

# AIRBNB UK

*Airbnb Market Analysis And New Strategy Implementation Plan*



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## Executive Summary

The aim of this report is to demonstrate and analyse how the strategic unit of Airbnb UK work internally and externally and suggests strategies that fit Airbnb's share economy ideology. Airbnb has a very responsive and fast user interface that lets travellers find the most suitable accommodation for their travel destination. As a star of the travel industry, uniqueness perceived by a customer is very high thanks to Airbnb's internal ideology of being one of the most popular accommodation booking services by owning zero properties. Internally, experts expect Airbnb to grow and reach a new destination by %6 in next two years.

The Airbnb company belongs to sharing economy model and this model is supported by UK government from political and economic perspective since 2012. Therefore, Airbnb shows a big growth in the UK tourism sector. However, the industry is not pleased to have this fast-growth competitor as Airbnb and they try to make new regulation against the Airbnb by trying to get the support of councils of the UK. Besides, there are some direct competitors who use sharing economy model as exactly same with Airbnb, but there is not any company would be able to catch the Airbnb's reputation in the market.

Travel experience has two sides "accommodation" and "transportation". Airbnb serves only to accommodation part with its current services. However, one of the final strategies suggested which consist of Introducing two new mobile application along with Airbnb's traditional service will give Airbnb the ability to cover transportation wing. With this strategy, Airbnb will likely to increase the profitability and overall grow the company, user traffic in the website and mobile apps and provide a top to the bottom travel experience.

The company of Airbnb is known with breaking grounds by all stakeholders. Therefore, the second suggested strategy is another a new product which can change the direction of the tourism industry. The company can give more details about the Airbnb houses in order to gain more trust of Airbnb users within the new innovative product which bought the manufactured company by Airbnb company in 2015.

## 1. Brief introduction of Airbnb

Founded in 2008, Airbnb is a website and mobile app based, marketplace for people to list, discover and book unique accommodations and experience tours around the world (Airbnb, 2017a). Airbnb's uncomplicated way for people to monetise their homes, rooms or any extra space to showcase to the million travellers lead to massive online operations that helped its users to create a community that connects people to different travel experiences, at any price point, in more than 65,000 cities and 191 countries (Airbnb, 2017a). Operations and earnings of Airbnb is based on pay-per-booking model that charges value of the booking between 6% to 12% to the guest and around 3% fee to the host (Geerts, 2016). The growth rate of Airbnb's user number is phenomenal. At the start of 2012, one million people had used the website and by the end of 2012 it was four million (Cadwalladr, 2013).

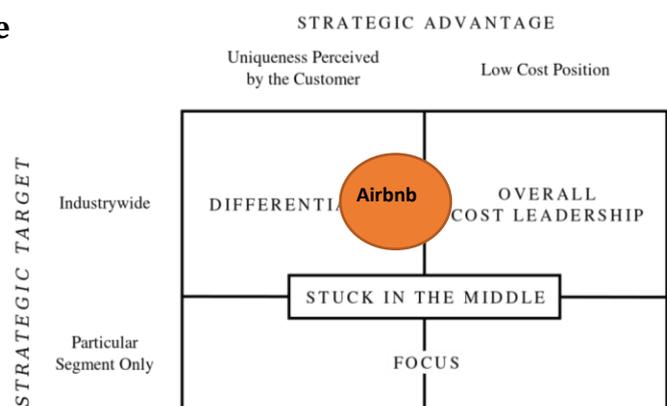
With this super-rapid growth rate in terms of income, hosts and users Airbnb has developed its title of technology start up and evolved into different fields travel purposes. There are range of options of accommodation for low-cost travellers, business and normal travellers in Airbnb's spectrum. The competition in the travel and accommodation industry getting tougher by cheaper prices and deals offered by other rival companies. However, to keep its hand strong in the competition, Airbnb offers new features along with its accommodation services. The company call it simply "experiences" and says experience the city you are travelling like a local (Airbnb, 2017b). Experiences feature enables travellers to join to variety of activities held by the hosts based on pay-per-activity mode such as baking pasta in Florence or surfing class in Cape Town. When pleasure of "experiences" combined with the ease of finding an accommodation from the company's website, app or wherever online Airbnb makes provides the best combination that travellers would want to get most out of each trip.

## 2. Internal Analysis of Airbnb

Airbnb's operations mainly include Airbnb's website's well-functioning in order to help travellers find the most suitable hosts that offers their home and experiences. Internal operations that Airbnb follows are host – traveller relations and website & service quality maintenance.

### 2.1. Porter's Generic Strategy Table

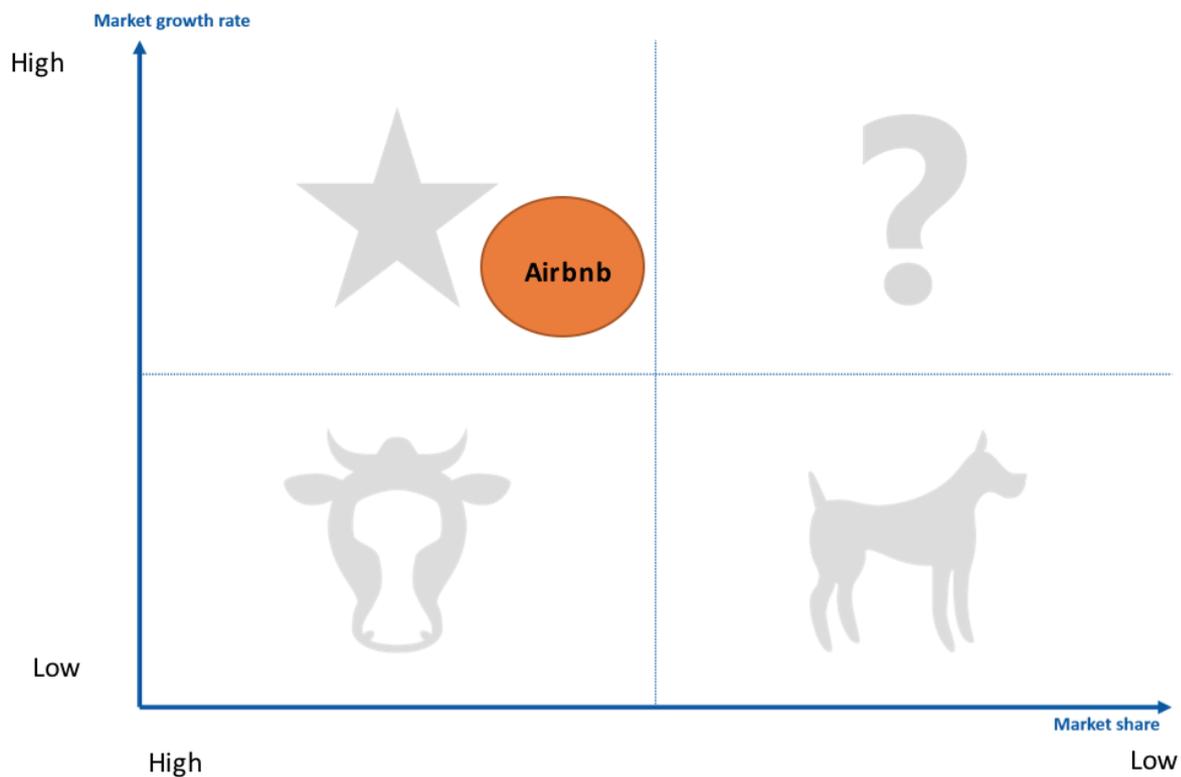
Airbnb's unique design and representation of accommodation services in the clearest way possible and price range for all types of travellers, gives company a differentiation industrywide while maintaining cost leadership in the different segments of traveller group. Uniqueness perceived by the customer is high because, the unusual way of renting accommodation enables travellers to rent directly from the owner all around the world. Since company started in 2012, company had follow the strategy for differentiating from other accommodation providers (Hotels,



hostels, renting agencies) and enhances this experience with new features such as “experiences”.

