

**ASSESSMENT ON
STRATEGIC MANAGEMENT (LCMB7003)
A STUDY ON AIRBNB STRATEGIES**

Prepared by : ASMA
BANU
Student Id: 2217290
COURSE : MBA
banking and finance

TABLE OF CONTENT

1. Summary.....	page 3
2. Introduction	page 4
3. About Airbnb	page 5
• Mission statement	page 6
• Vision statement	page 6
4. Environmental analysis	page 6
5. Pestel analysis	page 7
• Political factors.....	page 7
• Economical factors.....	page 7
• Social factors.....	page 8
• Technological factors.....	page 8
• Legal factors	page 8-9
6. Swot analysis	page 9
• Strengths.....	page 9
• Weaknesses.....	page 10-11
• Opportunities	page 11-12
• Threats.....	page 12-13
7. Porter's five forces of model.....	page 13
• Threat of new entrants.....	page 14
• Bargaining power of buyers.....	page 14
• Bargaining power of supplier.....	page 14-15
• Threat of substitute.....	page 15
• Rivalry among existing firms a competitive advantage.....	page 15-16
8. Industry life cycle.....	page 16-19
9. Vrio analysis of distinctive resources and capabilities	page 20-22
10. Airbnb corporate strategy for 2022-2023.....	page 22
11. Airbnb business strategy	page 23-25
12. Suggestion and recommendation	page 26
13. Conclusion	page 27
14. References	page 28-29

SUMMARY

The strategic analysis of Airbnb involves the use of various tools such as PESTEL, SWOT, VRIO, and Porter's five forces model to assess the strengths and weaknesses of the business. These tools are also used to identify new opportunities in the market. The analysis covers both the corporate and business level strategies that Airbnb has implemented to reach the maturity stage of the industry life cycle. By utilizing these tools, Airbnb has been able to identify its strengths, weaknesses, opportunities, and threats and develop strategies to stay competitive in the market.

INTRODUCTION

In order to study strategic management, it is crucial to conduct an analysis of the environmental factors that impact an organization's operations. Strategic planning involves an in-depth examination of both the internal and external environments of a company. Various analytical tools like PESTEL, SWOT, and VRIO are employed to comprehend the factors that influence a business internally and externally.

These tools provide valuable insights that inform strategic decision-making and help to frame challenges. Corporate and business-level strategies are formulated based on the results of the analytical tools. Strategy planning is an iterative process that involves both planning and implementation phases. In the case of Airbnb, an internal analysis has been conducted to identify the company's strengths and weaknesses, while an external analysis has assessed the factors that may impact Airbnb outside of its organizational environment.

For a company to be profitable, it requires both demand from customers and supply from suppliers. Customers hold the power to demand, while suppliers hold the power to supply. Both are essential for the business to continue its operations. To analyze these factors along with other threats, Porter's Five Forces analysis is used.

ABOUT AIRBNB

Airbnb is an online platform that links individuals who are in search of accommodation in specific places with those who wish to lease out their homes. The company was founded in 2008 by Brian Chesky, Nathan Blecharczyk, and Joe Gebbia, and it started with two hosts accommodating three visitors in their San Francisco home. The company has grown to become a global brand with about 4 million hosts and 1.4 billion visitors from almost all countries. Airbnb hosts offer unique lodging and activities that enable travelers to develop more meaningful connections with locals. The company takes a commission from each booking as an intermediary. Its impact on the tourism industry has been significant.(Airbnb.com)

Airbnb's fundamental concept is to enable people to earn extra money by renting out their spare rooms or homes to travelers. By utilizing this platform, hosts can reach millions of potential guests globally, while having the assurance that a reputable organization will handle payments and offer assistance when needed. Additionally, Airbnb offers visitors a unique and enjoyable lodging option, typically at a lower cost than traditional hotels, often including a kitchen so they can prepare their meals.

Airbnb operates on a peer-to-peer business model, making it straightforward and user-friendly, providing benefits to both hosts and guests. The platform enables hosts to personalize the experience for guests to suit their preferences. Compared to other listing sites, acquiring reservations through Airbnb is typically half as expensive, with acquisition costs as low as 3%. Moreover, there are some essential requirements that Airbnb hosts must adhere to, including providing visitors with basic amenities, responding to inquiries or reservation requests within 24 hours, accepting reservation requests promptly, and avoiding cancellations as they are taken seriously by Airbnb, given that they are a vital aspect of vacation planning.

➤ **Mission statement of Airbnb**

“Airbnb’s mission is to create a world where anyone can belong anywhere, and we are focused on creating an end-to-end travel platform that will handle every part of your trip.” (Airbnb.com).

Brief explanation of the mission statement of Airbnb as follows:

- Airbnb's commitment to improving customer interactions is clear from the company's mission statement's opening section. To satisfy the needs of its diverse consumer base, the company customises its services.
- The demand for the first element is related to the second, where Airbnb sets itself out as a business that doesn't skimp on offering top-notch services. When it says to "unlock the possibilities of space," it declares its commitment to "give it all." Giving customers a complete experience.
- The final sentence of Airbnb's mission statement outlines the company's initiatives to provide connections and services with lasting effects. The trustworthy online vacation rental company places a high value on creating a sense of community.

➤ **Vision statement of Airbnb**

“Belong anywhere” means to build a global network that connects travelers to lodging and local hosts, allowing them to experience diverse cultures. (Airbnb.com).

ENVIRONMENT ANALYSIS

An environmental analysis is a strategic approach to assess and evaluate both internal and external factors that affect a company's operations. It examines organizational and industry elements that can either benefit or harm the company. By anticipating the short- and long-term effects of these factors, the firm can respond promptly to any potential repercussions that may arise.

The macro environmental elements are assessed using **PESTEL ANALYSIS**.

