hosts that listed their properties in perpetuity but instead focused on conferences and, later on, other events. The first major conference they targeted was the 2008 South by Southwest conference and festival in Austin, Texas. To

help market the site and garner interest in Austin, they executed an online public relations campaign. Because they had no budget to advertise, they relied on getting coverage from various blogs. They initially targeted small blogs but, once they got some attention from these blogs, they approached larger blogs, citing their coverage from smaller blogs in hopes of getting additional coverage. They continued to work their way up this ladder to reach the largest audience possible. Chesky said: “Of course, it wasn’t totally efficient, right. We had to get a number of blog posts just to get a couple users.”⁶

The company was able to get about 40 people to list their spaces for South by Southwest. These early users represented the first set of “strangers”—people besides the founders’ friends and family—who listed on Airbnb. One of the constraints that Airbnb put on itself was to favour hosts who would be present when the guests rented the space. While this requirement was relaxed later (leading to some of the regulatory issues in New York), it turned out to be a good move, whether it was deliberate or serendipitous.

UNDERSTANDING ITS CUSTOMERS

Chesky decided to use the South by Southwest conference to test out Airbnb from the perspective of a traveller. He had already participated as a host, but never as a renter. Chesky had a major revelation during this experience. Initially, Airbnb wanted to stay out of the business of collecting and distributing money because it did not want to take on the additional responsibilities associated with such a process. Airbnb first modeled itself as more of a listings site like Craigslist than a marketplace like eBay.

During his stay in Austin, Chesky experienced why this model was not ideal for Airbnb customers. The hosts offered to pick up Chesky at the airport, and even prepared a dinner to share with him. However, there came a point in the evening where the hosts became anxious and asked Chesky when he was going to pay them their fee for hosting him. Chesky realized that this process was extremely awkward for both the hosts and the renters. Airbnb quickly decided to begin facilitating the exchange of money by charging renters upfront, taking a small transaction fee, and then depositing the remaining money to the host’s account. “The reason we did it was truly from a user experience. We saw it was a horrible experience to have to pay cash,” recounted Chesky.⁷

Chesky explained that by reaching out and talking to its customers, Airbnb continued to learn more about its market.⁸ Another critical lesson was learned when Airbnb continued to hear from customers about how nice it would be to have general listings instead of only event-based listings.⁹ Once again, the company reacted quickly and started allowing people to list their spaces in perpetuity. The founders also realized that their lodging offerings were attracting a wider demographic than just young travellers. This validated their first experience, and they tried to understand the preferences of older and more affluent travellers. One surprising finding that they incorporated in their playbook was that their existing guests might be interested in renting out their own homes.¹⁰

One issue that Airbnb was always concerned about was the quality of the experience from both the host’s and the renter’s perspective. Having renters as hosts reduced some of these risks. Also, some of the renters-turned-hosts came from New York City. Airbnb decided to leverage these contacts and focus on New York City (see Focus on New York City section below) as it broadened out beyond marketing only to cities that were hosting conventions. This was done at the prompting of Y Combinator (see Y Combinator section below).

2008 POLITICAL CONVENTIONS

The next major events that Airbnb targeted were the 2008 Democratic and Republican National Conventions. The Democratic convention, in particular, was expected to draw attendance well above hotel capacities. Airbnb decided to promote the business to potential convention attendees by creating

promotional cereals that featured two different box designs—Obama O’s for Barack Obama, the 2008 Democrat presidential nominee, and Cap’n McCains for John McCain, the 2008 Republican presidential nominee. Airbnb initially planned to give these boxes away to hosts so that the hosts could serve renters the cereal for breakfast. However, it instead made the boxes collectible, created a numbered series of about 800 boxes, and sold these on its website. The founders were hurting for funding so they convinced a small company in Berkeley to make the cardboard cereal boxes for free in exchange for a share of the royalties. Airbnb then filled the boxes with generic Cheerios and Chex and sold them as memorabilia at \$40 per box.

While the sale of these boxes brought in about \$30,000 of much-needed revenue, it also drew a great deal of press for the company. Airbnb sent out boxes to mass-media outlets, and the media, including CNN and “Good Morning America,” jumped on the story and helped create a lot of buzz for Airbnb. More importantly, this promotion attracted the attention of Paul Graham of Y Combinator, which was an important pivot for the fledgling company.¹¹

Y COMBINATOR

Although Airbnb was able to create a one-time influx of revenue and buzz with the cereal boxes, the increase in business from the conventions was not high enough yet to fully support the business. In January 2009, the company applied for and was accepted into the Y Combinator Winter 2009 program. Y Combinator was an investment fund and start-up advisory based in Silicon Valley. Y Combinator invested small amounts of money into very early-stage (generally pre-launch) companies. During the three months in the program, a company was able to focus 100 per cent on its product, while Y Combinator provided a network of outside investors, program alumni, and the Y Combinator partners, who had extensive experience in working with young, tech-oriented businesses. One of the key reasons Y Combinator decided to bet on Airbnb’s future was the tenacity of its founders, particularly when the Y Combinator partners learned of Airbnb’s cereal campaign.¹²