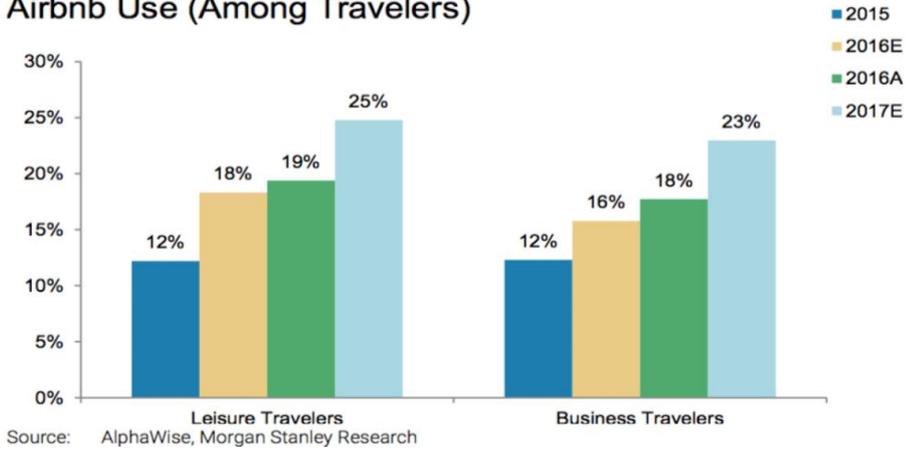
## 2.2. BCG Matrix

According to surveys and researches, Airbnb is one of the rare stars of the travel industry. Market growth rate and market share of Airbnb is dramatically rising looking at the graph 3 and 4, data collected in 2015 and 2016, Morgan Stanley (2017) noted a significant increase in the number of travellers who have used Airbnb in the last 12 months. In 2015, only 15 percent of leisure travellers surveyed had used Airbnb in the last 12 months, while in 2016, that number rose to 19 percent. Morgan Stanley predicts that number to rise to 25 percent in 2017. For business travellers, only 12 percent had used Airbnb in the last 12 months in 2015, versus 18 percent in 2016, and in 2017, Morgan Stanley predicts that number will jump to 23 percent (Ting, 2017).



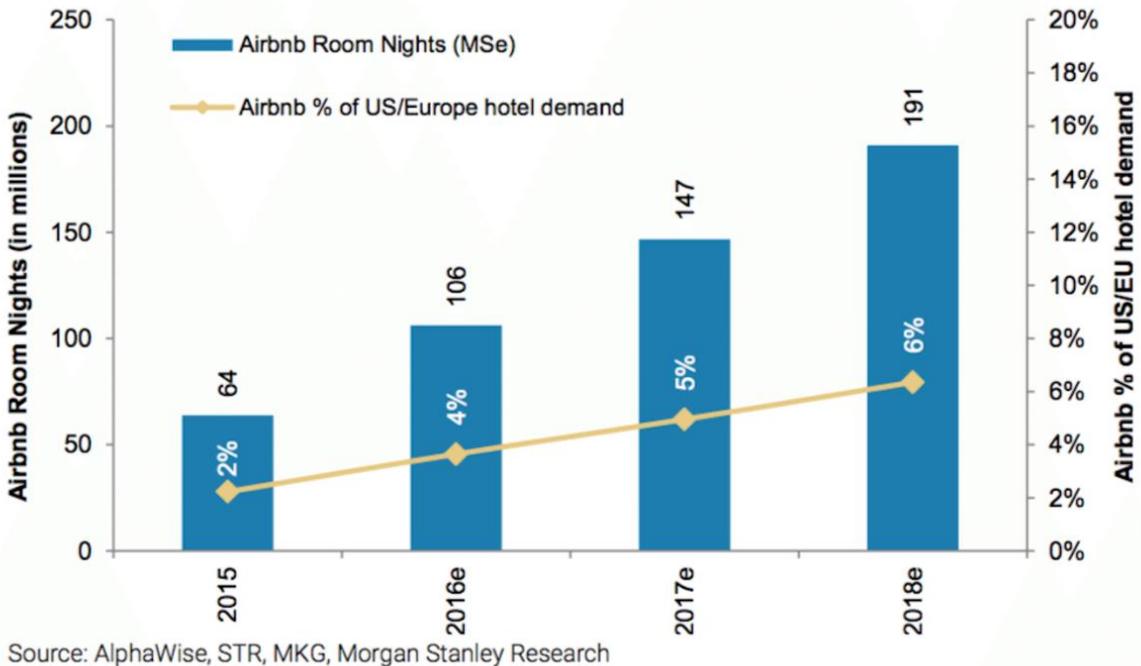
Our AlphaWise survey shows 19% of leisure and 18% of business travelers have used Airbnb in the last 12 months...with both expected to rise over the next 12 months

### Airbnb Use (Among Travelers)



Graph 3 (Ting, 2017)

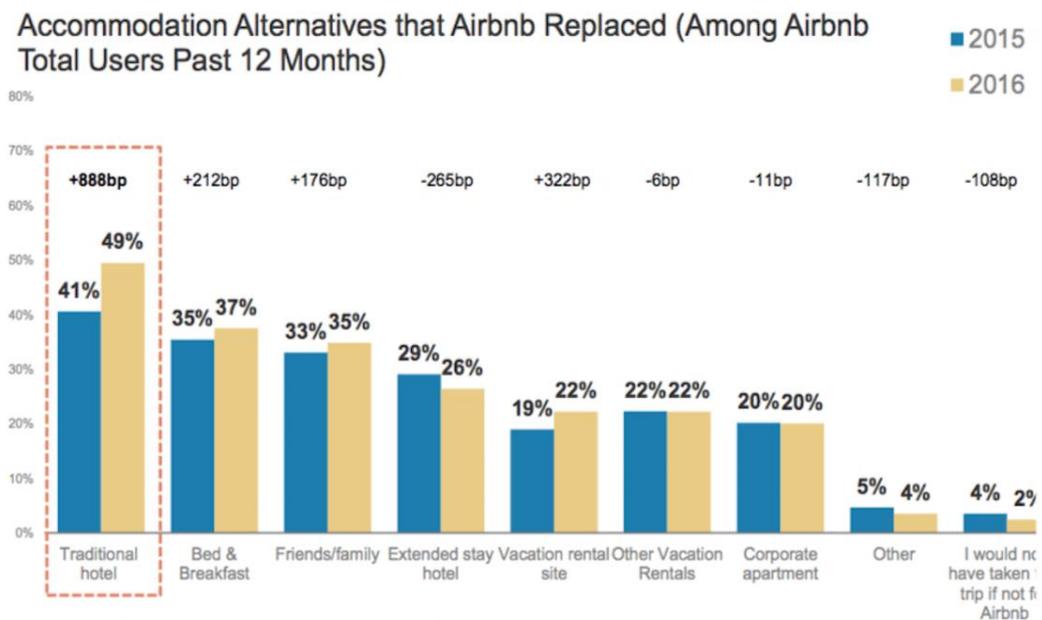
...now expecting Airbnb to grow to 6% of hotel demand (across the US and Europe) by 2018



Graph 4 (Ting, 2017)

Airbnb's highly focused strategies on well-defined segments enables company to stay creative and adaptive to market. Airbnb's services are profitable and strong and doing well with great opportunities born by the absence of innovation in traditional hotel business. Graph 5 indicates the type of accommodation alternatives that Airbnb replaced in 2016 and 2015.

What accommodations are Airbnb users substituting away from? A variety, but mostly (and increasingly) hotels.