The micro environmental elements are assessed using **PORTER’S FIVE FORCES MODEL AND VIRO ANALYSIS**.

PESTEL ANALYSIS

Using PESTEL analysis, the factors such as legal, political, and economic that have an external impact on the operation are analyzed.

- **Political factor:** Political elements are those that are influenced by governmental decisions and programmes and have a big impact on real estate and housing law. Travel restrictions have been put in place due to the rise of protectionism and nationalism policies . Even immigration policies are undergoing change.

Also, there has been an increase in sales tax, property tax, and tourist tax since Brexit. The tourist tax is enacted as a means of tax exporting and a response to over tourism (partial shifting of tax burden to non-citizens or non-residents).

For the 2017 calendar year, a short-term rental law with a 90-day limit has already been introduced. Airbnb Manage Listing page includes a counter that shows how many nights have been reserved for listing since the start of 2017. When a new calendar year begins, the counter will be refreshed.

The legal guidelines that Airbnb looks at and works with include federal taxes, local and regional laws, general permissions and rules, cleanliness and hygiene, safety, courtesy, insurance, and other hosting information.

- **Economical factor:** The shared economy and collaborative consumerism are beautifully illustrated by Airbnb, where people let their resources to rent. It is considered a source of income for the hosts, and it has two aspects to consider. On the other hand, it has shown to be a respectable competition to the hotel industry. It has an advantage over its rival hotels and motels because of lower expenses.

According to Lutz(2018) ,the employment rate has been impacted by the demand for Airbnb. Since it operates in the shared economy, Airbnb accepts applications from people of all ages and ethnicities. Due to its desire for its staff to interact with customers from other cultures and also the properties and cost of capital for hosts are in high demand, Airbnb has also had an impact on the interest rate.

- **Social factor:** People's lifestyles are changing, and they are growing accustomed to hosting guests in their homes. (Newlands,2018) A platform for young people to share their experiences has been created by the new trend of vlogging, which will undoubtedly contribute to company growth. Social media is a forum for discussing the experiences guests and hosts have had while using Airbnb services.
- **Technological factor:** Airbnb relies heavily on technology to function effectively. Guests use the website or mobile application to make reservations, and they can also leave feedback on the platform. Automation is another crucial aspect of the platform, as Airbnb will send a message to the host on behalf of the guest if the host fails to respond to their message. Without technology, it would be impossible to book a room or connect with hosts, and Airbnb would not operate as efficiently as it currently does.

Since guests' personal information can be compromised through cybercrime, Airbnb must safeguard their data. The more a corporation operates online, the stronger its cybersecurity should be.

- **Environmental factor:** Corporate sustainability responsibility (CSR) and sustainability are becoming increasingly important for businesses, and it is a crucial aspect that companies should consider in their operations. Airbnb has recognized the significance of CSR and sustainability, and compared to traditional hotels, it claims to have a more environmentally-friendly approach. Specifically, Airbnb has implemented measures to reduce energy consumption in North and South America and Europe, resulting in lower greenhouse gas emissions, less water usage, waste reduction, and a greater awareness of environmental issues.

(Guttentag,2019) Demand for Airbnb is increasing due to the idea of eco-tourism. The company provide services that promote environmental sustainability. Additionally, a change in the outside environment may have an impact on how businesses operate because bad weather discourages tourists from visiting other regions.

- **Legal factor:** The host and the visitor, who are travelling from different countries, must strictly abide by the covid regulations, health, and safety rules that have been enacted in recent years. Insurance for the host will give them legal protection against any losses caused by visitors. To preserve a legal and trustworthy relationship between the parties, the

host must have a permit to operate legally. All transactions between the parties must also be documented on a contract paper.

Airbnb's external factors have been analysed through a Pestel analysis, which provides a comprehensive understanding of the macro environment's impact on the company's operations. As a pioneer in the sharing economy, Airbnb creates employment opportunities for hosts who rent out their homes or rooms to travellers. The company heavily relies on technology for booking rooms, communicating with guests, and tracking visitor stays. Additionally, Airbnb claims to be more environmentally friendly than traditional hotels and has conducted various research studies to support this claim.

SWOT ANALYSIS

The SWOT analysis is a strategic planning tool used to assess a company's competitive position. It analyzes the strengths, weaknesses, opportunities, and threats faced by the organization and can guide the development of strategic plans.

- **STRENGTHS:**

Strengths the excels point and what sets apart from the competition include a strong brand and an edge over its competitors. The following is a discussion of Airbnb's strengths:

1. A peer-to-peer business model supports Airbnb. It is a multidimensional platform that develops a virtual rental market for properties. Both landlords and tenants can purchase market information and use the company's virtual platform. The business effectively sells a product that it exclusively owns while establishing prices and arrangements that work in its favor.
2. (Lalicic,2018) For its renters, Airbnb offers just about every type of accommodation option, from high-value houses to shared living rooms. There are lakeside homes, mansions, yurts, beach condos, farmhouses, private rooms, and shared accommodations available. With such a large selection, the business may easily draw in landlords and tenants with a variety of interests. It has a large number of house sharing platforms and operates in more than 200 countries.

3. Airbnb typically offers lower prices compared to hotels, which is a result of their business model of undercutting hotels. Airbnb hosts have lower overhead costs compared to hotels, which must cover expenses for staff, maintenance, and supplies for each room. These lower costs enable Airbnb hosts to offer lower prices to customers. Additionally, customers can save money since Airbnb does not charge resort fees or higher hotel taxes.
4. By launching a new marketing campaign with the tagline "Belong Anywhere," which aims to build a more inclusive and community-driven brand, Airbnb has placed a strong emphasis on branding and effective marketing. (Jelassi,2020)The company stated that the main goal of this campaign was to change people's perceptions of the company from one that was just a rental site to one that offered a real, at-home experience.
5. One of its competitive advantage is group travelling. Airbnb is more likely to be your choice if you're travelling with others. You can book full houses for short stays on the business' website. Instead of booking many hotel rooms for your group, you can book a single house on Airbnb. In this sector, Airbnb has a big advantage over hotels because more space is needed to host more visitors. Airbnb has already witnessed a boom in group travel as the company is recovering from the pandemic.
6. Customers are attracted to utilise Airbnb services by providing a range of rental options at affordable prices when compared to hotels and an opportunity to experience the local culture(Mody,2017). While enjoying all of these conveniences, the guest has the opportunity to customise their lodging.
7. It is founded on mutual respect, sincerity, and openness with visitors and hosts in the community. Since it began, Airbnb has operated in a sector known as the "sharing economy".