FOCUS ON NEW YORK CITY

A key step in Airbnb’s development occurred during a meeting with Graham. The guidance received from Y Combinator mentors encouraged Airbnb to focus on starting small, with activities that were difficult to scale. Airbnb had already been practising this philosophy in the early years. For example, creating a website would scale if many prospective customers viewed that site. However, seeking out small bloggers one at a time was a tedious process that did not scale until they reached a critical mass that drew the attention of larger and better followed bloggers. Graham asked the founders where most of their customers were located. Because of the high prices of hotels in New York City, Airbnb had grown the most in that city. Graham then asked the founders why they were still in Mountain View, California, instead of New York City. Graham believed that in order to build the business and understand the needs of their hosts, the founders needed to be in their primary market.¹³

One way for Airbnb to distinguish itself from a mere bulletin board such as Craigslist was to develop a group of loyal renters and hosts. Focusing on repeat hosts and users (stakeholders) limited the size of its market but reduced the many risks of relying totally on strangers to grow the market. Furthermore, with repeat stakeholders, Airbnb could develop a much more intimate knowledge of them. The process of acquiring this knowledge did not scale easily and was much more difficult for others to copy. It was something that could only be achieved by walking in the shoes of the stakeholders of the business.

Chesky and Gebbia decided to start making frequent trips to New York City to meet and stay with Airbnb hosts. Blecharczyk stayed in California to handle the technical operations. In New York, Chesky and Gebbia began meeting with as many Airbnb hosts as they could. After these visits, Airbnb started to invest in some activities that were quite expensive and did not scale easily. For example, it found that the hosts were posting photographs of their property using cellphone cameras. These were no different than what you saw on Craigslist. Airbnb's solution to this problem could have been considered overkill by many of its imitators, and for sure, this solution did not scale immediately. The founders rented a high-definition camera for \$5,000 and took high-resolution photographs of the host properties. It did not hurt that they were trained in design principles so they could present the properties in the most attractive light.

The results were immediate. Renters started flocking to these properties, and Airbnb had found a formula that it could now repeat in other large targeted cities. This activity did not start to scale until the hosts started to see the benefits, at which point some of them took it on themselves. To help the hosts, Airbnb hired 2,500 freelance professional photographers to visit over 14,000 hosts in seven countries and train them in the aesthetics of displaying their rentals. These enhanced displays, as well as detailed directions and verified property addresses (to prevent guests from getting lost), increased the odds of properties being rented by more than three times (see Exhibit 1). Airbnb could have directed the hosts to learn about taking professional photographs instead of doing so itself. However, by getting big slowly it could create the "manual," which sped up the process when it finally handed it over to professional photographers and to the hosts themselves.¹⁴

Apart from this, when the founders stayed with hosts they would frequently meet up with them for lunch or coffee, and throw host parties. They would encourage hosts to bring their friends to these parties to help increase Airbnb's reach. Whenever possible, Airbnb would post videos of user experiences, such as these parties as well as reunions of hosts and travellers who stayed in touch through social media. Each time the founders visited New York, they would do these things, and after each visit, they saw their New York customer base increase. Also, after each New York trip, they would update the website with changes and features. On the next trip, they received feedback from the hosts, who were impressed with Airbnb's responsiveness. At this point, Airbnb also started to use social media in a much more innovative fashion.

SOCIAL MEDIA

It was nothing new and exciting for a company to have a Facebook page, a blog, or followers on Twitter. However, Airbnb had started putting together videos from both hosts and travellers sharing their experiences. Since most of the hosts and renters actually met each other and made a connection, they might stay in touch and get together through social media. Then they each met more people through further Airbnb experiences and the social network grew and grew. There were even reunions to gather people that had connected through Airbnb so that the network stayed intact.¹⁵ This had now become formalized as an annual event for all hosts. According to a new report by corporate research firm Altimeter Group, it was this "desire for community" that was a critical driver behind Airbnb's success.¹⁶ Airbnb had fostered it through its peer-to-peer (P2P) marketing strategy. According to one article, "when a brand facilitates a P2P service it has to gain the trust of users on all sides. In the case of Airbnb, that means cossetting both hosts and guests. Its method of choice? Rich, community-centric storytelling."¹⁷ One could infer that this exponential growth was a direct result of the initial decision to favour hosts and guests who wanted to interact with each other rather than be an absentee host or a hotel guest. These social networking activities, along with the reviews and user profiles, all contributed to a safer and overall better experience for all.

