

Airbnb: The Sharing Economy

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Introduction

Airbnb has been around ever since 2007 from its very first reservation, since then it has expanded to multiple different countries, with millions of people seeking accommodation for their vacation, and business trips all around the world. Airbnb has made it possible to get better suited accommodation for guests' needs by utilizing filters on their sites, and offering multiple different choices when it comes to properties, for their choice of region. All this to make a profit from a certain percentage depending on the amount of people, and days during their time at their Airbnb; so, Airbnb can keep up with all the host, and guest with customer service employees. Therefore, by offering so many distinct types of Airbnb's in so many countries, Airbnb can attract all different age groups who can filter their needs into the perfect place to stay. Even with competitors such as motels, and hotels, Airbnb is ready to compete with the traditional way of traveling with their marketing strategy of getting everyone to know about the several types of accommodations that Airbnb has to offer. There is also so much hat online, as there is with every person, and business on social media, but according to statistics we can see how Airbnb is ever expanding with new guest and Airbnb host every day in new countries, many reigns all over the world, who want to use Airbnb site for the properties, and accommodation choice.

Business Model

Airbnb has this strategy of dedicating their website to allow customers to filter their search for a property they would like to stay, and by search properties that potential host has listed this is allowing guests and host to get connected and make a sale. To do this Airbnb utilizes “a two-sided marketplace that serves both property owners and guests” and lets the two parties exchange messages, and transfer (IGMS 2023). Airbnb can profit from the sales because “Airbnb

charges a service fee from both the guest and the property owner for each booking” allows the parties to use their services, and in exchange Airbnb makes a profit (IGMS 2023). However, Airbnb was not always popular, so they made ways to gain attention, so “by forming a reputation of personalization, reliability, and trust, Airbnb attracted users that truly believed in the brand value the company created,” which created millions of listings worldwide, through their work (Wu, et al 2012). Therefore, by keeping up with the times, where the internet has made a huge impact on today world, Airbnb makes its platform suitable for everyone's schedules, wherever, and whenever they need a place to stay they allow filter on prices, areas, sizes, and more so everyone can find the right place they are willing to stay. To provide their buyers, and sellers with multiple offers and options, Airbnb partners with a variety of different platforms from hostels, hotels, and personal sellers to create more variety on their sites.

Financial Landscape

As presented before Airbnb is able to profit from taking a percentage of the sales from both parties. However, this may differ “Depending on the size of the reservation, guests are required to pay a non-refundable service fee based on the type of listing—usually under 14.2%” which allows Airbnb to make more profit sales insuring that they can make the most from the amount of reservations being made (Nath 2023). Hosts are charged a 3% fee with their sales, so Airbnb can make profit from the host's buyers' reservations, and the fee is canceled when the guest or the host decides to cancel the reservation. As this fee is also for the guest too, Airbnb changed its fee for “A more expensive reservation” which can result in a “lower service fees for guests” which allows larger families and groups to save more on their travels and spend more on other expenses with traveling (Nath 2023). All these expenses differ depending on the region and on the sizes of properties and groups making the reservations for their travels to different countries.

Allowing this peer-to-peer business to result from their business Airbnb has made a huge change in the travel world, from their “phenomenal growth globally since its launch in 2008” making its accommodations to have more variety for all different travels, and groups to have more choices when choosing an Airbnb rather than hotels (Moon et al 2012). This makes Airbnb popular when traveling since guests can make more precise decisions when staying in specific areas around the world, and it is all on one platform, and can connect to others around the world too.

