

SUMMARY

THE AIRBNB STORY

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Summary of “The Airbnb Story” by Leigh Gallagher

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Shaking up the status quo one vacation at a time.

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Introduction

Concepts like “couch surfing” might strike many of us as weird. Usually, even when we’re desperate or broke, we’re a little hesitant to answer a Craigslist ad to sleep on a stranger’s couch for cheap. What if they’re a serial killer, we wonder? What if their mattress has bed bugs? Can we trust them? What do we really know about this person anyway? These are just a few of the questions that run through our minds when we contemplate sleeping in a stranger’s house and for good reason! It’s no surprise that safety is one of our primary concerns when it comes to picking a hotel. But platforms like Airbnb are shaking up our conceptualization of vacation accommodation.

How? Well, if you’ve never used Airbnb, here’s a brief overview of how it works. It’s a little different (and a lot safer!) than couch surfing because this online platform matches people who have spare rooms or empty apartments with people who are looking for a place to stay. With locations all around the world, encompassing pretty much anywhere you could ever want to visit, Airbnb makes travel accommodation personal, convenient, and affordable. In fact, it’s been such a hit that it grossed \$2.8 billion in 2017! So, through the course of this summary, we’re going to explore Airbnb’s origin story and learn a little more about the creative minds who brought it to life.

Being Late on Your Rent Can Lead to Magical Things

Okay, that's probably not true for everybody, but it certainly was for Brian Chesky and Joe Gebbia! Their story started like that of many others: they were recent graduates of the Rhode Island School of Design and, sadly, following their dreams hadn't done them any favors when it came to getting a job. Vulnerable, broke, and struggling to establish themselves as designers in San Francisco, the two friends could barely make ends meet well enough to pay their \$1,150 a month rent. Neither wanted to go home and admit to their families that their degrees were useless or that they couldn't hack it in the real world, so they felt the choice was clear: if they wanted to survive in San Francisco, they had to find a way to make more money.

And it was exactly this choice that proved their degrees weren't useless at all! Because even if they were struggling to find a job, their education had given them all the tools they needed to survive. Because their degrees focused on creativity and innovative thinking, the two had already learned a great deal about creative problem solving. And that's how they knew that if they simply put their heads together, they could find a way. And sure enough, they did! After a few hours of brainstorming, they realized that the annual convention of the Industrial Designers Society of America was coming to San Francisco soon. People were going to need a place to stay.

So, they decided to take advantage of this opportunity and promote their apartment as a makeshift hotel, playing up its attractive features like the "design library" they had created for their own inspiration and the affordability-- just \$80 a night to sleep on one of their air mattresses. They advertised under the name "Air Bed & Breakfast" and overnight, they had more customers than they could handle! And that's how they realized that their crazy little idea could actually be a viable source of income all year round-- especially if they used other people's apartments! So, branding themselves as middle men for the hospitality industry, they reached out to

connect with other people in their positions and set about growing Air Bed & Breakfast.

As they branched out, they continued to employ the same strategy, relying on big conventions to generate supply and demand. And over the next few months, they expanded their sphere far beyond San Francisco, networking with attendees for events like the South by Southwest festival in Austin, Texas, and the 2008 Democratic National Convention which met in Denver, Colorado that year. And as they grew their audience, they also expanded their team by enlisting the services of an engineer: Nathan Blecharczyk. Already a friend of Gebbias, Blecharczyk brought his coding skills to the table to help the friends create an attractive and user-friendly website to offer their services. And with the three of them working together, it wasn't long before they had the customer base, the website, and plenty of events necessary to build a successful business.

However, they did hit one major snag: the safety question we discussed earlier. Except in this case, it was the other way around. Because despite the wealth of opportunities and their compelling website design-- along with the fact that there were plenty of prospective customers willing to rent a temporary space-- most people were still reluctant to let total strangers into their homes. The team realized that to combat this, they needed a way to establish themselves as a safe and trustworthy outlet. So, they started by pitching themselves to local blogs and getting promotions from micro-influencers. And sure enough, this was the right call! Not only did this marketing strategy net them more customers, it also gained them a significant amount of attention. In fact, their story soon became so popular that The New York Times wrote a piece about it! And after they got that kind of exposure, business blossomed overnight; before they knew it, they had 800 new apartment hosts and over 80 bookings!

