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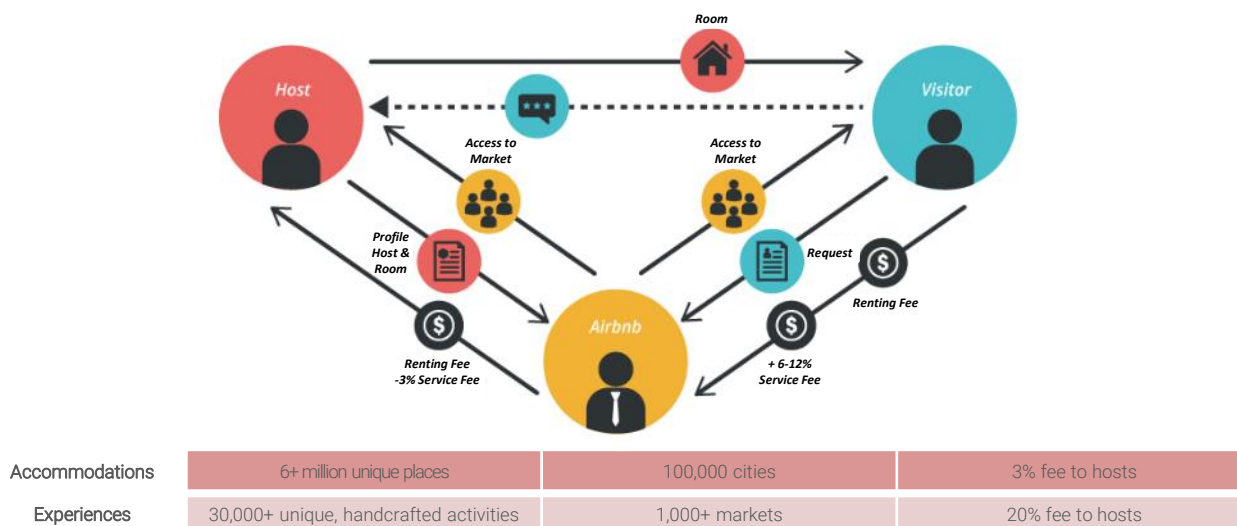
Airbnb Case Study

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Airbnb Explained

The Alternative Accommodation Industry



Airbnb is an online marketplace that sits in the alternative accommodations industry. The company's accommodations platform enables people to list their available space and earn extra income in the form of rent. This also enables travelers to book unique home stays at potential discounts from regular hotel rooms. Airbnb's people-to-people platform benefits all its stakeholders, including hosts, guests, employees and the communities in which it operates.

Ultimately, we see that governmental regulations against Airbnb hasten the possibility of a hybrid model that is both first-party and third-party marketplace, a transformation of its identity as it gears up for an IPO. It aims to become a regulatory-compliant one-stop shop for holiday goers to book flights, accommodation and tourist experiences. In 2017, Airbnb began operating its own branded apartments in Florida, acquired 4 technology firms and 2 other online marketplace accommodation sites (for luxury villas and properties with mobility access). In March, the company spent \$463 million to acquire HotelTonight and earlier this month invested a reported \$100 million to \$200 million in Indian hotel chain OYO. Those investments, coming on top of the acquisition of French property management company Luckey Homes and Danish meeting platform Gaest, have helped Airbnb bolster its position. Hence the appeal of Lyric, the San Francisco-based firm transforms premium apartments into studios with hotel-quality cleaning services and around-the-clock online support for business travellers looking for short-term visits or stays of as long as 200 days. Lyric believes it can overcome landlord's reluctance to allow short-term rentals by creating a brand—that is known for strong management, customer service and a clientele that is wealthier than rank-and-file Airbnb guests. Its founders and investors believe multifamily landlords eventually will view the service as an amenity and even design units in future buildings in anticipation of this use.