Graph 5 (Ting, 2017)

### 2.3. Resources and Capabilities

Resources	Capabilities
<ol style="list-style-type: none"> <li>1. Very easy to use the Airbnb Website, interface and payment system</li> <li>2. Creative Design</li> <li>3. Responsive to changing trends</li> <li>4. Cost and price advantage compared to traditional hotels as each host sets his/her own price</li> <li>5. The friendly host – traveller environment that build on trust</li> <li>6. Very easy for anyone to join who is looking to rent a spare room or house</li> <li>7. Branding strategy &amp; Logo</li> <li>8. Able to offer rentals in locations where no hotel exists</li> <li>9. Freelance photography service</li> <li>10. “Experience” services</li> </ol>	<ol style="list-style-type: none"> <li>1- Reputation of the name of the Airbnb</li> <li>2- Ability to get the hosts and travellers together</li> <li>3- Innovative new product and service development</li> <li>4- Accumulated experience in travel industry</li> </ol>

	1	2	3	4	5	6	7	8	9	10
V	YES									
R	YES	YES	NO	YES	YES	NO	YES	YES	NO	YES
I	YES	YES	NO	YES	NO	NO	YES	YES	YES	YES
O	YES	NO	YES	YES	YES	YES	NO	YES	YES	YES

Airbnb’s unarguably most effective resource is its website, as Campbell (2015) explains it has a functional fast and friendly interface. The payment system is relatively seamless, using the best and latest commerce technology that leads one the strengths that people find Airbnb’s website very easy to use. Creative design enables user to interact with the website more categorized. This helps users to manage their accounts and expectations better. The CEO of Airbnb Brian Chesky and head of design Alex Schleifer thinks it is not the best-looking design that users wants. It is the most user-friendly

interface. Because of this concept, every project team at Airbnb has a project manager whose explicit role is to represent user (Kuang, 2017).

The company gives a lot of importance on building a community that shaped with trust, this resource used for attraction for users. This enables company to manage host and traveller relationship well. Each host is flexible with his/her price point. This creates an undeniably competition between all the hosts about the price per stay and traditional hotels cannot compete this rapid price up & downs. Flexibility of price enables company to stay competitive all the time. Adding new features to travel business such as “experience” service helps Airbnb to increase its market share and popularity among the customer.

Airbnb gives some very precious perks to its employees that makes it one of the best places to work. This is proven by the career site Glassdoor (2016) as Airbnb is chosen to best place to work in 2016. The company provides its employees an annual stipend \$2000 to travel and stay in an Airbnb listing anywhere in the world (Smith, 2016)

Acquisitions made by Airbnb is concentrated in mainly travel sector (See appendix for list of companies). However, the company sometimes acquire companies from different sectors that are not related to travel industry. Companies that are acquired used to improve the current services and add new ones to Airbnb

Airbnb’s website is very easy for anyone to join as a host or traveller and social rating system that Airbnb provides for each user helps travellers and hosts to rate each other to build a trustworthy environment. However, ease of joining to Airbnb’s website may lead people to create multiple accounts and rating from multiple account may cause social rating system to be misleading.

Freedom of setting price for each host comes with the danger of sustainable and stable quality assurance. Although Airbnb pushes its’ hosts to follow the certain rules, the company cannot give the guarantee that hosts will provide what they promise on ads.

Reputation is hard to gain but very easy to lose, there are examples of news such as graph 6. The article in The Daily News (Kitching, 2016) points out the bad results of renting homes to strangers. Airbnb can easily lose its reputation and well-designed community that is built on trust when bad news appears such as in the example because of the irresponsible users of Airbnb.

### **The worst Airbnb guests of all time: Hosts' horror stories about drug-fuelled parties, looted belongings and bedrooms turned into BROTHELS**

- Most hosts never have problems, but some guests have been a nightmare
- A London woman said she found two strangers having sex in her bed
- Police blamed a 'drug-induced orgy' for damage caused to a family home

By CHRIS KITCHING FOR MAILONLINE

PUBLISHED: 09:46, 4 April 2016 | UPDATED: 09:54, 4 April 2016

      **165** shares

 **100** View comments

Graph 6 (Kitching, 2016)

### 3. External Analysis of Airbnb

Airbnb is the best-known company of sharing economy which is referred to as peer-to-peer consumption and referring the exchange or sharing products or service between individuals rather than within a company (Campbell, 2016). This newly popular economy system also seems to be going from strength to strength especially transfer the control over the economy to customers (Strong, 2017). In this developing economy, Airbnb needs to have unique and sustainable external strategies, because there is an inclining competitive environment on sharing economy and the lodging sector day by day.

#### 3.1. Macro Analysis

When the current political situation is analysed that most considerable topic is Brexit referendum and the expectation of results of leaving the EU in the UK. But the election resulted in 2016 and after that UK Pound showed a depreciation on the value of money. Many business analysts state that the UK will see the drawbacks of this decrease, but in comparison, there seemed very positive effects in last 10 months after Brexit. Due to losing the value of UK Pound, a foreign tourist could book at cheaper prices to visit the UK. It also positively affected Airbnb that reported a 24% increase in London visits in this period (Wadhwa, 2016).

In the other side, there is some negative expectation of results of Brexit such as jeopardising the free movement and trade in between UK and EU countries. It can cause an uncertainty in long-term on the tourism sector. There are two scenarios: first no changes after Brexit on trade agreements and visa status for EU citizens, in that scenario, everything will be stay same and tourism sector does not need to have negative concerns in long term. However, there is the second scenario is cancelling the free movements and new taxes for EU trades. In this situation, UK tourism sector would face to extremely bad declining on demand of EU travellers, it could also cause a big harm on Airbnb Operations in the UK (Deloitte, 2016).

In particular, the results of Brexit are very important for Airbnb which their most guests are European (Figure 1) to visit London (Airbnb, 2015) on the platform. On the other hand, there is a fact, the weak pound since Brexit referendum, UK cities have become a more affordable destination for travellers (PwC, 2016), so the industry did not face an expected downfall on the number of visitors.



Figure 1: Origins of London Guests on the Airbnb Platform (Airbnb<sup>1</sup>, 2015)

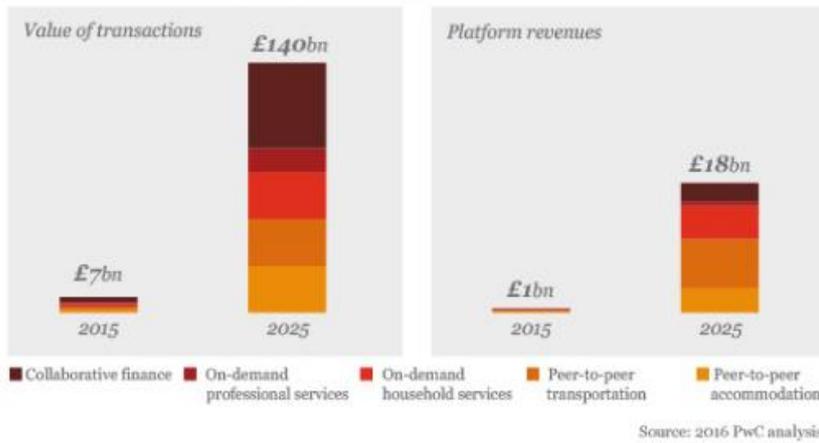


Figure 2: Revenues and Total Transaction Value Facilitated by Sharing Economy Platforms in the UK by sector (PwC, 2017a)

On the other side, sharing economy is one of the megatrends in recent years. Airbnb was a weak signal when they started the business, yet many research and analysis states that the value and revenue of sharing economy will significantly increase in future years (Figure 2). Travellers have a big

support to sharing economy which covers the operations the peer-to-peer trading and platforms websites such as Airbnb. Many people stay in a place, which belongs to a stranger, of locals instead of staying in hotel rooms, when they travel all around the world. This situation creates to the UK tourism sector with a big amount of positive impact.

