**Airbnb: Home Sharing in China**

# Part 1: Summarize the Important Case Facts

## Who are you in the case?

Unclear.

We can assume you are the two co-founders of Airbnb: Joe Gebbia and Brian Chesky

## What is the main problem? How did this problem happen?

How should Airbnb position itself in the Chinese market?

Options:

1. Work with a local competitor (if so, who?)
2. Expand alone using a global strategy
3. Expand alone using a localized strategy (if so, how?)

## What are some key facts in the case?

**Company History**

* Founded in October 2007
* Service:
  + local people open their homes to visitors looking for inexpensive and unique accommodations.
  + Airbnb facilitates the interaction and transaction
  + Airbnb takes a small % of the payment
  + Hosts are expected to have professional photos of their properties
* Failed a lot in the beginning; got better after joining Y-Combinator and getting mentors and $20K in funding from there
* Created a “Host Guarantee” in 2011 to protect hosts from property damage, thereby showing hosts that they value them.
* Opened 10 offices across Europe in 2012
* Expanded to business customers in 2014
* By 2015, Airbnb had 2 million listings, serving over 40 million guests worldwide

**China Landscape**

**Tourism Industry**

* Tourism grew by 4.1% from 2014-15, a substantial increase
* Most visitors are from other Asia countries such as South Korea
* Outbound travel is increasing as more and more Chinese citizens get a passport
* From 2010 to 2015, outbound visitors increased by 9% to 120 million. Trips to outside of China increased by 42%.
* Domestic travel increased by 10.5% from 2014-15 🡪 4 billion travellers
* Most popular travel times are National Day and Chinese New Year

**Sharing Economy and Regulations**

* New but growing rapidly
* Valued at $299 billion and expected to grow by 40% over the next 4 years
* The Chinese government hopes to become a global leader in the sharing economy and is willing to collaborate with companies that promote a sharing economy
* Chinese consumers care about price, value, trust, and enjoyment when using home-sharing platforms
* Chinese consumers are worried about security, which is why they might choose a hotel over Airbnb.
* Regulations are still unclear. Regulations prevent people from using private property for commercial purposes such as a hotel. But it is unclear whether Airbnb is considered a hotel since it’s short-term stays.

**American Competitors**

* Airbnb argues that it doesn’t compete with hotels; rather, Airbnb targets customers who want to travel in a different way and want a unique experience with local insights and adventures
* HomeAway has a head start in China; it expanded into China in 2012

**Local Chinese Competitors**

* Tujia:
  + Established in 2011
  + over 310K home listings in 393 cities, including 138 overseas
  + Partners with HomeAway
  + Targets customers who don’t trust non-traditional accommodations and want a high level of service
  + Focuses on luxury home rentals
  + Provides maintenance services
  + Some properties offer hotel-like amenities, such as airport pickup, cleaning services, and in-house butler
* Xiaozhu
  + Similar to Airbnb
  + Focused on short-term stays
  + Founded in 2012
  + In over 200 cities across China (China has 687 cities, so that’s about 29%)
  + Pages have blog posts that document previous users’ experiences
  + Offers a lot of customer support to overcome distrust, including customer service phone lines, a team of professional “home photographers”, and free insurance to both hosts and guests
  + Got $60million in funding in 2015

**Airbnb’s efforts thus far**

* 50K properties listed in Asia; 1500 in China
* A small team of employees started in 2014 in Beijing in 2014
* Within 2014, growth in China was 700%
* Has support from 2 local Chinese venture capital firms
* Announced official entry into China in August 2015
* Chinese platform launched in Mandarin; integrated Alipay and UnionPay
* Customers can login using Weibo or WeChat
* Working on improving the mobile app
* Working with Qyer and Mafenwo, which caters to young people looking for unique travel experiences overseas

**Going Forward – Partner or go alone? Use the established formula or localize?**

* Should Airbnb try to build customers from the ground up, or partner with local players?
  + The market is not yet dominated by any one company
  + Airbnb can acquire or merge with a local competitor to gain market share
  + But merging with a competitor means loss of control and brand dilution
* Airbnb could also expand into China on its own
  + How can Airbnb best position itself to avoid the challenges that other foreign companies had failed to overcome?
  + Should Airbnb replicate its platform in America?
  + Should Airbnb localize? How could it localize?