AFTER Y COMBINATOR

By the end of its three-month program with Y Combinator, Airbnb was generating enough revenue to cover its expenses. Also, the company had learned a lot from its hosts and completely retooled its website to better attract hosts and renters (see Exhibits 2, 3, and 4).

In May 2009, Airbnb raised an additional \$600,000 in financing to continue expanding.¹⁸ By this time, many New York travellers were taking the Airbnb experience with them when they left, and the service started increasing host offerings across the globe. Continued focus on major U.S. and international markets like San Francisco, Los Angeles, London, and Paris proved that these cities were fertile grounds for Airbnb customers. In November 2010, after booking several hundred thousand nights of lodging through its business,¹⁹ Airbnb was able to raise an additional \$7.2 million dollars in venture capital.²⁰ Then, in 2011, it received \$100 million to expand its business. The \$100 million investment came at a valuation of \$1 billion dollars, taking Airbnb from a simple concept in late 2007 to a billion-dollar company just three and a half years later²¹ (see Exhibit 5). As of spring 2014, the platform had 10 million guests and 550,000 properties listed worldwide.²²

By 2011, Airbnb had pivoted significantly from the early days of marketing to conferences. The primary renters consisted of people looking to rent someone's spare room, someone's home, a vacation home, or even a sublet. Increasingly, hosts felt comfortable to not be present when the Airbnb guests rented their properties. However, this proved to be a problem with New York regulators, as explained earlier.

Although Airbnb had made huge progress over the past several years, it was facing several risks from different fronts. These risks included companies cloning the Airbnb model, potential regulations that might disallow Airbnb-type rentals in certain cities (particularly when hosts were not present during the rentals), and strong, well-funded competition in certain markets that Airbnb played in, or wanted to expand into. Airbnb had cleared the substantial hurdle of establishing its two-sided rental community and marketplace. Now it needed to meet investors' expectations to become as ubiquitous in its industry as peer-to-peer marketplaces like eBay were in theirs.

INDUSTRY

Industry Snapshot

Airbnb was a pioneer in the market of renting out spare rooms and other private hotel alternative spaces, so the size of the market was still relatively new and undefined. It was estimated that the market was similar in size to the vacation rental market—\$24 billion in the United States and expected to reach \$169.7 billion by 2019 worldwide.²³ This market had come about when people started posting rooms for rent on Craigslist (also founded in San Francisco) in the early 2000s. However, these were primarily long-term for-rent apartments, houses, or duplexes that attracted families with kids. Short-term or vacation rentals were few and far between, and Craigslist did not market to this audience. It merely provided a place to post whatever people wanted to rent out.

Once it had established itself, Airbnb pursued growth through second-home and vacation rentals, as well as people renting their own home while they were away on vacation. This was another \$100 billion global market. The vacation rental market had a number of large competitors as well as countless smaller vacation home listing sites and real estate companies that managed rental homes.

Competition

Airbnb found itself in a more heavily contested market space as the industry grew and developed. The competition came in three forms.

Copcats

Airbnb identified over 500 imitator sites, some much more detrimental to its future than others. Sites such as Wimdu and Airizu, started by two brothers from Germany, were heavily funded by European investors.²⁴ These two brothers had a history of creating companies that were the European equivalent of American companies. They then tried to sell the company back to the original founders, which was what they successfully did to both eBay and Groupon. These imitator websites looked and felt just like Airbnb and were going after the same market but from a European angle.²⁵ They even went so far as to say that they were a partner with the original company or that they would soon be associated with the original company. This was clearly a deceptive marketing practice. Other companies went so far as copying listings from Airbnb and posting them on their website. They got attention by doing this and then advertised that they were featured on CNN or in the *New York Times*, but did not reveal the dubious marketing practice. These imitator websites were expanding by generating substantial upfront capital and having a proven track record of creating and selling imitator websites so that more people could then invest in them.

Vacation Rentals

Airbnb also had competition from heavily funded American sites such as HomeAway, VRBO, and Flipkey. HomeAway, based in Austin, had received over \$400 million in venture capital funding since 2005.²⁶ It offered over half a million paid vacation rental home listings across 145 countries.²⁷ It catered more to vacation home rentals than airbed or pull-out accommodations. Flipkey was owned by TripAdvisor and catered to vacation rentals.²⁸ These companies were aimed at families and individuals who were looking for a good deal on a vacation rental but with a little more comfort than what you would get from someone's living-room air mattress.

Many of the American companies used venture capital funds to buy other websites. For example, HomeAway used venture funds to buy VRBO and VacationRentals. It also raised an additional \$230 million through an initial public offering. More capital gave these companies more power to market and create a name for themselves as well as go after different market segments through corporate acquisitions. They could then strong-arm the competition to sell out, which was very different from the Airbnb strategy of gaining market share organically in small increments.