- **WEAKNESS:**

An organization's weaknesses prevent it from operating, If these flaws are not fixed, the competition will gain an advantage. The following are the weaknesses of Airbnb that should overcome:

1. The entire Airbnb platform depends heavily on gathering and utilising user data. Like the majority of other online businesses, Airbnb gathers user information such as contact information, name, gender, image,

location, and payment preferences. But it also gathers data on your IP address, device details, actual location, browsing history, and background in order to process and anticipate your preferences. In order for Airbnb to function properly, user privacy must be violated, which is problematic given the growing concern over digital privacy.

2. A commission fee is a disadvantage from the host's perspective. Additionally, this can have a negative impact on retaining customers.
3. Working in several nations makes it challenging to conduct business because each has its own set of legal and regulatory rules pertaining to taxes, housing law, and property renting.
4. As per Kowk(2019)The majority of Airbnb's business is short-term, highly profitable rentals, thus the company doesn't have stable revenue sources. Landlords frequently use seasonal rentals, and rents are higher during travel season. The earning rates of the company experience large variations as a result. The annual increase in revenue from ongoing sources for Airbnb, for instance, was 390.5 % in 2019 but decreased by 140.01 % in 2022.
5. There are no standards for quality control, thus the degree of cleanliness or comfort may vary substantially. Hotels at least uphold a few business standards, guaranteeing a consistent travel experience. Special experiences may also suffer from less than ideal host circumstances because Airbnb hosts are not required to follow any "brand" guidelines.

➤ **OPPORTUNITIES**

Any service gap might be viewed as an opportunity to gain an edge over rivals. Following are the opportunities discussed:

1. The possibilities for Airbnb to expand its business offerings includes offering travel, dining, and tour guides to tourists. This will enhance the traveler's experience in a favorable way.
2. Airbnb has not expanded to several international regions, particularly in emerging markets. However, as an early player in the travel industry, there is a significant opportunity for growth by expanding to these untapped markets worldwide.
3. Airbnb provides a mobile app that enables users to book accommodations from anywhere, including while traveling. Investing in

providing a seamless mobile experience would expand the pool of potential customers who can use Airbnb's services.

4. Some renters prefer an exotic, luxurious vacation, just as some travelers search for more comfortable and more immersive accommodations to enjoy an authentic travel experience. In addition to attracting more renters from this market, Airbnb will be able to grow their earnings by expanding the amount of luxury listings the platform offers.
5. forming partnerships in the travel sector can give travelers new options and experiences. For instance, working along with a bus tour company would make it simpler for a traveler to see the country and see the tourist attractions without any hassle.

➤ **THREAT**

Threats are things that could do something bad to an organization. risks may come from competitors beyond the company's borders or from how the firm is run. Any competitive advantage of a rival makes it a danger to the business.

Below are the threats discussed for Airbnb:

1. Listing a space for rent on Airbnb could be a difficult task because of the constantly changing regulatory policies, and hosts who wish to participate should conduct thorough research. The current and future legal systems remain unclear, making it challenging to navigate the constantly evolving landscape. Recent events such as pandemics have highlighted the dangers of changing national regulations and operating businesses internationally, making it crucial for companies to be prepared to deal with such restrictions..
2. The foundation of the hotel sector is performance and giving positive experiences. Therefore, the success of the Airbnb business model is seriously threatened by unfavourable experiences from both guests and hosts. Disputes between hosts and tenants, posts cancelling bookings, fake listings, overpricing, and similar issues are included.
3. Airbnb's business model, which offers unique lodging options to travelers, faces competition from various rivals such as Vrbo, FlipKey, TurnKey, Plum Guide, and others. Additionally, websites such as Booking.com and Hotels.com provide travelers with greater hotel discounts compared to booking directly with hotel companies. These competitors challenge the two main advantages of Airbnb, namely

affordability and distinctiveness, and might undermine its market position.

4. Consumers' average annual expenditure has decreased, and travel-related expenses are going down. Less money is being spent on tours. As consumers' purchasing habits become more and more restrained, Airbnb's cash flow from high-value rentals may suffer.
5. A large user database is kept by Airbnb, including details on credit cards, rentals, and background checks. A leak would therefore be bad for the company's reputation and could result in legal action. The privacy of customer data is another significant issue that businesses are currently facing. There have been allegations that businesses like Airbnb, who maintain such enormous databases of personal information, may use this information to profit from their customers.

Through a SWOT analysis of Airbnb, it can be determined that the company competes with traditional hotels by offering hospitality and by giving visitors a memorable experience by introducing them to the local way of life. By keeping excellent relations with the government and forming partnerships with various companies in the travel sector, Airbnb can overcome its most difficult challenges. The business has the potential to lead the sharing economy. Given that it is an online service, Airbnb should build a robust cybersecurity infrastructure.

PORTER FIVE FORCES MODEL

Porter's five forces model aids managers and analysts in comprehending the competitive environment that a firm operates in and how that environment is positioned within it. It also establishes the level of industrial competition which contributes to the attraction of it.