Target forces

After establishing thousands of properties in multiple different countries, Airbnb is not the only accommodations site out there, therefore there are multiple threats of new entrants. However, Airbnb was the first of its kind to market buyers' personal properties for others to reserve and stay for a fee from airbnb, but paying the personal buyer themselves. This allows Airbnb to have a head start when it comes to come. Therefore, when airbnb was founded in 2007 seven it has “enjoyed significant first mover’s advantage” making it the go to e-commerce business which makes it “difficult to catch up with for any new entrant” making Airbnb have no real threat from other businesses; “hence, this force is moderate as any kind of disruptive idea can easily topple the leader position” that Airbnb has on other travel accommodations agencies (MBA Skool Team 2023). There is also little threat to Airbnb when it comes to bargaining power of suppliers since Airbnb is a peer-to-peer business, “there is very little choice in the market that these homeowners have to get their property listed, and for guests to have a one-stop solution to finding the homestay of their choice, Airbnb commands a high bargaining power in this regard” so Airbnb since Airbnb is one of the top sites to site properties its some's host first choice when listing (MBA Skool Team 2023). This is perfect for Airbnb's plan because of the multiple families, and people that have actinophones, or empty properties that they can makes money of

off when they are unoccupied, therefore Airbnb can help them out, while making a profit from these host. Airbnb is so popular from being the first of their kind to have host list their properties to potential travelers to reserve and make Profit from; making their target group being the host that have these properties, and the guest traveling to specific destinations where Airbnb with potentially have properties available.

Problems-

Since Airbnb is the first of its kind its sort of lacks a sustainable competitive advantage that places such as hotels and motels have had in the past by being able to compare prices to other companies, and services (Wu, et al 2012). Due to this Airbnb has such a high variety of places but could never compare it to the “traditional hotels, motels, and bed-and-breakfasts” that other travels are used to in the past (MBA Skool Team 2023). However, this problem is only temporary because Airbnb makes its marketing catered to people with different tastes. Therefore, Airbnb makes sure to market to the older generation to due to the fact that “a large proportion of Baby Boomers in North America, travel is a priority” so making sure to reach out to this group could make Airbnb even more money, so marketing their airbnb has marketing there properties that “promote family or multi-generational experiences” that “are especially appealing” to the older generation (Graden 2023). This way Airbnb can connect with all different kinds of generations who are looking for properties when traveling. Airbnb also faces the problem facing “multiple legal and trust issues in the market” due to Airbnb having thousands of properties in multiple different countries, it's hard to make sure that the pictures, and descriptions on the properties are accurate therefore this could create tension when things do not go planned during peoples stay both for the host and/or the guest (Wu, et al 2012). Therefore, since Airbnb has so many risks in the industry of travel it has “a wide reach because of its presence in other

countries, the company has created a reputation for itself among its customers” therefor it must make sure it is protecting its company and host from other companies in this industry. (MBA Skool Team 2023). Lastly, Airbnb must stay on top of things to “determine its direction moving forward or risk losing its competitive position in this emerging industry” protecting its advantage in the industry (MBA Skool Team 2023).

Strategy

Businesses must deal with competition and criticism, with this Airbnb having strategic options to ensure they are ready for problems that come with running a business. One of the first strategies that Airbnb uses in their business according to UCLA in 2012 is that “increase usage and establish Airbnb in domestic market” this is making sure that Airbnb is keeping up with the supply and demand that is within the market of their business (Wu et al 2012). They keep this up by bringing in more hosts with their listing ranging from 200,000 in 2021 worldwide, to having over 7 million listing in 2022. Another part of Airbnb's strategy is “Integrate platforms with other outlets” allowing other companies to sponsor, or even partner with Airbnb's business (Wu et al 2012). This gets more outreach for the company by allowing potential hosts to list properties and bringing in more buyers. Last strategy is “international expansion” expanding to countries outside of the United States, and expand to tourist, and others across the world (Wu et al 2012). Airbnb went from starting in San Fransisco California to having millions of listings outside of the United States. All these things are so that quest can pick and choose where, when, the size, and price of their property that they are wanting to stay depending on their preferencing and since in “terms of pricing, renting a private room via Airbnb costs approximately the same as a midscale hotel” people can get a better deal when getting a place suitable to their needs, and price range rather than a midscale hotel (Luqi & Solomen 2019). Their strategy is that they can

accommodate specific customer needs and they can make filters on their sites that potential guests can pick and choose from. Therefore, since there are a variety of potential quest since “customers of hotels and other accommodation can be categorized into two groups: business and leisure travelers” Airbnb can offer reservations from business personal, or travels all around the world, they only must filter to the specific area they are wanting to go to and reserve online.