In our age, digital innovations are one of the most important megatrends in recent 30 years which effects on the new generation's lifestyle and fast-changing preferences more than the older generations (Nesta, 2016). In particular, most of Generation Y and Z have the as essential habit of using digital devices such as smartphones, tablets, laptops with a spirit of sharing. There is a big passion of them to share everything even their goods and properties within the benefits of technology (airbnb citizen.com, 2017).

The expectations in next years by legal perspective will be more legislation and taxation policy to regulate the shared economy (PwC, 2017b). The legal issues can be the most important business proposition for sustaining the shared economy companies (gov.uk,2014) because many traditional companies try to get support to reducing advantages of shared economy in some countries. However, the UK Government's political and economic agenda covered a route-map for the UK for becoming a sharing economy centre in global level (PwC, 2015).

### 3.2. Meso (Industry) Analysis

The traditional lodging industry is one of the monopolistic industries because to run a business in the industry, companies need to invest in buying, building or restoring the properties to transform the hotels. However, Airbnb destroyed this statement in the industry by not owning a single property and distract the monopolistic competitive market (Byers, Proserpio and Zervas, 2016). Airbnb is becoming a mainstream star, even though the company are labelled as a "disruptor" by the competitors which are working in the lodging industry (Euromonitor, 2015). Moreover, there is another advantage that Airbnb company and hosts do not have to pay high VAT rates likewise



Figure 2: London's Travellers Outlook for 2016-17 (PwC, 2016b)

many hoteliers. As seemed in Figure 2, there is an expectation of losing the revenue of lodging industry in London based all the UK, but as seemed in Figure 3, Airbnb costs are generally less than hotels in popular touristic destinations. Therefore, Airbnb has an advantageous position in the market.

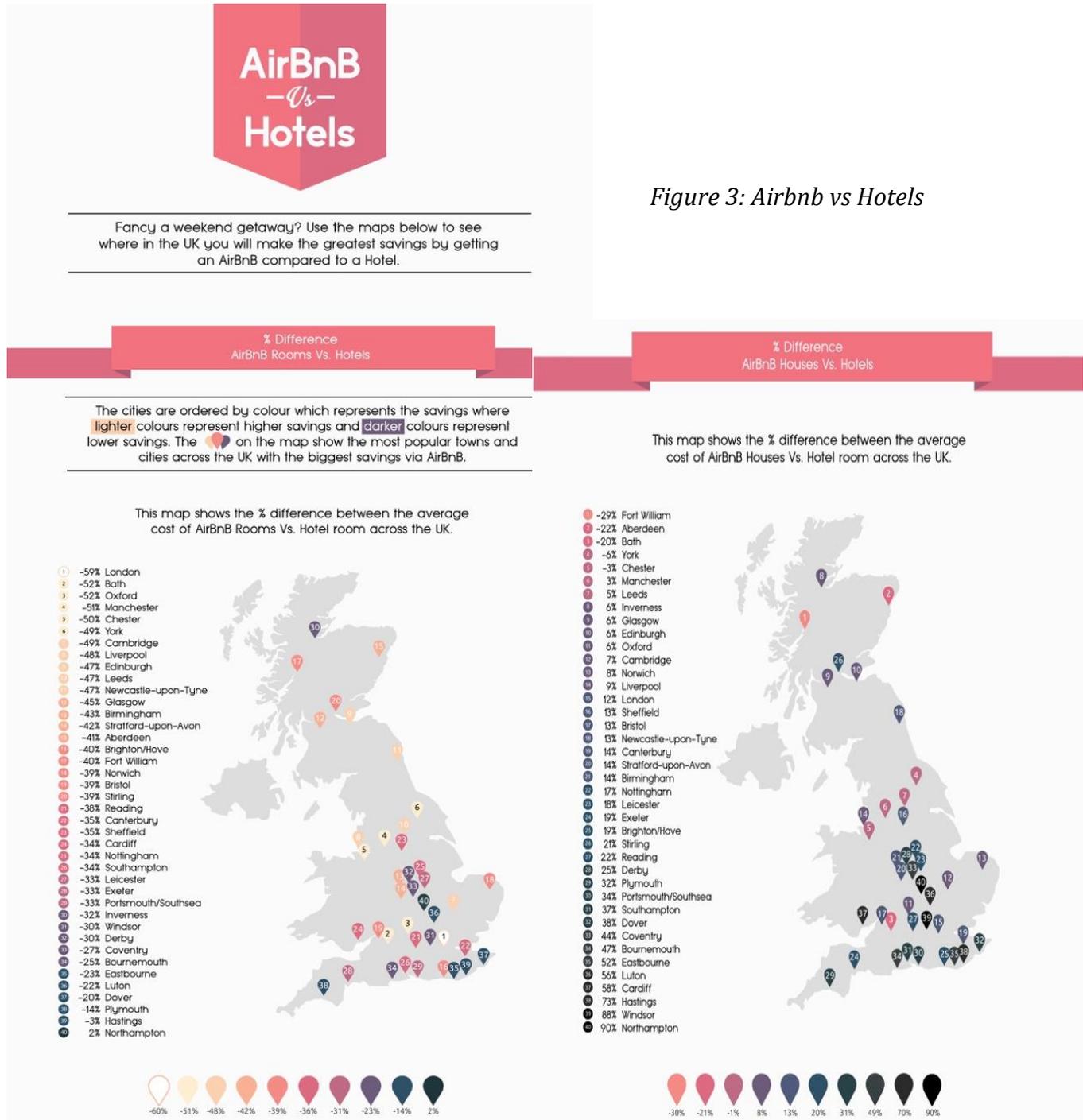


Figure 3: Airbnb vs Hotels

### 3.3. Micro (Competitor) Analysis

Within the last year, the company reached a combined worth of \$99 billion as shown in Table 3, even has no physical assets but it valued three times more than one of the biggest hotel companies in the world, Marriott International on the paper (Stone, 2017).

Airbnb's competitors can be separated into two categories; these are direct and indirect competitors. The direct competitors which have closed business model that called peer-to-peer market model from Airbnb such as HouseTrip (acquired by

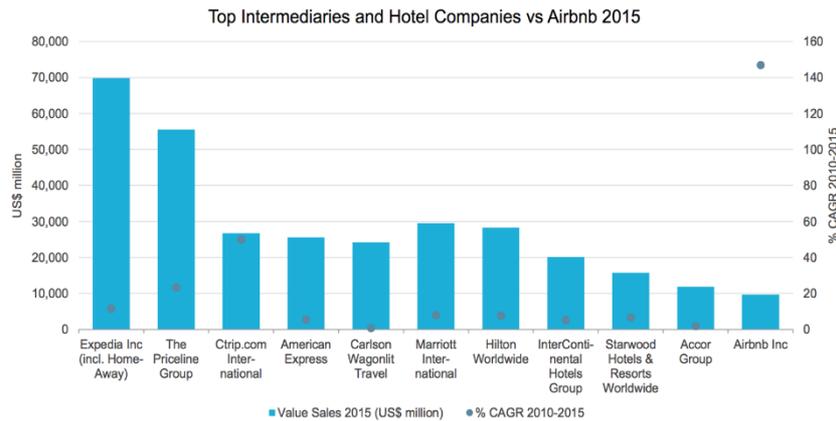


Table 3 - The Value Sales and CAGR based on Airbnb and indirect competitors in 2015

TripAdvisor), onefinestay which focus on luxurious flats in popular destinations, 9flats which are main rival in Europe, also acquired Wimdu last year to enhance the operation area to Asia, roomorama (Euromonitor, 2015). These companies offer the local hosts in different cities to rent

out their properties and rent them for travellers. Besides, there are indirect competitors which have physical properties run as a hotel and hostels by companies such as Hilton, Marriott. As it seemed in the value proposition table, Airbnb has unique and much useful position between its competitors within the good branding strategy, mobile application, CSR projects and the "Experience" service.