One-Stop Vacation Services

There was also a threat from the many existing large hotel aggregator sites such as Hotels.com and Travelocity. These sites catered mainly to travellers looking to book a hotel room, not the unique type of experience obtained from Airbnb. Larger companies wanted to be able to provide a good and comprehensive deal (airfare and rental cars), sometimes at the last minute. These large companies that dominated the hotel market had the capital to buy up smaller sites that might cater to a different market segment. For example, in 2002, Travelocity bought out Site59, which was a travel agent specializing in last-minute deals. The larger revenue stream of the bigger companies also gave them the opportunity to

compete on price. For example, Travelocity guaranteed a 24-hour price match after you booked, plus an additional \$50 if you found the same hotel for a cheaper price. For all of these reasons, this group of competitors could potentially entice Airbnb customers.

Airbnb's Response to Competition

Airbnb took a four-pronged approach to combat companies entering its market segment.

Address Customer and Host Concerns

As stated earlier, Airbnb's founders stayed with hosts in order to not only help them display their property more effectively but also to gain insight into their likes and dislikes. This led to modifications such as implementing a payment system on the website to improve the experience for both hosts and guests. In 2013, a guest had trashed the property of his host. This was always a concern for hosts that would typically be avoided if the host was present during the rental. Airbnb tried to mitigate such issues by getting detailed information about hosts and renters. However, this became difficult when the company started to grow exponentially. The company quickly instituted a set of safety protocols, including a \$50,000 liability guarantee along with 24/7 customer support that included voice and video verification of guests. Even as it grew, Airbnb constantly sought out this type of feedback, which sparked many different website upgrades and gave it more customer intimacy on both sides of its network (hub) model. It was this insight that was difficult for others to copy (see Exhibit 6).

Foster Engagement between Stakeholders

Airbnb spent a considerable amount of time improving the experience of the guests. To validate its tagline "travel like a human," the company encouraged hosts to interact with guests by showing them around restaurants and places of interests in their cities. Airbnb also reached out to local businesses that bordered on its listings that could sell items of interest to renters. In 2014, Airbnb partnered with a start-up called Vayable that offered renters guided tours covering history and local cuisine. Many local businesses found value in this proposition and joined the partnership. These businesses in turn became a promotional arm for the extended Airbnb network.

Help Customers Find Their Preferred Rentals Fast

The constant revision and improvement of the website led to a dramatic decrease in the time it took for a prospective guest to book a room. Coincidentally, the number of rooms booked with Airbnb also increased by about the same rate (see Exhibit 1). As of 2014, Airbnb offered an instant-booking feature for trusted renters (those who had stayed with Airbnb at least once). The efforts that the founders had put into making it easy for renters to decide on a property quickly and with confidence were paying off.

Expose Imitator Sites

In 2011, Airbnb started a creative campaign against imitator sites. The website offered a flagging feature to mark questionable behaviour on message threads. It also offered a way to notify the company of

solicitation for another website (detectives@Airbnb.com). This created customer loyalty and made customers feel like they were a part of Airbnb and were doing their part to help it stop imitator websites.²⁹

FUTURE OPPORTUNITIES, MISSTEPS, AND RECENT LEGAL ISSUES

Chesky was asked when there would be an Airbnb for boats. His response detailed how the company viewed itself and where it envisioned itself in the future:

Airbnb is that service. So far, we have 78 boats on Airbnb, but this number is growing quickly. . . . One day not too long from now, I imagine we will have thousands of boats on Airbnb, and will be the preeminent marketplace for booking boats online. This brings up an important question. Will there be an Airbnb for boats, an Airbnb for sublets, an Airbnb for villas, etc.? I would answer this question by asking, was there an eBay for stamps, an eBay for antiques, and an eBay for cars?³⁰

One of Airbnb's competitors had a hunch that Airbnb was using Craigslist as a source of listings. To test the theory, he created rental listings on Craigslist and checked the box that no solicitation emails were wanted. For each listing he created, he received an email from an "Airbnb fan" that said he should list on Airbnb instead.³¹