The five forces mentioned are listed below:



1. THREAT OF NEW ENTRANTS:

Airbnb's success has allowed it to establish a global presence in more than 200 countries, and it enjoys the advantage of being a first mover in the industry. However, to maintain its positive online reputation and provide a seamless customer experience, the company needs substantial funding and reliable database management systems. New competitors can pose a threat to existing businesses by bringing new capabilities and a drive to gain market share, but they also require significant investment in marketing and technology. As a result, the threat of new competitors entering the market is low, and existing businesses may need to keep their pricing low or increase investment to compete effectively.

2. BARGAINING POWER OF BUYERS:

Airbnb is known for offering high-end experiences, which attracts customers who are willing to pay for luxury accommodations. However, customers who opt for standard or undifferentiated products have more bargaining power when it comes to negotiating price, warranty coverage, and accessories. (Foley,2018) The uniqueness or standardization of the product also affects the intensity of the buyer's bid. Airbnb customers have a lot of options to choose from, such as location, pricing, and host ratings, which gives them negotiating power. Airbnb is perceived as a more affordable alternative to traditional lodging options like hotels and motels, and has gained a strong reputation with its large customer base and international presence. However, the company faces competition from traditional lodging options and must differentiate itself by offering excellent customer service and identifying customer pain points accurately.

3. BARGAINING POWER OF SUPPLIERS:

The negotiating power of Airbnb customers is relatively low due to the high demand for properties compared to the number of available hosts, except during times of a global pandemic. However, if Airbnb becomes too reliant on a single supplier, the supplier could gain negotiating power and potentially raise costs or reduce the quality of products or services. As Airbnb controls both the provider and the client, the negotiating power of suppliers is minimal. This can make it difficult for

hosts to rent out their properties as they have no alternative means of doing so through the Airbnb platform. Unique amenities such as a full kitchen and ample space cannot be found in comparable alternatives, and the peer-to-peer housing feature creates a more homely feel that traditional hotels cannot offer. This is particularly advantageous for premium hotels where guests may need to wait outside to book a room.

4. THREAT OF SUBSTITUTES:

Competition in the industry is limited, with each company focusing on specific niches, resulting in minimal market overlap and low competitive rivalry. Airbnb perceives hotels as its most competitive offering due to their accessibility and popularity among tourists. Many property owners have vacant investment or second homes, but they lack bargaining power because Airbnb provides a unique service with few alternatives. Through Airbnb's platform, both the property owner and guest can easily connect and transact, resulting in a hassle-free stay. Airbnb's high bargaining power enables them to offer a one-stop-shop for visitors to select from a variety of homestay options while allowing homeowners to face minimal competition in the market

5. RIVALRY AMONG EXISTING FIRMS A COMPETITIVE ADVANTAGE:

Airbnb has caused a shift in consumer preferences towards social-oriented products, cozier accommodations, and more useful applications in the hospitality industry. (Cheng,2018) Despite the presence of competitors such as Flipkey, TurnKey, and HomeAway, which offer specialized services, Airbnb remains the market leader with an annual growth rate of 150% since 2009. The company's information system is the only thing that can push its growth further to better serve its customers every day. Previously, budget travelers sought out inexpensive places to stay through Airbnb, but now, business travelers and professionals are looking for extraordinary and unforgettable experiences. Although using a shared economy system like Airbnb has its unique challenges, the company is working to address them and ensure a positive user experience.

A simple yet effective way that businesses can use to gauge the amount of competition in their industry is Porter's Five Forces. Having a better

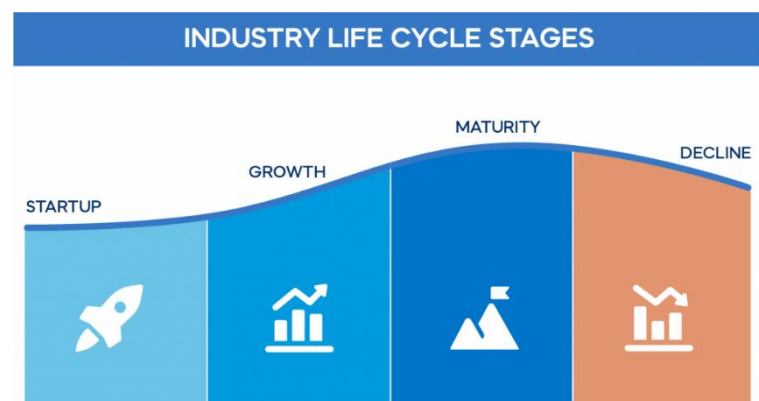
understanding of the nature of its competitiveness allows a company to make better use of its competitive advantages, fix its shortcomings, and prevent future errors. To give its competitors a run for their money and market share, Airbnb has without a doubt maximize the benefits of its dominant market position while improving its weaker areas.

INDUSTRY LIFE CYCLE

Industry life cycle analysis examines the stage an industry is in at any one time as part of a company's foundational research. The four stages of an industry's life cycle are expansion, peak, contraction, and trough. The analyst will assess a company's cycle position

and use that information to anticipate future financial performance and determine forward valuations. Employing industry life cycle analysis, determine the relative strength and weakness of

the stock of a specific company. Future growth prospects for a company can depend on where it is in the industry life cycle and can be beneficial.



STAGE 1: ENTRY INTO THE HOSPITALITY INDUSTRY

Airbnb has brought one of the most exciting developments of the last ten years to the tourism and hospitality industries by rethinking home stays and travel experiences. Airbnb has expanded the supply of short-term housing in previously unheard-of ways by enabling an online peer-to-peer trading platform. This has sparked outrage from both the traditional commercial tourism accommodation sector and local regulators. Airbnb has modified the platform business model in ways that were not alluring to traditional distribution networks in order to cater to the long tail of the hospitality industry. In the case of Airbnb, the website connects two parties: visitors looking for short-term lodging and hosts with available space who are interested in renting it out for a limited time.