	Online Booking System	Mobile application	Unique Branding	Flexible Cancellation Policy	User-friendly website	CSR Projects	Locations diversity	Host guarantee policy	Variety on website languages	Insurance for hosts and customers	Event suggestions
Airbnb	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
9flats	✓	✗	✗	✓	✗	✗	✓	✓	✓	✓	✗
HouseTrip	✓	✗	✗	✓	✓	✗	✓	✓	✓	✓	✗
onefinestay	✓	✓	✗	✓	✓	✗	✓	✓	✓	✓	✗
roomorama	✓	✗	✗	✓	✓	✗	✓	✓	✓	✓	✗

## STRATEGY ANALYSIS

**Table 1: TOWS MATRIX**

<b>TOWS MATRIX</b>	<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<b>OPPORTUNITIES</b>	<p><u>SO</u> STRATEGIES</p> <ul style="list-style-type: none"> <li>• Increase marketing capabilities to upscale the market</li> <li>• Focus on shared economy policy in UK to take advantage of it</li> <li>• Search new ways for travellers to take advantage of increase of shared economy</li> </ul>	<p><u>WO</u> STRATEGIES</p> <ul style="list-style-type: none"> <li>• Strengthen the regulations on hosts to maintain the quality</li> <li>• Build a more stable rating system in Airbnb website</li> <li>• Make a PR plan to overcome to bad reputation and attract more travellers</li> </ul>
<b>THREATS</b>	<p><u>ST</u> STRATEGIES</p> <ul style="list-style-type: none"> <li>• Plan a partnership with Uber</li> <li>• Leverage use of R&amp;D to find new products to overcome uncertainty on legal issues on sharing economy.</li> <li>• Put pressure on UK government to come up with a solid sharing economy policy.</li> <li>• Add a hotel section to the Airbnb's website</li> </ul>	<p><u>WT</u> STRATEGIES</p> <ul style="list-style-type: none"> <li>• Shift operations to countries with solid share economy policy.</li> <li>• Sell some of the companies acquired which are not profitable.</li> </ul>

There are many strategies for Airbnb to take advantage of. The paragraph below will cover the most important ones in the TOWS table. As shown in the TOWS matrix the most important one is finding new ways and products for travellers to enjoy shared economy at best. There is a big opportunity for Airbnb to exploit the huge expanding power of sharing economy in UK and other countries in shared car trip sector and internet flight search sector.

As explained in Part 1 focusing on policies and regulations that UK Government will release about share economy will have a direct effect on Airbnb's business in UK. However, raising uncertainty about regulations combines with time-taking Brexit negotiations between UK and EU will leave Airbnb in a grey area that will not be able to function. So, strategy of shifting operations and R&D to countries with more stable policies and laws with more tourist income will likely to increase Airbnb's income in the long term.

As competitors increase, Airbnb needs to step up to attract more travellers on casual and business traveller area. Therefore, a partnership of Airbnb and Uber that will enable Airbnb users to book special Uber taxis over Airbnb's mobile app and these specially trained Uber drivers will have an extremely well local area knowledge that will take Airbnb users to most touristic places, by giving information about the area with normal local prices. Both Airbnb and Uber will benefit from this partnership.

**TABLE 2: ANSOFF MATRIX**

		PRODUCTS	
		EXISTING	NEW
MARKETS	EXISTING	<u>Market Penetration Strategy</u> <ul style="list-style-type: none"> <li>• Price promotions with different bank card holders in each country</li> <li>• Loyalty Programs</li> <li>• Application promo codes</li> </ul>	<u>Product Development Strategy</u> <ul style="list-style-type: none"> <li>• Provide low cost local cleaning services for hosts after a traveller used their home.</li> <li>• AirbnbCars - for people to share their rides between cities and countries.</li> <li>• AirbnbFlights a new booking app</li> </ul>
	NEW	<u>Market Development Strategy</u> <ul style="list-style-type: none"> <li>• Local Airbnb meetings</li> <li>• Shifting more to stable markets</li> <li>• Airbnb- Uber Partnership</li> <li>• More R&amp;D spending into countries with more tourist income</li> </ul>	<u>Diversification Strategy</u> <ul style="list-style-type: none"> <li>• Enable hosts to publish ads on Airbnb website and app to attract travellers</li> </ul>

In the Ansoff Matrix, there are several strategies to maintain the growth of Airbnb in the long term. Airbnb's main product is the ideology of "sharing something" with an exchange of financial benefit. Since the company started, only existing product was the website and app that lets hosts and travellers find each other. To maintain stable growth Airbnb needs to attract more hosts and travellers to its existing website by price promotions from banks and financial institutions from targeted countries such as Airbnb-PayPal partnership in UK (PayPal, 2017) or loyalty program for maintenance of users and

promo codes and discounts for people who download Airbnb mobile app. Shifting towards more stable countries which has more tourist income than UK would be a good solution in terms of using the existing product in the new markets. Providing low cost cleaning services to hosts after a traveller used their home will increase the speed of bookings and hosts will more willing to list their house on the Airbnb website. Producing new apps such as an AirbnbCars mobile app for travellers to share their cars with people who goes to same direction and AirbnbFlight mobile app for travellers to find cheap deals on flights will attract customer attention to use Airbnb's services more often. Therefore, there are three most important strategic option that will benefit Airbnb;

1. Airbnb - Uber strategic partnership that will help business and casual travellers to enjoy and explore the city like a local. Uber services will need to be integrated into Airbnb's app. This partnership will let users to book Uber from the Airbnb app. The Uber drivers who are specially trained for Airbnb users will take travellers to most important places in the city or wherever they want with providing special local information to them such as; "Be careful today is national egg day in example country, all shops are closed".

**Advantages:** Airbnb will be providing top to bottom experience for travellers to "explore the city like local". By using Uber Tourists will not be ripped off by traditional taxi drivers. Airbnb App will attract more user traffic.

**Disadvantages:** not suitable for low cost travellers.

2. Providing two new apps to reach other sides of shared economy. First one AirbnbCars to let people share their car trips between cities and countries. Second one is AirbnbFlights that enables low cost travellers to find cheap flights and business travellers to find suitable flights to countries and cities where Airbnb is active.

**Advantages:** AirbnbCars app will work with the same ideology as Airbnb in terms of share economy, so Airbnb's services will be widened and it will stay a protection for Airbnb if share economy of the houses are banned by strict government rules. AirbnbFlight will let low cost users to find the cheapest tickets and connect them to Airbnb's app after they book their ticket to book their accommodation. This will provide a huge increasing user traffic between Airbnb's mobile apps.

**Disadvantages:** There are competitions in shared car and flight search sector. Main players are skyscanner.com for flights and Blablacar.com for shared car services. It will be hard to compete against those companies. Also, Application development and advertising cost will be high.

3. Uncertainty of shared economy policies in many countries leaves hosts and travellers indecisive about using Airbnb's services. Therefore, a strategy for concentration of investment and R&D to countries with stable shared economy policies and high tourist income (Nag, 2017) such as France and China will likely to increase the users that join to Airbnb in the long term.

**Advantages:** More concentrated investment into more touristic countries with stable shared economy regulations will let Airbnb to have more revenue with less problems from the government.

**Disadvantages:** Political instability can happen in any country. If one of Airbnb's target concentrated country's political stability happens to be changing, all the investment made by Airbnb will be wasted. Therefore, Airbnb needs to be very careful choosing these countries.

**TABLE 4: SAFE CRITERIA**

		Strategy 1	Strategy 2	Strategy 3
<b>S</b>	Does a proposed strategy dress the key opportunities and constrains Airbnb faces?	YES	YES	YES
<b>A</b>	Does a proposed strategy meet the expectations of stakeholders?	NO	YES	NO
	Is the level of risk acceptable?	YES	YES	NO
	Is the likely return acceptable?	YES	YES	YES
	Will stakeholders accept the strategy?	YES	YES	NO
<b>F</b>	Would a proposed strategy work in practice?	YES	YES	YES
	Can the strategy be financed?	YES	YES	YES
	Do people and their skills exist or can they be obtained?	YES	YES	YES
	Can the required resources be obtained and integrated?	YES	YES	YES

In the SAFE criteria table, according to answers, strategy 3 seems like the less likely strategy to choose. Because governments can be unstable and doing business %100 according to their current policy might jeopardize the future growth of Airbnb.