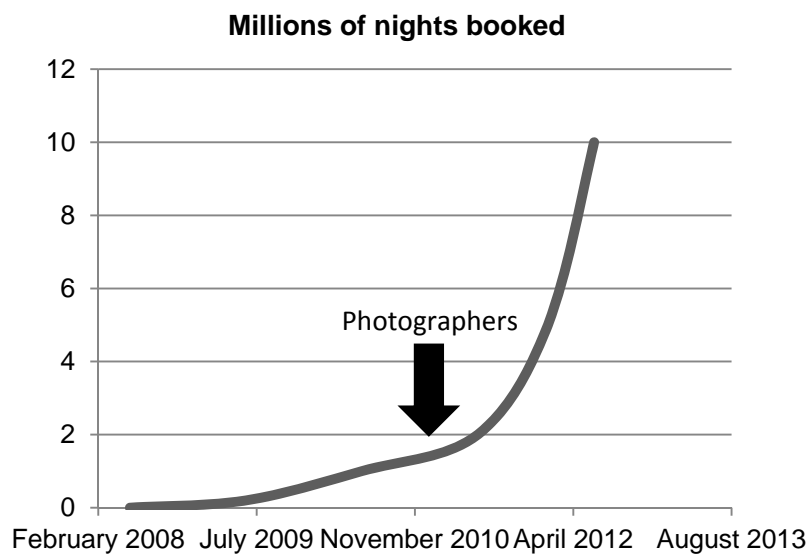
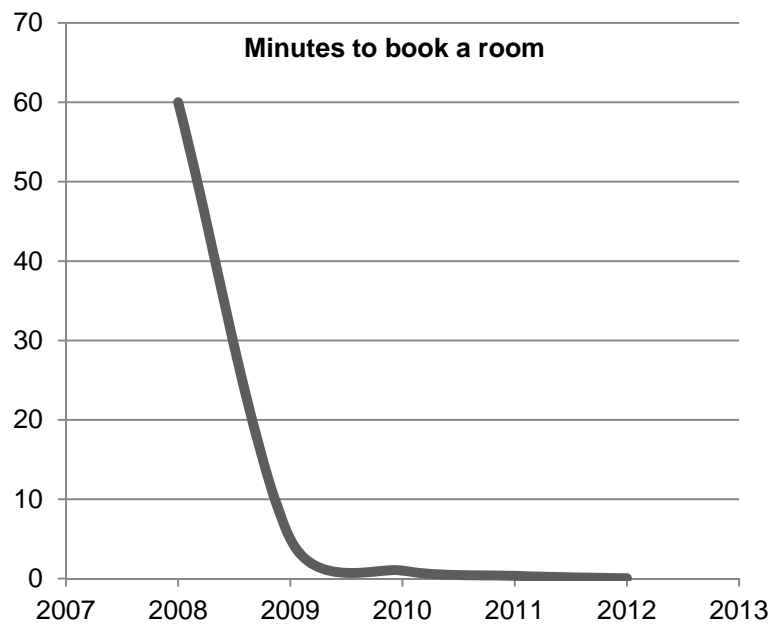
In June 2011, Airbnb publicly admitted that it did use Craigslist to attract potential customers. The company blamed the contracted sales team and said it did not condone their actions. Members of the sales team used Gmail accounts so that the soliciting emails to Craigslist would not get tracked back to Airbnb. It was unclear at that time whether Airbnb could face potential lawsuits for violating anti-spamming and solicitation laws.³²

The tourism and lodging industry was government regulated and had various rules covering many of the aspects of hotel and rental property lodging. These regulations varied greatly by state and country. Some regulations might make it challenging for Airbnb to continue to grow in certain segments. For example, as stated earlier, a new senate bill passed in New York might cause some Airbnb users to break the state law. According to the bill's sponsor, Senator Liz Krueger, the illegal hotel operations in New York disrupted the lives of the permanent residents, decreased the city's tax base, and removed thousands of apartments from the housing market.³³ The senate bill did not permit renting residential rooms for less than 30 days unless the tenant was staying with the renter. If the renter was solely occupying the room, it was illegal. Other states were likely to follow New York's approach.

When this senate bill was being considered, Airbnb's founders spoke out against the law, saying it would have a big impact on customers that used the site to augment their rent.³⁴ They also said that Airbnb's role was only to facilitate rentals and that they had no responsibility for how the hosts used the rental property. Although this law would not affect all Airbnb users in New York, it would affect the market segment of users that were renting residential properties to the tenant for sole occupancy (that is, without the host's presence).

Airbnb was also taking a more aggressive approach to its legal troubles. As stated earlier, the State of New York attorney general was considering subpoenas for some of the Airbnb hosts and possibly going after lost tax revenues from hotels that had lost business to Airbnb hosts. In November 2013, a non-profit sharing advocacy group called Peers put out a highly visible petition claiming that the State of New York attorney general had issued this subpoena for all (as opposed to some) Airbnb hosts using a law that was written for slumlords. Douglas Atkin, Airbnb's global head of community, forwarded this petition to all Airbnb users and hosts to voice their displeasure. Atkin was a co-founder of Peers.³⁵

EXHIBIT 1: EASE OF BOOKING AND INCREASES IN BOOKING



Notes: After 2009, the time dropped below five minutes, which could not be clearly captured in the chart.

Airbnb launched Instant Book in 2014, which allowed renters to book a room instantly, provided they had stayed with Airbnb at least one time; Jim Breese, "What Is Airbnb Instant Book," Learn Airbnb, April 2012, accessed February 15, 2015, <http://learnairbnb.com/airbnb-instant-book>.