Founders had no clue what the business would turn into when Airbnb started it ten years ago with a few air mattresses in their flat. They only

came up with a unique lodging option when there was no room available at surrounding hotels. But as they welcomed their first visitors, they quickly understood that Airbnb could provide much more than just an inflatable mattress on the floor. By providing visitors with a more individualized and distinctive experience, people who are familiar with the area could be used.

The challenges that Airbnb faces when operating in an international market include the sharing economy's legal complexities, some nations' conservative customs that conflict with Airbnb's culture of inclusivity, and the challenge of keeping customers.

When Airbnb first launched, it was due to a combination of innovation and development tactics, with a focus on online service, customer experience, and partnerships with existing platforms, one of which was the craigslist website. This gave Airbnb credibility.

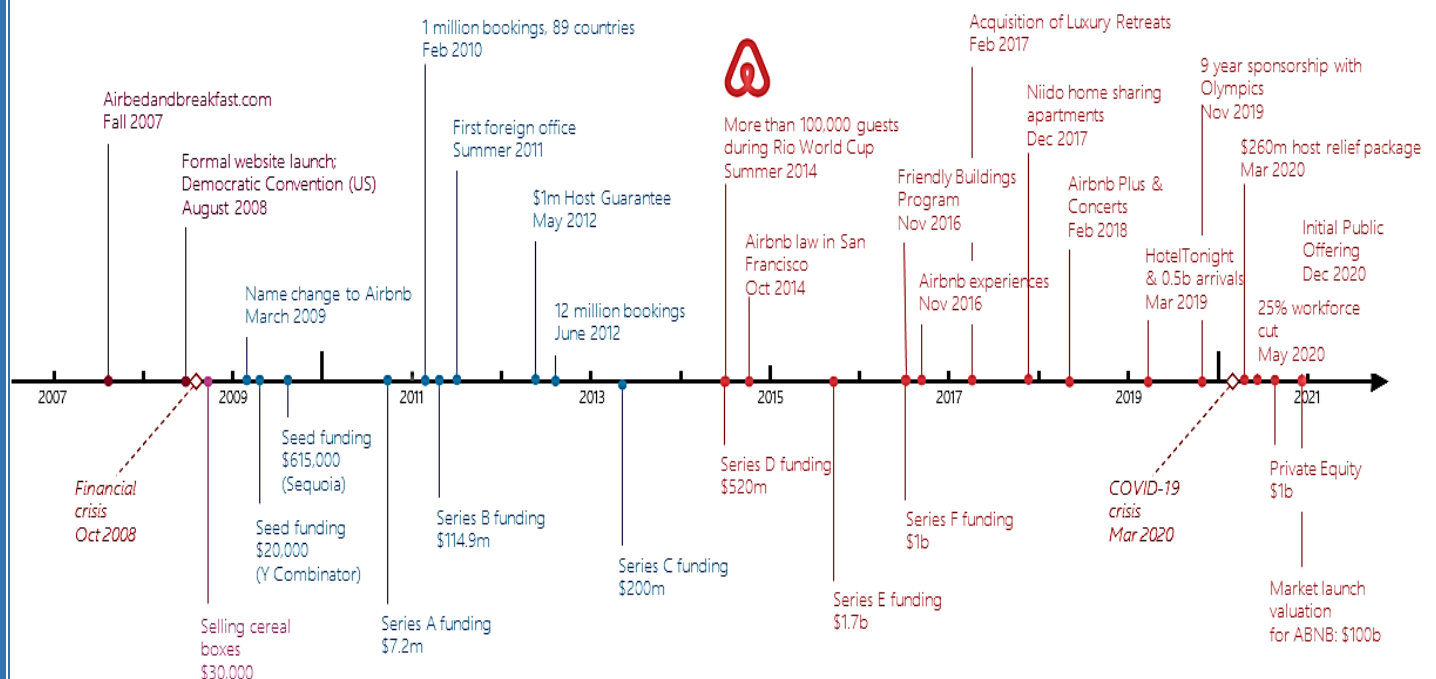


Figure : Airbnb milestones from 2007 to 2020 (source: Airbnb.com)

The graph depicts Airbnb's expansion path from its beginning in 2007 till the present. When it originally started, it was known as Airbedandbreakfast, and a website was established to facilitate online reservations. During the 2007–2009 Great Recession, Airbnb also experienced financial difficulties. In order to overcome the financial crisis

and expand internationally, the company started selling cereals and changed its name to Airbnb in 2009.

It was crucial for the company to establish trust and a strong network in order to overcome any breach of customer personal information before moving on to the next level. To protect the data of silents, they therefore released their own website and app.

STAGE 2 : REACHING ECONOMIES OF SCALE IN GROWTH

Every stage of the lifespan adds to the foundation laid by the previous one. The preceding consumer feedback is intended to be applied to product innovation and enhancement. After taking the time to learn what their consumers enjoyed and believed might be improved, Airbnb utilized this knowledge to continue developing a fantastic experience that both their current and potential customers would enjoy. It was simple for Airbnb to raise awareness and create demand because to their loyal client base of influencers. They were able to enter the market as a result and flourish quickly.

Since 2011, Airbnb has been expanding and has received bookings from 89 different countries and more than one million bookings on its site. In 2014, they began looking for further funding, and by 2016, their worldwide business had increased. The following year, they began offering guests luxurious accommodations with a cosy atmosphere, and regulations were put in place to uphold all host standards.

Numerous alternative tactics were used in 2018, including the "friendly building programme," "home sharing apartments," and "Airbnb Plus," which provided a direct route to the best properties in any location. These rentals have been manually vetted by the firm for quality and are held to a higher level than a usual listing, including nine years of Olympic sponsorship. Up until 2019, new methods were effective and income was rising, but because of the COVID-19 problem, the company faced extremely difficult challenges.