Strategy 1 does not meet the expectations of stakeholders because, because Airbnb is an accommodation service provider and stakeholders does not expect Airbnb to partner up with Uber. Even though it seems like a good strategy to partnership with Uber for top to bottom travel experience, Uber is not designed for low cost travellers. Maintaining low cost is one of the advantages of Airbnb discussed in the Part 1. Business travellers of Airbnb might use Uber, but tourist usually prefer to walk to explore the city. So usage rate of this partnership can be weaken in the long term.

Strategy 2 is more positive than strategy 3 and strategy 1. Airbnb and stakeholders needs to acknowledge that travelling experience has two parts "accommodation" and "transportation". Airbnb is only covering accommodation now and needs to take get involved in second part too. The reason for that, Airbnb's only main product is share

economy homes and if that gets blocked by taxations and regulations from the governments, the company has nothing to offer. Airbnb needs to widen its services to every part of the travel experience. Therefore, launching two different mobile apps for the other part of the travel experience which is "Transportation" will be beneficial for Airbnb's users and stakeholders in the long term. Also, Airbnb will maintain the cost leadership policy with these two mobile apps that will create a full travel experience for users.

Therefore, strategy 2 is the most suitable strategy for Airbnb to follow.

**TABLE 5: BALANCE SCORECARD**

Perspective	KPI	Goal
Financial	Usage of Airbnb app grown	%10 every year
	Profitability grown	%5 every year
	ROCE	%20
Customers	Customer Satisfaction	%95 customer satisfaction
	Best-in Class travel experience	%90 customer reviews
	Enhance Brand Recognition	%10 customer increase
	Customer loyalty	%70 customer loyalty
Internal	Hire Software engineers	Mobile apps working with no bug
	Cost Leadership	Maintain cost leadership among the competitors.
	Quality control	Apps should be in top 5
Future	Advertising revenue grown	%5 every year

The Balance Scorecard shows the goals for first 2 years.

First step is building two new apps, this will require new software engineers for building the new apps and maintaining it with constant updates for a smooth working experience for end users. New apps should have the same design language as original Airbnb app. By maintaining cost leadership, the interface of the new apps will always show the most suitable prices according what is being searched. Development cost will be between \$100.000 to \$200.000 for two apps. Advertisement will be done through Airbnb website & app, social media accounts and Google AdWords costing \$250.000. Airbnb is capable of spending these budgets.

The main strategy behind introducing two different apps that are related to travel experience is to create an overall "Airbnb travel" experience for travellers. The AirbnbCar and AirbnbFlight application will be directly linked to Airbnb's main app for travellers to book accommodation based on the destinations and tickets they buy from these two new apps. These will increase the usage of Airbnb's services, therefore a %5 growth in profit can be logical to achieve. All 3 apps (AirbnbCars, AirbnbFlights, Airbnb) working in an interactive method will increase user traffic by %10 every year by creating a top to bottom service experience. Therefore, return on capital employed can be expected to be %20 in the first year and this number can increase by the users of these apps increases every year.

Customers who uses Airbnb's these 3 apps will be surveyed every year and the goal is to reach %95 customer satisfaction and being recognized as best in class travel experience by %90 of the customers' reviews. Customer loyalty will increase with introduction of new apps and expected to reach to %70 customer loyalty.

Another revenue generating for future development will be placing ads into new apps. Other travel companies will be able to advertise their prices on AirbnbFlight if their advertising campaign is suitable with Airbnb.

Having two more investments in different parts of travel sector will protect Airbnb's future in the industry if share economy for houses is banned by the large amount of governments in the future. Airbnb will have the benefit of serving a full travel experience to travellers with the integrated system of the new apps. The two important parts of travel "accommodation" and "transportation" will be securely done by Airbnb services and travellers will only think about how to live their holiday. Integrated work of all three apps will increase customer loyalty, the user interaction and widen the sectors that Airbnb exists. Therefore, after applying this strategy Airbnb can look forward to being in the top 5 in whole travel industry.

## STRATEGIC ANALYSIS 2

As a beginning, three strategic options which are highlighted will be explained to express the TOWS Table as above. The first selected strategic options are varying their Airbnb’s “Experiences” trips beyond the London to all the UK to attract domestic and international Airbnb users. It will be a “maxi-maxi” strategy for the company as using their strengths and opportunities. In this case, their strengths are most of the people want to use Airbnb platform and their capability to offer new features to the travel industry. Also, the company can benefit from the growth in a number of travellers by depression on the value of pound as an opportunity. According to Ansoff Matrix (Table 2), the strategy will be within the scope of market penetration by using organic development method, it will be explained in detail.

**Table 1: TOWS Matrix Analysis**

<b><u>TOWS Brainstorming</u></b>	<b><u>External Opportunities</u></b> <ol style="list-style-type: none"> <li>1. Increase the number of travellers by weak pound</li> <li>2. New generations lifestyle (see Figure 1)</li> <li>3. Increase the digital innovation</li> <li>4. Popularity of sharing economy</li> <li>5. Lower variable cost than hoteliers</li> <li>6. Increase of globalisation</li> <li>7. UK announced to have a political and economic centre of global sharing economy</li> </ol>	<b><u>External Threats</u></b> <ol style="list-style-type: none"> <li>1. Increase the number of competitors</li> <li>2. Leaving from the EU after Brexit referendum</li> <li>3. Uncertainty on legal issues about sharing economy</li> </ol>
<b><u>Internal Strengths</u></b> <ol style="list-style-type: none"> <li>1. Manages host - traveller relationship well</li> <li>2. People are willing to use Airbnb’s website</li> <li>3. Very easy to use &amp; accept payments over Airbnb</li> <li>4. Creative design of website</li> <li>5. New features help to increase the market share in travel industry</li> <li>6. Flexible cost advantage</li> <li>7. Amazing employee perks</li> <li>8. Diversified acquisitions</li> </ol>	<b>SO</b>	<b>ST</b>
<b><u>Internal Weaknesses</u></b> <ol style="list-style-type: none"> <li>1. There is no guarantee that hosts will provide what they promise on ads on Airbnb</li> <li>2. Misusing of social rating system might be misleading</li> <li>3. Very easy for Airbnb’s reputation to be lost by</li> </ol>	<b>WO+(S)</b>	<b>WT</b>
	<ul style="list-style-type: none"> <li>- Promoting how beneficial using Airbnb to support the sharing economy (S1, O7)</li> <li>- Invest to get more attraction the increasing number of visitors to the UK (S2-5, O1)</li> </ul>	<ul style="list-style-type: none"> <li>- Creating a visa section to help users who needs to apply visa to visit the UK (T2, O1)</li> <li>- Invest to the existing competitive advantage to sustain the leader position in the market (T1, O2)</li> <li>- Offering new products into the markets (S3-8, T1)</li> </ul>
	<ul style="list-style-type: none"> <li>- Providing new data related to hosts’ space within new digital innovations to increase the credibility of Airbnb (W2, O3&amp;S8)</li> </ul>	<ul style="list-style-type: none"> <li>- Inspect and investigate each Airbnb hosts’ houses regular basis (W1-2, T1)</li> </ul>