The company has told investors its conservative estimate is about \$4.6 billion in revenue this year, up 25% year over year. Internal reports management hoping for a faster growth rate that would put the company closer to \$5 billion in revenue this year. The target revenue excludes the impact of booking site HotelTonight, which Airbnb recently acquired. HotelTonight generated about \$130 million in revenue last year. It has also subsequently picked up a share in India's OYO which will expand Airbnb's reach and also diversification into a own-branded room model, resembling a traditional hotel franchise. In February 2018, Airbnb launched a host of new categories to supplement the three categories it had up to that point (entire home, private room and shared room). The new categories include boutique hotels and B&Bs, amongst others, with Airbnb allowing small hotels and professionally run B&Bs to add rooms to its platform. At the same time, Airbnb also introduced Airbnb Plus, highlighting its best and more premium listings. Airbnb has also extended itself into business travel : more than 300,000 companies are directly engaged with Airbnb to manage travel for their employees. Airbnb for Work includes team building, offsite and meetings, and relocations. Statistics from Airbnb show that corporate bookings within Asia grew by 5.0 times between 2016 and 2017 which is higher than the global average of 4.3 times .

Airbnb announced that it has also been collecting transient occupancy taxes (TOT) on behalf of the global community as part of the commitment to working with governments to remit hotel type taxes amounting to some \$1.2 billion. The success of partnering 500 governments globally should result in sustained growth for Airbnb as it extends its reach.

Airbnb Competitors & Market

Firm	Model	Alternative Accommodation and Travel Options	Market Capitalization (US\$)
Marriott	Traditional Hotel, Hotel Management	Yes	42.55 Bn
Hilton	Traditional Hotel, Hotel Management	No	26.78 Bn
Booking Holdings	Online Travel Agency	Yes	75.54 Bn
Expedia	Online Travel Agency	Yes	17.37 Bn
Airbnb	Online Alternative Accommodation	Yes	31 Bn

The global lodging category grew by 6.1% in current value terms in 2018, generating close to USD757 billion. Strongest growth came from emerging regions including Latin America and the Middle East and Africa, but the largest absolute growth was registered in Asia Pacific and Western Europe.

Short-term rentals outperformed all other lodging categories, registering 13% growth in 2018, and predicted to see a CAGR of 8% between 2018 and 2023. Being the posterchild of the sharing economy, Airbnb outgrew all its competitors with 24% growth in gross value bookings, making the company the third largest lodging player, only behind Marriott and Hilton. Airbnb also keeps a hair ahead of rival Booking Inc. with 6 million listings, compared with 5.7 million at its larger competitor.

While short-term rentals capture most of the media's attention, hotels are also registering strong performance amid a booming travel market. Luxury and Upscale Hotels grew strongest at 6.1% in 2018, benefitting from a trend which sees travellers trade up on their lodging, while trading down on flights. Almost 62% of all online hotel bookings are made through an intermediary, with this share having grown steadily in recent years. After two years of many mergers and acquisitions, hotel companies are becoming larger and more powerful in negotiations with OTAs. The reliance of hotels on OTAs continues, however, undoubtedly resulting in some future bust-ups.

Airbnb's rapid growth at a glance

Aug-08	Nov-08	Jan-09	Apr-09	Nov-10	Feb-11	Jun-11	Dec-17	Jan-19	Apr-19
AirBed and Breakfast Concept	Y Cooperation Accelerator	Y Combinator Business Training	Sequoia Venture Seed Funding	700K Cumulative Nights Booked	1M Cumulative Nights Booked	2M Cumulative Nights Booked	US\$2.6B in 2017 Revenue and US\$93M in profits	2 nd Year Profitable	Est. Cumulative 500M Guest arrivals

Online growth of the alternative accommodations market is expected to be supported by improved user experiences and demand for unique experiences. Platforms like Airbnb and its competitors are able to generate traffic that allows them to continuously test and quickly implement changes to the website that increasingly match the right space to the right person at the right time, leading to higher conversion rates. Demand for alternative accommodations (and all of travel) will also be buoyed by the rapid growth in the global middle-income class.

Growth Forecast for Alternative Accommodations Industry

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Bookings (US\$ B)	102.23	113.14	125.59	139.7	154.23	170.28	185.93	202.91	221.48
yoy growth		10.7%	11.0%	11.2%	10.4%	10.4%	9.2%	9.1%	9.2%
Online Bookings (US\$ B)	37.6	45.87	55.5	66.61	79.59	92.74	107.58	124.79	143.51
yoy growth		22.0%	21.0%	20.0%	19.5%	16.5%	16.0%	16.0%	15.0%
Online penetration	36.80%	40.50%	44.20%	47.70%	51.00%	54.50%	57.90%	61.50%	64.80%

Source and notes:

(1) Airbnb, cbinsights, bmttoolbox, Morningstar, Euromonitor

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