STAGE 3: MATURE STAGE WITH A DEVOTED CONSUMER BASE AND BRAND DISTINCTIVENESS

Airbnb is now in a mature stage after overcoming the COVID-19 crisis, but it still faces competition from its competitors and is expanding in the hospitality sector.

The Airbnb plus strategy, which offered top-notch homes with additional amenities, created many clients with professional backgrounds, which increased the availability of luxurious accommodation. Another approach adopted was advertising, showcasing the value proposition for its users and clients, and displaying reviews of the benefits users of Airbnb services have realized.

Airbnb is currently focusing on its marketing and developing new projects in order to sustain its status as an established business. The level of competition is increasing as more hotel sectors extend their operations and as new technology becomes available.

In the maturity stage, it's critical to retain current clients, which can be done through loyalty programmes, deals, and personalized accommodations and more new strategies

STAGE 4: DECLINE STAGE

Since Airbnb is now in a mature stage, it is impossible to say when the company will enter a stage of decline. It would be challenging for Airbnb and might enter a decline phase due to changes in the global economy or the future economic crisis, both of which have a direct impact on people's travel.

To uphold the industry standard, Airbnb created rules and restrictions. In addition to offering its guests lodging, Airbnb has developed into a tourism destination and a means for hosts to make money. The travel business now has a good position thanks to the increasing revenue.

New strategies that can help keep the business at a mature stage are examined further in the report.

Due to competition from other companies, Airbnb has to concentrate on increasing customer knowledge of its brand and solidifying its position in the hotel and travel sectors. To keep ahead of its rivals, Airbnb is currently

concentrating on innovation and distinctiveness. According to the analysis of Airbnb's industry life cycle, the company has grown quickly as it has matured to its current stage.

VRIO ANALYSIS OF DISTINCTIVE RESOURCES AND CAPABILITIES

The VRIO Framework offers a four-pronged analysis of an organization's resources and long-term success indicators. As its four main goals, it emphasizes Value, Rarity, Imitability, and Organization. When examining your organization for success indicators, these categories—which serve as the core of the VRIO architecture—must be thoroughly understood.

Value

The value of the company's resources and talents is crucial because they enable the organization to add value and gain an advantage over competitors. Airbnb was able to take advantage of the benefits that come with being first in the field and get a competitive edge in the market. It also established the guidelines for other businesses looking to enter the field. Resources and services provided by Airbnb are also useful in terms of cost because they are provided at a lower cost than those of its competitors. While maintaining superior quality, it makes sure to dominate the market.

As per Martinez-Lopez(2020), The most valuable asset a firm can have is having the lowest prices compared to all rivals. Any area will be dominated by you as long as quality is not paid for. To do this, Airbnb has created a method. The creation of a platform that benefits all parties involved is valuable. By providing hosts with an unheard-of way to generate passive income, guests can stay anywhere in the world for a reasonable cost.

If a platform enables you to buy anything or find a home with a few clicks, you have made something that will catch on. Any platform can swim or drown depending on its simplicity and utility. No one will learn to utilize a product that is too difficult to use, regardless of how important it is. Building a sustained competitive advantage requires brand equity. If you can build a strong brand, you'll probably constantly attract more clients.

Rarity

For the company, rarity is crucial. The corporation will benefit more, the rarer the resources are. Due to its position as the pioneer in its field, Airbnb has benefited. It strengthened and made its position unique. The concept of Airbnb was unique and original. Furthermore, it is really uncommon these days to provide high-quality services at affordable pricing. In the case of Airbnb, this aspect is extremely uncommon. Strong brand equity has been successfully developed by Airbnb, which is uncommon. The business has been effective in retaining customers who are unwilling to migrate to rival businesses. It has successfully developed a unique platform that is simple to use and quick in real time.

Imitability

For businesses, copying resources should be challenging since doing so allows them to take advantage of additional possibilities and achieve economies of scale. (Lalovic, 2018) It is tough and expensive to replicate the culture that Airbnb has successfully developed while dominating the industry. Competitors will need to invest a lot of money to copy this. Additionally, Airbnb developed a platform that uses cutting-edge engineering and design.

Although it is not impossible to copy, doing so would be expensive due to the use of variables. Because of its excessive volume, Airbnb makes it challenging for businesses to function at these levels. As a result, Airbnb offers its customers the most affordable rates. It is challenging to duplicate this business model.

Organization

This is the final part of the VIRO framework since it is crucial to organize business and company activities. Due to its strategy, policies, operations, and processes, Airbnb has achieved great success. The business has done a good job of organizing its personnel and operations. By fostering a positive work atmosphere, Airbnb encourages employee motivation. Additionally, the company's supply chain and distribution system are well-maintained and organized. Airbnb makes a lot of effort to manage the organizational culture strategically.

According to the Airbnb VRIO Analysis, the Airbnb Patents are not effectively ordered. This indicates that the organization is not making the most of these

patents. If Airbnb starts selling patented goods before the patents expire, an untapped competitive advantage might be transformed into a long-lasting one.

The financial resources and distribution network of Airbnb are highlighted as providing a sustainable competitive advantage from the VRIO Analysis. The patents represent an untapped source of competitive advantage. Employees have a momentary competitive edge. Local food goods are competitively equal. Last but not least, Airbnb's pricing strategy hurts its ability to compete. Additionally, R&D puts companies at a competitive disadvantage.

AIRBNB CORPORATE STRATEGY FOR 2022 AND 2023

Airbnb has implemented various strategies to improve its services and stand out in the market. (Airbnb.com)

- to educate people about the unique hosting experience offered by Airbnb which resulted in creating a series of commercials called "Made Possible by Hosts" .
- Another strategy involves recruiting more hosts and providing them with the necessary tools to succeed, resulted in "Ask a Superhost" and "Superhost Ambassadors" programs.
- To simplify the guest journey, Airbnb has introduced "I'm Flexible" search options. Finally, to deliver excellent service, Airbnb has developed "AirCover for Hosts." These initiatives have resulted in positive outcomes for the company and its customers.