As far as my identity is concerned, what defines me most is...  
#ShapersSurvey

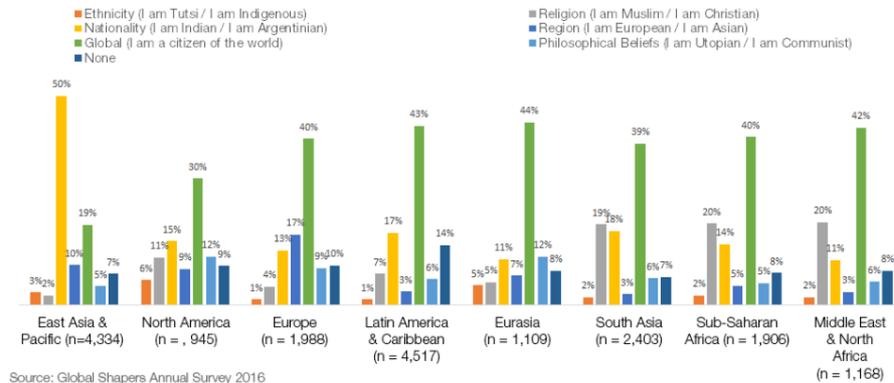


Figure 1: Survey on millennials about self-definition

Another selected strategic option is the offering new products & services into the market by using easy payment systems of Airbnb and current acquisitions. Moreover, the company can reduce the disadvantage of an increase in the number of their competitors in the market within offering new effective products and services into new markets to have a competitive advantage against this threat. The company needs to develop a new product to penetrate a new market, it means that they will use diversification strategy, also it will be a related diversification model which will be given in detail in further.

The last selected strategic option is an investment in increasing the credibility of Airbnb platform by taking into consideration of weaknesses and opportunities. The company run a business which is significantly vulnerable because the business model turnover and sustainability of Airbnb is grounded by reputation and trust system between the users. This situation is the most important drawback of sharing economy model. Hence, Airbnb needs to provide some extra data to gain the confidence of their users. The company can use acquisition method to reach the goal, in that case, they will use the product development strategy by Ansoff Matrix.

**Table 2: Ansoff Matrix related to the three strategic options**

	Existing Products	New Products
Existing Markets		
New Markets		

**Details of Strategic Options**

**Strategic Option #1**

**Expanding the “Experiences” all around the UK in next year**

Airbnb has 20 different ‘Experiences’ offers which are all based in London. To expand their turnover and attract Airbnb users, the company can expand their “Experiences” suggestions into all around the UK cities. For example, there is many different trip suggestions to visit different locations in the UK such as Lake District cycling/hiking trip, the Beatles Tour in Liverpool, Stonehenge historical landmark trip near Salisbury and Edinburgh Festival Fringe which is the world largest arts festival. Moreover, there are many different popular interesting details to be able to learn in different locations of the UK. For instance, users can be taking a storytelling class in Belfast, permaculture planting class in Wales, joining a graffiti art class in Manchester, or take a dye own bags class in Brighton. This strategic option will be applied by using organic development methods to empower their company position in the market. There are many advantages to using this strategy. The company do not need to invest a big budget to imply this project, so they finance to invest other strategic options.

**Advantages:** Using current capabilities, huge and supporting community network, easy-implementation, organic development, be able to apply in short-term

**Disadvantages:** Not fulfilling most important gap for the company

On the other hand, this strategy will not be selected to analyse more detail even all SAFE criteria is positive about this one. Because this will not impress the market direction as effective as other strategy and do not fulfil the needs of Airbnb’s important disadvantage such as gaining the trust of the community more.

**Strategic Option #2**

***Non-accommodation renting for business people***

In last year, Airbnb started to penetrate the business-to-business market by targeting only business people to find an accommodation for their business trips. They offer easy payment and administration features within digitally represent business expenses into their accounts by using the Airbnb platform. They have also some attractive reward programme for business people. If people will use Airbnb houses to a business trip, they will earn some points to use them in their either next business or personal trips. They can expand this category as adding new product segment to the Airbnb business such as offering daily office rentals, meeting rooms or conference rooms for businesses. It can be a good opportunity to offer a bundle product as combining a non-accommodation rental with the nearest Airbnb house.

Airbnb can use related diversification strategy of Ansoff models to apply this strategic goal because the company already entered the B2B market. They will offer a new product to this market, but even they entered, it's a new market because they need to work with the rental business sector. There is the suggestion is the acquisition method to launch this new product such as they can buy an online business space platform based in the UK such as hirespace.com or meetingbooker.com which are offer the daily office, meeting rooms or event venues to hire as online and mainly based in the UK locations.

**Advantages:** Related diversification opportunity, expanding the product range and customer variety, huge and supporting community network, easy-implementation, organic development, be able to apply in short-term

**Disadvantages:** Not matching with the brand image, over budgeting for new acquisition, new learning and innovation

However, the non-accommodation rentals offer by commercial parties, for that reason, this strategic option can cause a negative impact on the Airbnb-friendly community. People like Airbnb for an option to share their values and times with other people, there is also an emotional responsibility on the Airbnb's business values. Therefore, this strategic option would not be selected to develop even though it could be a valuable and high profitable strategic option for the company, but the risk of losing current reputation level is very high.

**Table 3: SAFe Criteria Matrix**

	Aspects	1	2	3
<b>Suitability</b>	Does a proposed strategy address the key opportunities and constraints an organisation faces?	✓	×	✓
<b>Accessible</b>	Does a proposed strategy meet the expectations of stakeholders?	✓	✓	✓
	Is the level of risk acceptable?	✓	✓	✓
	Is the likely return acceptable?	✓	✓	✓
	Will stakeholders accept the strategy?	✓	×	✓
<b>Feasibility</b>	Would a proposed strategy work in practice?	✓	✓	✓
	Can the strategy be financed?	✓	✓	✓

	Do people and their skills exist or can they be obtained?	✓	✓	✓
	Can the required resources be obtained and integrated?	✓	×	✓

### Strategic Option #3

#### Increasing the credibility of Airbnb houses by providing detailed information from digital innovations

Airbnb creates their new competitive advantages in order to using the acquisition model such as they bought the company 4 different company which are related to their new product range 'Experiences' travel trips. The companies supported to imply and improve the Airbnb platform usage and offering new information and options to the users. The company gained a great competitive advantage by launching a new product to the market. When the other acquisitions were analysed, there is an unusual bought company which named lapka. The company produces useful and well-designed sensors to measure radiation and humidity of the environment either indoor or outdoor. The products are very user-friendly and compatible with all smartphones.

**Advantages:** Related diversification opportunity, expanding the product range, showing different data for different customer segments, increasing the credibility of reputation system, diversified marketing, big data

**Disadvantages:** Extra expenses for hosts, new expenses for developing the platform

The selected strategic option is offering these products to Airbnb hosts with a discounted price to show their house values of air quality such as humidity rate, radiation rate in the house. Knowing each details of a house can be more trustable for Airbnb hosts and guests. Airbnb can use the data of users by their living countries to suggest better Airbnb houses options depends on their weather habits. If a traveller lives in a very dry area normally and travel to city which has a high rate of humidity, the platform can match the best house option that has the humidity rate as same as traveller's living area. This strategic option can create a big opportunity to diversify Airbnb's offers. In particular, there is another product version which can analyse the soils to advice about most suitable plant for. The company can combine this product with 'Experiences' trip such as planning a farm or plant trip all around the world. Thus, Airbnb can be a great travel both advisor and providers in the industry. This strategic goal is also suit for the brand image of the company within launching extraordinary new ideas.