Source: Drew Olanoff, "Airbnb Launches Its 'Match' Service to Help You Book Places to Stay in a Pinch," *The Next Web*, April 26, 2012, accessed October 12, 2012, <http://thenextweb.com/insider/2012/04/26/airbnb-launches-its-match-service-to-help-you-book-places-to-stay-in-a-pinch>; Colleen Taylor, "Airbnb Hits Hockey Stick Growth: 10 Million Nights Booked, 200K Active Properties," *TechCrunch*, June 19, 2012, accessed February 15, 2015, <http://techcrunch.com/2012/06/19/airbnb-10-million-bookings-global>.

EXHIBIT 2: PROPERTY LISTING ON AIRBNB WEBSITE

Listing Title and Location: Dix Room@Aria Resort-on the strip
Pricing and Availability: \$XXX based on a pop up calendar
Photo Gallery
Host Information
Detailed Property Specs and Description
Reviews of Property
Similar Listing Suggestion

Source: Airbnb, accessed February 2, 2015, www.airbnb.com.

EXHIBIT 3: WEBSITE AND IPHONE APP FEATURES

Website Features

- **Collections:** Highlights groups of interesting properties to renters based on a common theme. Collection examples include: “Airbnb Top 40,” “Planes Trains and Automobiles,” and “I’m on a Boat.” There are currently 60 collections available for browsing.
- **Blog:** Highlights events hosted by Airbnb, news stories on Airbnb, and announcements from Airbnb.
- **Airbnb TV:** A collection of videos related to, and produced by, Airbnb. Videos include featured Airbnb hosts, guides to cities, contest introductions, tutorials, press coverage, and more.
- **Invite Your Friends:** A program that allows an Airbnb user to refer friends. The first time an invited friend takes a trip using Airbnb, the user is awarded \$25. The first time invited friends rent out their space, the user is awarded \$75.
- **Affiliate Program:** Allows online publishers to advertise Airbnb. Airbnb provides a 40 per cent customer lifetime profit share on affiliate referrals.

iPhone App Features

- Browse and book accommodations directly from iPhone.
- Communicate with other Airbnb renters and hosts using a mobile messaging system.
- “Tonight,” a one-click, location-based search that returns places in your area that are immediately available.
- Manage listings from iPhone: Set schedules, take and upload photos, and accept and decline rental requests.

Source: Airbnb, accessed November 12, 2014, www.airbnb.com (available after signing up as host).

EXHIBIT 4: EXPANDED LISTING ON AIRBNB

About This Listing: 96-year-old home in lakefront neighborhood. 2,300 sq. ft. 4 bed 2 full 2 half bath finished basement that can easily host eight. 15 minutes to downtown. Easy bus and Uber access.
Contact Host



Description: Family home in a historic neighborhood with lake views, nice yard, finished basement, garage. Four bedroom with two full and two half bath. This home is suitable for a family with children or could easily accommodate three couples. There is a king bed, a queen, and two full beds as well as two pull out couches.

Guest Access: Full use of home including cable, Wi-Fi, laundry, garage, outdoor BBQ, and yard.

Interaction with Guests: We will not be in the home so you may enjoy our space at your leisure.

The Neighborhood: This neighborhood is close to all that Cleveland has to offer. A perfect retreat and home base for the 2016 RNC.

Getting around: 15-minute drive to downtown or short walk to bus. Local restaurants and bars are a short walk. Art museum and other cultural attractions are a short drive.

Other Things to Note: Located on a quiet family-oriented street in one of Cleveland's most sought after communities.

+ More

House Rules: Please treat our family home as you would want someone to treat your own home. We are opening up our house to you. The neighbors are tolerant of reasonable entertainment, but this is a family community with working adults so large parties should not be a part of the plan. No pets. If you must smoke, please do so outside.

<p>The Space Property type: <u>House</u> Accommodates: 8</p>	<ul style="list-style-type: none"> • Bedrooms: 4 • Bathrooms: 2.5 • Beds: 4
<p>Amenities</p> <ul style="list-style-type: none"> • Kitchen • Internet • Essentials • Heating • <u>+ More</u> • Kitchen • Internet • TV • Essentials • Heating • Air Conditioning • Washer • Dryer • Free Parking on Premises • Wireless Internet • Cable TV • Breakfast • Pets Allowed 	<ul style="list-style-type: none"> • Family/Kid Friendly • Suitable for Events • Smoking Allowed • Wheelchair Accessible • Elevator in Building • Indoor Fireplace • Buzzer/Wireless Intercom • Doorman • Pool • Hot Tub • Gym • Smoke Detector • Carbon Monoxide Detector • First Aid Kit • Safety Card • Fire Extinguisher • Prices • Extra people: No Charge • Cleaning Fee: \$200 • Cancellation: <u>Strict</u>

EXHIBIT 4 (CONTINUED)**About the Host, Isaac**

Lakewood, Ohio, United States

Member since April 2014

Contact Host

Connections

Are you or your friends connected with this host?