New strategies have been lead down by Airbnb

- One strategy of Airbnb is to focus on both rural and urban areas, which can help in the development of backward regions.
- Airbnb aims to target specific groups of homeowners, such as healthcare workers and teachers, and create a community of hosts. This can generate goodwill and provide additional income for those who need it.
- Airbnb plans to improve the hosting experience by personalizing the user experience, making recommendations, and increasing conversion rates using existing user data. However, it is unclear why this would be considered a great host strategy rather than a sales strategy.

AIRBNB BUSINESS STRATEGIES

Distinctive position: Using a special peer-to-peer platform of experience sharing, they may intimately communicate with their clients and display photos and comments from their hosts (Wang and Filieri, 2020) . By employing this tactic, Airbnb surpassed its rivals in the worldwide market and achieved a significant competitive advantage. also the sharing economy of lodging to foster a feeling of neighbourhood and inject cultural value, setting Airbnb apart from other traditional lodging providers.

Airbnb connects travelers and visitors with hosts who offer their homes or properties for short-term rental. The company does not own any of the properties listed on its platform, nor does it host any events or activities. Instead, it operates as a middleman between hosts and guests, charging a commission fee ranging from 9% to 15% for its services.

Technology invested: The company's inventive use of technology may now enable millions of people all over the world to become economically independent by unlocking and monetizing their spaces, passions, and abilities to launch their own hospitality enterprises. Currently, the disruptor in the travel industry uses machine learning to improve search, prevent fraud, help hosts with pricing optimization, match customers with the most relevant listings, and carry out other crucial duties for the business. Additionally, Airbnb is looking into AI and machine learning methods to improve reviews with natural language processing (NLP), develop greater comprehension of images, and support advanced search.

Community connection: Airbnb's ability to build a strong community and maintain the trust of its stakeholders is a key factor in its competitive advantage. (Gurran,2017) The company has created a hub where hosts can gather, exchange stories, receive advice, and interact with Airbnb staff. It also employs various measures to ensure the safety of hosts and guests, such as risk assessment, background checks, round-the-clock global support, secure payment processing, and account security.

Target audience : The focus of Airbnb is on certain target segments, such as travelers and millennials. According to Asaad(2020) previous studies on the demographics of Airbnb customers, millennials (those between the ages of 18 and 35) make up about 60% of all past Airbnb visitors.

As a result, Airbnb views this market as valuable and keeps supplying services that can entice more millennials with their good location options and variety of neighbourhoods, increased opportunities to engage with local culture, increased opportunities to network with people from various backgrounds, and a sense of neighbourhood belonging.

AIRBNB SUSTAINABLE COMPETITIVE ADVANTAGE BUSINESS STRATEGY

The strategies listed below, which were developed by AirBnB to survive in a competitive environment, have proven to be the best ones for the company and have benefited both hosts and guests:

- 1. Cost advantage :** Airbnb's primary strategy, as identified through internal analysis, is to retain its position as the market leader. The company aims to target price-sensitive customers, who constitute a significant proportion of the consumer market in many countries, to expand its market share and venture into new markets. Airbnb believes that cost leadership is the most effective way to cater to this market segment, as customers usually prioritize pricing when making purchasing decisions.
- 2. Building trust to attract new customers:** To assist consumers in overcoming their safety fears, Airbnb took action. To boost client confidence, Chesky and Gebbia incorporated many safety elements. These safety measures increased confidence.

The company's founders made sure that every customer is treated professionally and that any problems are resolved as soon as possible. They demonstrated how the business will safeguard the confidentiality and security of personal data. The clients were devoted to the business as a result of those endeavours. Later, Airbnb used the brand's reputation for reliability to promote the loyalty of its existing customers and draw in new ones.

- 3. Flexibility for customers or guests:** Airbnb is introducing new features that allow for more flexibility in searches. The flexible matching function will display options that are slightly outside a user's original search criteria, such as listings that are slightly more expensive or further away. The app and website will also suggest unique properties, such as castles or adobe houses, based on the user's search. The flexible dates feature allows users to search for trips without any specific time restrictions,

making it easier to travel when there is free time during the week or month.

4. **The Review System:** The review system, which allows hosts and guests to evaluate each other, played a vital role in establishing the credibility of the Airbnb brand and attracting new customers. Both hosts and guests were keen to receive positive reviews to improve their long-term prospects on the platform. More than 70% of stays have reviews posted on the Airbnb website. Later, Airbnb leveraged the review system to identify and reward exceptional hosts by designating them as Superhosts. Superhosts receive additional business tools, a dedicated customer service line, exclusive perks, early access to new features, and better visibility in search results on Airbnb.
5. **Sell experience and deliver local culture:** The personal experience provided by Airbnb—the close connection a guest has with their host—was one of its unique benefits that hotels could not match. People typically feel lonely while they travel. In Airbnb, the host participates in the travel experience by assisting the guest in becoming fully immersed in the community. Travelers who use Airbnb have the essential experience of seeing the world through the eyes of locals. Having a customized experience is beneficial to the client.
6. **Innovative Technology:** A speedier checkout procedure, revised review systems, and more transparent cancellation policies are also being introduced, according to Airbnb. A new welcome guide, with details such as door codes, Wi-Fi instructions, and directions to the property, will be given to visitor.

The strategies call for effectively managing the company, which would enable Airbnb to compete in hospitality market. It becomes challenging to maintain the quality of service in a company when activities are conducted digitally and the consumers are the ones receiving the services. Therefore, strategies are crucial in helping to solve any such issue.