**Table 4: Balanced Scorecard for the selected Strategic Option #3**

	KPI	Target
<b>Financial Perspective</b>	Sales growth of lapka products	%40 in next 3 years
	Growth on Airbnb houses which use the sensors	%10 each year
<b>Customer Perspective</b>	Customer satisfaction	%93 each year

	Having qualified feedback from users who used lapka product or booked a space which analysed by lapka product	%95 of the number of users
	Platform credibility	Having at least 3.5/5 stars on business review websites such as trustpilot.uk
<b>Internal perspective</b>	Growth of manufacturing the lapka products	%15 more manufactured products rather than previous year
	Develop the web platform to show the data by lapka products	%100 developed platform before launch the project to all users in 2019
	Develop new product type to analyse other details of Airbnb houses	Developing two new prototype in 2 years
<b>Future perspective</b>	Hiring new technical employees for customer support for lapka products	Hiring 50 junior and senior employees for customer technical support positions
	Planning new experiences which are available to use lapka products	Adding 10 'Experiences' offers related to using lapka products after launching the new platform features in following 2 months
	Measuring the average air values of different locations all around the world	Starting getting measurements of air values in 5 different locations where most UK visitors in the Airbnb platform

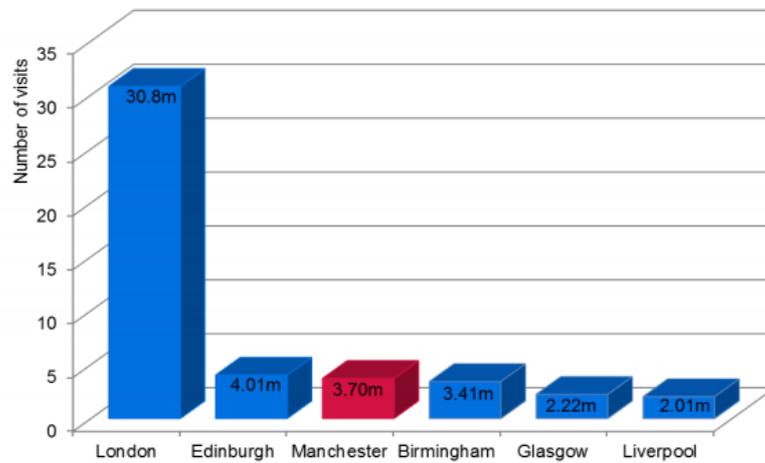
### **Implementation Plan for Strategic Option #3**

The duration is the next 3 years for the strategic option by investing their existing product and brand. They need to use their employee, manufacturing, and financial resources to reach the projected goals. Also, they need to boost their employee resources by hiring new employees for customer technical support related to lapka products.

In first three months, Airbnb needs to analyse the UK market and customer reflections within the survey methods about using lapka products and examine the customer thoughts about having the details produced by lapka. After analysing the data, in the following month, the company needs to collect the rates of air quality in 5 different the location where from the most UK visitors in the Airbnb platform come by measuring with lapka products. At the same timeline, the company developers need to start to improve the web and mobile platform of Airbnb to enter the collecting data for both company and customer interfaces. Since the beginning of six months of the project, the company needs to increase their inventory of lapka product samples to collect data in different locations.

After preparing the platform and analysing the collected average data, they can organise a mini launch with most trusted hosts in the UK to distribute some sample lapka products in order to start to show the data in the platform in the spring time of the year 2018. They need to monitor the hosts and their guests' satisfaction rate and feedbacks about the lapka products. Then, Airbnb can expand their UK experiences which focus on

using lapka products in different locations in the UK beyond London such as near Manchester or Edinburgh because there is a growth of the number of tourists to visit these two cities and near cities of them year by year (see Figure 2).



Source: Great Britain Tourism Survey (VisitEngland); International Passenger Survey (ONS/VB)

Figure 2: 2015 Total Staying Visit (Southern, 2016)

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## Appendix

### PESTEL Table

	Overall Trend
<b>Political/Social/ Economic/Legal</b>	Brexit and leaving from EU
<b>Economic/Politic</b>	Fluctuations in currency (Chron, 2016)
<b>Economic/Social</b>	New Business Models-Value for Many, Shared Economy (Frost and Sullivan, 2015)
<b>Social/Economic</b>	Increasing globally individualism seems an inflexion from the recent generation Y and Z
<b>Social/Economic</b>	Geo-socialisation and growth in population of big cities (Frost and Sullivan, 2015)

<b>Social/Technological</b>	Millennials preferences such as transparency of organisations, online social networking
<b>Technological/Economic</b>	Increasing online payments
<b>Environmental/Social</b>	Investing to zero emission business
<b>Social/Environment</b>	Increasing the awareness and support environment protection
<b>Legal/Economic</b>	London city council tighten the renting rules for short-rentals within 90 days per year

### Five Forces of Power

<b>The threat of entry</b>	<b>HIGH</b> – Many corporations can start a platform like Airbnb in few weeks, but Airbnb has the good reputation on the consumer’s perspectives. Therefore, it is easy to enter the market but competing with Airbnb is the hardest part for the rivalries.
<b>The threat of substitutes</b>	<b>HIGH</b> – Hotels are the biggest substitutes of Airbnb, because these corporations have a powerful position by laws, they are supported by governments much more than business on shared economy. Also, the hotels can serve more luxurious services than Airbnb, it can be effected on the customer preferences.
<b>The bargaining power of buyers</b>	<b>LOW</b> – The buyers do not have a competitive advantage in relation to Airbnb, because they do not have another trustable website such as Airbnb. On the other hand, they even want to bypass the Airbnb system to contact the seller, the seller probably would not prefer to do it due not to lose the Airbnb Insurance clause and convenient collecting payment system (The North-western Business Review, 2014).

<b>The bargaining power of suppliers</b>	<b>MEDIUM</b> – The hosts are the suppliers of Airbnb who needs to be occupied by the platform. Therefore, the power of suppliers is really low in that situation. However, there are some new competitors to Airbnb and they invest really for value and increase their funds for catching the same level of reputation of Airbnb. It provides the increase on the bargaining power of hosts.
<b>The extent of rivalry between competitors</b>	<b>MEDIUM</b> - The competitors of Airbnb on sharing economy are increasing day by day, but there is a big obligation of providing good reputation as much as Airbnb is not very possible for them. Airbnb has a monopolistic position in the peer-to-peer accommodation sector.

## SWOT Analysis

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Manages host – traveller relationship well</li> <li>• People are willing to use Airbnb’s website</li> <li>• Very easy to use &amp; accept payments over Airbnb</li> <li>• Creative design of website</li> <li>• New features help to increase the market share in travel industry</li> <li>• Flexible cost advantage</li> <li>• Amazing employee perks</li> </ul>	<ul style="list-style-type: none"> <li>• There is no guarantee that hosts will provide what they promise on ads on Airbnb</li> <li>• Misusing of social rating system might be misleading</li> <li>• Very easy for Airbnb’s reputation to be lost by irresponsible hosts and travellers</li> </ul>
<b>Opportunity</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Increase the number of travellers by weak pound</li> <li>• New generations lifestyle</li> <li>• Increase the digital innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Increase the number of competitors</li> <li>• Leaving from the EU after Brexit referendum</li> </ul>

<ul style="list-style-type: none"> <li>• Popularity of sharing economy</li> <li>• Lower variable cost than hoteliers</li> <li>• Increase of globalisation</li> <li>• UK announced to have a political and economic centre of global sharing economy</li> </ul>	<ul style="list-style-type: none"> <li>• Uncertainty on legal issues about sharing economy</li> </ul>
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## Figure

### Acquisitions (14)

Date	Acquired	Amount
May 2, 2017	Deco Software	Unknown
Feb 23, 2017	Tilt	Unknown
Feb 10, 2017	Luxury Retreats	\$200M (terms undisclosed)
Sep 19, 2016	Trip4real	Cash
Apr 13, 2016	ChangeCoin	Unknown
Sep 29, 2015	Lapka	Unknown
Sep 11, 2015	Vamo	Unknown
Dec 2, 2014	Pencil Labs	Unknown
Dec 1, 2012	Localmind	Unknown
Oct 3, 2012	Fondu	\$575k (terms undisclosed)
Jul 24, 2012	DailyBooth	Cash
Jul, 2012	NabeWise	Unknown
Mar 20, 2012	Crashpadder	Unknown
Jun 1, 2011	Accoleo	Unknown

Figure 4:  
Acquisitions List of Airbnb