Current situation

The current challenge that Airbnb has to deal with is online hate, just like every other e-business. The current situation is the people are just fed up with airbnb since there are “Disrespectful guests, complicated tax codes and big rental management companies threaten Airbnb host satisfaction” however all these things are not the fault of Airbnb but the fact that other people are creating the problems themselves (Kemmis 2022). Airbnb has its own way of dealing with disrespectful hosts and guests, but it goes behind the scenes to not make a mess of their company, so people like to post hate because of what they cannot see and hear about other people's experiences. Therefore, even though you can see so much hate about Airbnb “total demand for short-term rentals actually rose 24% in September compared with the same month last year, according to a recent report by Airbnb, a vacation rental data platform” and the “average daily rates rose a staggering 31.9% compared with 2019” which goes to show much one comment can impact so much hate on a business that isn't really effect by them in the first place (Kemmis 2023). Social media is filled with comets everyday it's hard to keep up with the hundreds of reservations, host, guest, hate, and like comments one a single plate for but “what gives” when “based on what’s happening in the real world, Airbnb is doing better than ever” so there isn't much of a challenge to distract potential guest and buyers when Airbnb has the statistics that shows their improvement through the years (Kemmis 2023). So, Airbnb has been

expanding more every year, especial since its “company started its overseas expansion, opening its first international office in Hamburg, Germany” in 2011 according to “an Airbnb statistics and fact” Airbnb is ever expanding (statistic 2024). So, when making their sites as easy as possible to navigate Airbnb, it makes an easy transaction, and communications from hundreds of different groups around the world, so not much goes to the haters. Therefore, Airbnb will keep expanding as long as people keep coming back to “using Airbnb to travel to thousands of towns and cities, staying for weeks, months, or even entire seasons at a time” making Airbnb more money and giving them more popularity as the years go by (Masson 2022).

Recommendation

In order for Airbnb to keep expanding everyday they need to expand to more counties, and reigns when there is not a lot of accommodation for travel. To do this Airbnb needs to keep reaching out to potential hosts to list their properties on their sites “It makes perfect sense. Airbnb wants to encourage you to keep hosting, so the new listing boosts a good way of doing this” and keep the number of hosts growing on their site (Duckworth 2023). Airbnb can do this through marketing to the guest and the host too, by marketing their online listing strategy on their sites, so their listing is vertical and easy to access on their sites. Communication is key in business to keep people coming back with good reviews that can boost not only Airbnb's popularity, but the host too, because “It would also be a good idea to check out my Airbnb message template examples. Using saved responses will speed up your communication significantly” so that other potential listers, and guests know what they are getting into when using and booking their Airbnb's site (Duckworth 2023). So, Airbnb is working hard to keep up with the millions of users on their sites to keep the “flexible dates... flexible matching” and the “flexible destination” that can appeal to everyone that goes onto their sites (Ruiz 2021).

Conclusion

Airbnb is ever evolving with new guests and hosts every day from travelers for coaction, and work, and hosts that want to list their properties that they are not using. Airbnb can look over all the negative comments on the internet because the statics can our way them anyway. From strategy in marketing to problem solving, they can expand and convince every group to use their site and book their accommodation any day or time. Airbnb has had a massive impact on the travel industry with people picking Airbnb over hotels, hostels, and motels; to get bigger stays at similar prices of a small Airbnb. Evam with legal issues Airbnb has teams and employees that investigate to keep host and guest safe when exchanging information. Having this marketplace that connects people looking to rent out other homes with those looking for accommodation, from cities to the countryside, it is all about finding the perfect match for the guest's needs. This is agama Changning for the traveling world looking to make some cash on their properties and being more comfortable traveling around the world to make everyone's life a little bit easier.

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