SUGGESTIONS AND RECOMMENDATION

Place : One of the biggest marketing mistakes is choosing the wrong place and the wrong time for the clients to use the services in order to maximize the benefits to the company. Services, as opposed to products, are offered wherever the provider is and cannot be separated from them. Increased security and safety risks are associated with online platforms. Consequently, a physical location or office would force clients to depend on the services offered.

Registration and verification of host : It is crucial for clients to understand that the host is a genuine dealer in order to increase confidence in the services offered. The host should be required to register their home with Airbnb, and Airbnb should display the host profile with a verification mark, such as a blue tick, which create customers Touchpoints.

Loyal customer advantage: Another marketing tactic is to offer the loyal consumer advantages in terms of pricing, lodging, or any other service. Such incentives, like offering a free lunch package or free transportation, will aid in keeping the consumer for extended periods of time.

Rural area development: One of the ideas that drives people to utilize Airbnb services is the emphasis on travelling for those who wish to visit tourist attractions or culinary streets, etc also mentioned by Phibbs(2017). In order to attract clients that enjoy the outdoors, the firm should also focus on rural locations. Due to the business' contribution to environmental development, this will strengthen government ties with the enterprise and promote rural area development.

Invest in Property: An further benefit for Airbnb would be the ability to invest in properties, construct new buildings, and rent them out, allowing them to lessen their reliance on hosts and instead offer visitors Airbnb rental rooms.

These are some suggestion drafted from the study made through PESTEL, SWOT and other analysis.

CONCLUSION

After the pandemic, Airbnb became a popular industry, satiating travellers' desires to travel and experience local culture. People who rent out their homes can now do so on a platform that pays them.

The peer-to-peer business model is Airbnb's edge since it has demonstrated the ability to draw both hosts and visitors in large numbers. Airbnb now has a competitive edge thanks to being first to market. Any upgrade or change in the cost price will have an impact on the prices of other competitors because the business uses a cost leadership strategy. Superhosts, Aircover, and other cutting-edge technology have helped Airbnb strengthen its position in the industry.

The study of Airbnb's micro and macro analyses aids in our comprehension of the variables that affect how well Airbnb functions. The PESTEL analysis made it possible to identify all of the outside factors that would affect how the firm operated and to develop plans to deal with them. Similar to this, SWOT and VRIO analyses assisted to determine internal factors that would affect how the firm would operate.

REFERENCES

- Airbnb. (2018). *Airbnb history* . (Accessed at :20 april 2023). Available at: <https://airbnb.com/>
- Jelassi, T. and Martínez-López, F.J. (2020) *Strategies for e-Business Concepts and Cases on Value Creation and Digital Business Transformation*. 4th ed. 2020. Cham: Springer International Publishing. Available at: <https://doi.org/10.1007/978-3-030-48950-2>.
- Kwok, L. and Xie, K.L. (2019) 'Pricing strategies on Airbnb: Are multi-unit hosts revenue pros?', *International journal of hospitality management*, 82, pp. 252–259. Available at: <https://doi.org/10.1016/j.ijhm.2018.09.013>.
- Bode, O.R., Toader, V. and Rus, R.V. (2022) 'Pricing Strategies of Porto's Airbnb New Listings: Pricing Strategies of Porto's Airbnb New Listings', *International Conference on Tourism Research*, 15(1), pp. 425–432. Available at: <https://doi.org/10.34190/ictr.15.1.249>.
- Wang, Y., Asaad, Y. and Filieri, R. (2020) 'What Makes Hosts Trust Airbnb? Antecedents of Hosts' Trust toward Airbnb and Its Impact on Continuance Intention', *Journal of travel research*, 59(4), pp. 686–703. Available at: <https://doi.org/10.1177/0047287519855135>.
- Guttentag, D. (2019) 'Progress on Airbnb: a literature review', *Journal of hospitality and tourism technology*, 10(4), pp. 814–844. Available at: <https://doi.org/10.1108/JHTT-08-2018-0075>.
- Gurran, N. and Phibbs, P. (2017) 'When Tourists Move In: How Should Urban Planners Respond to Airbnb?', *Journal of the American Planning Association*, 83(1), pp. 80–92. Available at: <https://doi.org/10.1080/01944363.2016.1249011>.
- Cheng, M. and Foley, C. (2018) 'The sharing economy and digital discrimination: The case of Airbnb', *International journal of hospitality management*, 70, pp. 95–98. Available at: <https://doi.org/10.1016/j.ijhm.2017.11.002>.
- Lutz, C. and Newlands, G. (2018) 'Consumer segmentation within the sharing economy: The case of Airbnb', *Journal of business research*, 88, pp. 187–196. Available at: <https://doi.org/10.1016/j.jbusres.2018.03.019>.
- Lalicic, L. and Weismayer, C. (2018) 'A model of tourists' loyalty: the case of Airbnb', *Journal of hospitality and tourism technology*, 9(1), pp. 80–93. Available at: <https://doi.org/10.1108/JHTT-02-2017-0020>.

- Mody, M.A., Suess, C. and Lehto, X. (2017) '*The accommodation experiencescape: a comparative assessment of hotels and Airbnb*', *International journal of contemporary hospitality management*, 29(9), pp. 2377–2404. Available at: <https://doi.org/10.1108/IJCHM-09-2016-0501>.
- Priporas, C.-V. et al. (2017) '*Unraveling the diverse nature of service quality in a sharing economy: A social exchange theory perspective of Airbnb accommodation*', *International journal of contemporary hospitality management*, 29(9), pp. 2279–2301. Available at: <https://doi.org/10.1108/IJCHM-08-2016-0420>.
- Guttentag, D. et al. (2018) '*Why Tourists Choose Airbnb: A Motivation-Based Segmentation Study*', *Journal of travel research*, 57(3), pp. 342–359. Available at: <https://doi.org/10.1177/0047287517696980>.