Connect with Facebook

Source: Airbnb, accessed November 12, 2014, www.airbnb.com. Used with permission from the host, as well as the Airbnb manager.

EXHIBIT 5: AIRBNB FUNDING HISTORY

Year	2008	2009	2010	2011	2012	2013	Total
Funding total		Seed: \$20,000	Series A: \$7.2 million	Series B: \$11.2 million	Venture Round: \$6.62 million	Series C: \$200 million	\$326 million
		Seed: \$600,000					
Acquisition total			Accoleo		Daily Booth		\$575,000
					Crashpadder		
					NabeWise		
					Fondu		
					Localmind		

Source: Compiled by author from CrunchBase, accessed June 29, 2015, www.crunchbase.com/organization/airbnb/funding-rounds.

EXHIBIT 6: TOOLS PROVIDED TO HOSTS**Property Listing Options for Hosts**

- Property type: apartment, house, cabin, etc.
- Accommodates: 1–16+
- Privacy: private room, shared room, entire home
- # bedrooms
- Title
- Property description
- One-time sublet?
- Price per night
- Advanced pricing, by week, by month, by season
- Upload up to 100 photos
- Fees: additional guests, cleaning, security
- Cancellation policy
- House rules
- Minimum nights
- Maximum nights
- Check-in/check-out times
- Set availability schedules

Listing Portfolio Management Tools

- Edit properties
- View reservations
- Activate/deactivate listings

Destination Guide Tools

- Allows hosts to create online destination guides to promote their areas. Highlight attractions such as sightseeing locations, kid-friendly locations, restaurants, stores, etc.

Additional Marketing Tools

- One-click Publish to Craigslist feature
- Airbnb search results tool provides tips on improving search visibility

Source: Airbnb, accessed November 12, 2013, www.airbnb.com (after signing up as host).

ENDNOTES

- ¹ This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Airbnb or any of its employees.
- ² "How Clever Entrepreneurs Turned 3 Air Mattresses into Airbnb, the Site That Makes Any Home a Bed and Breakfast," Mixergy, January 28, 2010, accessed February 15, 2015, <http://mixergy.com/airbnb-chesky-gebbia>.
- ³ All currency amounts are in U.S. dollars unless otherwise specified.
- ⁴ Douglas MacMillan, Craig Karmin, and Elizabeth Dvoskin, "Airbnb to Hand over Anonymous User Data in New York," *Wall Street Journal*, May 21, 2014, accessed February 15, 2015, www.wsj.com/articles/SB10001424052702303480304579575953059437762.
- ⁵ Ibid.; "Update: Airbnb and the New York Attorney General," Airbnbaction, accessed October 1, 2016, <https://www.airbnbaction.com/update-airbnb-ny-ag>; Amanda Holpuch, "Airbnb and New York Attorney General Go to Court over Users' Information," *The Guardian*, April 21, 2014, accessed October 1, 2016, <https://www.theguardian.com/world/2014/apr/21/airbnb-new-york-attorney-general-court>.
- ⁶ "How Clever Entrepreneurs Turned 3 Air Mattresses into Airbnb, the Site That Makes Any Home a Bed and Breakfast," op. cit.
- ⁷ Ibid.
- ⁸ Ibid.
- ⁹ "Crash at Their Place," *Inc.*, accessed October 15, 2016, www.inc.com/30under30/2010/profile-brian-chesky-joe-gebbia-nathan-blecharczyk-airbnb.htm; Christine Lagorio-Chafkin, "Brian Chesky, Joe Gebbia, and Nathan Blecharczyk, Founders of Airbnb," *Inc.*, July 19, 2010, accessed June 16, 2016, www.inc.com/30under30/2010/profile-brian-chesky-joe-gebbia-nathan-blecharczyk-airbnb.html.
- ¹⁰ Morgan Brown, "Airbnb: The Growth Story You Didn't Know," GrowthHackers, accessed June 16, 2016, <https://growthhackers.com/growth-studies/airbnb>.
- ¹¹ Austin Carr, "Most Innovative Companies 2012: 19_Airbnb," *Fast Company*, February 7, 2012, accessed April 1, 2015, www.fastcompany.com/3017358/most-innovative-companies-2012/19airbnb.
- ¹² Ibid.
- ¹³ Paul Graham, "Do Things That Do Not Scale," July 2013, accessed June 29, 2015, <http://paulgraham.com/ds.html>.
- ¹⁴ Brown, op. cit.
- ¹⁵ "Stories from the Airbnb Community," Airbnb, accessed October 16, 2016, <https://www.airbnb.com/stories>.
- ¹⁶ Tessa Wegert, "How Airbnb Is Using Content Marketing to Stay on Top," *Contently*, December 5, 2014, accessed October 16, 2016, <https://contently.com/strategist/2014/12/05/how-airbnb-is-using-content-marketing-to-stay-on-top>.
- ¹⁷ Ibid.
- ¹⁸ "Airbnb," CrunchBase, accessed October 16, 2016, <https://www.crunchbase.com/organization/airbnb#entity>; Anthony Ha, "Airbnb Lies Down with VCs, Wakes up with Money," *VentureBeat*, November 10, 2010, accessed February 15, 2015, <http://venturebeat.com/2010/11/10/airbnb-funding>.
- ¹⁹ M. G. Siegler, "Airbnb Tucked in Nearly 800% Growth in 2010; Caps off the Year with a Slick Video," *TechCrunch*, January 6, 2011, accessed February 15, 2015, <http://techcrunch.com/2011/01/06/Airbnb-2010>.
- ²⁰ "Airbnb Announces New Product Advancements and \$7.2M in Series A Funding to Accelerate Global Growth," Marketwired, November 11, 2010, accessed February 15, 2015, www.marketwire.com/press-release/Airbnb-Announces-New-Product-Advancements-72M-Series-A-Funding-Accelerate-Global-Growth-1351692.htm.
- ²¹ Sarah Lacy, "Airbnb Has Arrived: Raising Mega-Round at a \$1 Billion+ Valuation," *TechCrunch*, May 30, 2011, accessed February 15, 2015, <http://techcrunch.com/2011/05/30/airbnb-has-arrived-raising-mega-round-at-a-1-billion-valuation>.
- ²² Brown, op. cit.
- ²³ "Global Vacation Rental Market 2015–2019—Leading Vendors Are 9Flats, Airbnb, HomeAway, TripAdvisor, Wimdu, World Travel Holdings & Wyndham Worldwide," PR Newswire, January 11, 2016, accessed June 29, 2016, www.prnewswire.com/news-releases/global-vacation-rental-market-2015-2019---leading-vendors-are-9flats-airbnb-homeaway-tripadvisor-wimdu-world-travel-holdings--wyndham-worldwide-564824051.html.
- ²⁴ "Fingerpointing Breaks out among Online Vacation Rental Sites," *USA Today*, accessed October 15, 2012, <http://travel.usatoday.com/news/story/2011/06/Fingerpointing-breaks-out-among-online-vacation-rental-sites/48666224/1>.
- ²⁵ Alexia Tsotsis, "Airbnb Freaks Out over Samwer Clones," *TechCrunch*, June 9, 2011, accessed February 15, 2015, <http://techcrunch.com/2011/06/09/Airbnb>.
- ²⁶ "Fingerpointing Breaks out among Online Vacation Rental Sites," op. cit.
- ²⁷ Ibid.
- ²⁸ "About FlipKey," FlipKey, accessed February 15, 2015, www.flipkey.com/Pages/about_us.
- ²⁹ Tsotsis, op. cit.
- ³⁰ "Brian Chesky: CEO, Co-founder of Airbnb," Quora, accessed February 15, 2015, www.quora.com/Brian-Chesky/answers.
- ³¹ Matt Rosoff, "Airbnb Farmed Craigslist to Grow Its Listing, Says Competitor," *Business Insider*, May 31, 2011, accessed June 29, 2016, www.businessinsider.com/airbnb-harvested-craigslist-to-grow-its-listings-says-competitor-2011-5.
- ³² Kevin May, "Airbnb Admits Rogue Sales Team Used Craigslist for Stealthy Property Drive," *Tnooz*, accessed June 29, 2016, www.tnooz.com/article/airbnb-admits-rogue-sales-team-used-craigslist-for-stealthy-property-drive.
- ³³ "Illegal Hotels Bill Passes Legislature Bill to Protect Residents, Increase Apartment Availability," The New York State Senate, July 1, 2010, accessed February 15, 2015, www.nysenate.gov/press-release/illegal-hotels-bill-passes-legislature-bill-protect-residents-increase-apartment-avail.
- ³⁴ Adrienne Jeffries, "Airbnb on New York's Illegal Hotels Law: It's Not Aimed at Us and We Aren't Liable," *Observer*, May 31, 2011, accessed February 15, 2015, www.betabeat.com/2011/05/31/airbnb-on-new-yorks-illegal-hotels-law-its-not-aimed-at-us-and-we-arent-liable.
- ³⁵ Bruce Watson, "Airbnb's Legal Troubles: The Tip of the Iceberg for the Sharing Economy?" *The Guardian*, November 20, 2013, accessed July 5, 2015, www.theguardian.com/sustainable-business/airbnb-legal-trouble-sharing-economy.