How Cereal Accelerated Airbnb's Success

Between this influx of positive publicity and marketing themselves as a convenient housing option during the Democratic National Convention (which we'll refer to as the DNC in future), the new Air Bed & Breakfast was enjoying a rush of new and unprecedented success. But once the buzz surrounding events like the DNC faded, suddenly their customer base dried up too. Now their bookings were almost nonexistent and so was the traffic on their website. Fearing that they were about to become a brief one-hit internet wonder, the team went back to the drawing board to brainstorm another creative solution for getting themselves out there.

They already had the publicity, but they needed to find a way to turn that platform into a profit, and that's how they hit on the idea of using cereal as a marketing tool. Drawing on the hype of the election, they decided to capitalize on politics by serving Obama O's and Cap'n McCain cereals as part of their Air Bed & Breakfast package! What better way to attract customers to your bed and breakfast service than providing them breakfast with a twist? And just as they predicted, their political cereals took off. Although they started off simply repackaging cheap cereals and giving them a creative facelift, before they knew it, they were able to earn \$30,000 by selling these cereal boxes as collectors' items!

That alone might have been considered enough success, but this new marketing scheme actually took them even farther when it attracted the reluctant attention of tech mogul Paul Graham. Although Graham-- like many of their potential customers-- was skeptical of Air Bed & Breakfast, he liked the ingenuity of their cereal campaign and agreed to take them under his wing, believing that anyone with that much persistence and creativity deserved some professional mentoring. Under Graham's tutelage, the team learned the importance of scoping out their user base's primary hub-- New York City-- to learn more about what appealed to customers. So they relocated for a few months and perfected certain elements like the photos

hosts provided online and tweaked their algorithms and social media strategies.

This period of learning and growth also taught them to experiment with other elements of Air Bed & Breakfast as well, even if that involved some changes to their business model. For example, although the start-up had been founded on the principle of hosts providing something as simple as an air mattress and some breakfast in the morning, new prospective users had reached out to the team with a different question: what if they wanted to temporarily rent out an entire house or apartment? This, of course, would go far beyond the scope of the features which were originally promised and the team recognized that this would also generate a significant amount of revenue. So, they switched their policies along with their name, transforming into the much sleeker Airbnb.

They also adopted a more active recruiting strategy during this time, with Chesky and Gebbia arranging meetups and hosting seminars to show people how they could make money by renting out their home. Under this new and personalized approach, people began responding more positively and signing up. And before they knew it, they were making over \$1,000 a week! As a result, this chapter might close with the key takeaway being that the trio ultimately did achieve their goal of simply making enough money to succeed in San Francisco and that they grew a successful new startup in the process. But that's not quite where the story ends. Because in addition to growing their revenue, they also attracted the attention of yet another powerful ally.

This time, it was Greg McAdoo of the Sequoia investment firm. To give you an idea of McAdoo's position of influence, this is the guy who invested in Apple and Google, providing them the funding to become who they are today. So, in addition to making him a major player in the world of finance, his experience also made him an expert in identifying new and innovative ideas. And he knew Airbnb had potential. So, almost overnight, the Airbnb team found themselves with McAdoo's endorsement and a \$585,000

investment from Sequoia. And suddenly, the friends' little startup became a company valued at over \$2.4 million!

Staying on Mission

In any endeavor where you become successful overnight, the importance of remaining true to your roots and staying on mission is pretty universal. And fortunately, the creators of Airbnb understood that. They recognized that, even if they were blowing up now thanks to the interest of major investors, it was only because they started as an alternative, down-to-earth option that appealed to their target demographic: other young millennials. And that's why they decided that maintaining their original appeal was vital.

So, even as their newfound fame created hierarchies within the company, requiring Chesky to assume the new role of CEO, he made it his mission to ensure that Airbnb-- and the friendships that built it-- would remain the same at the core. So, from the start, he declared that Airbnb's mission was to bring a personal connection to every stay. They enforced this by instituting policies which required every host do something small, kind, and personal, whether it was simply giving the guest a warm welcome in person or leaving a little care package for them to find. He further built on this by writing a mission statement which declared that Airbnb was committed to being playful, helpful, and fun.

And once he established the core values of his company, Chesky made all future decisions by operating on a framework that all new entrepreneurs should take on board. Because his new starting place became, "Will this fit into Airbnb's company culture?" Rather than making the fastest or easiest decision, Chesky chose to play it slow and steady, choosing only the things which were in line with his mission statement. He especially applied this to hiring decisions and that's where it paid off the most. Because although it took him six months to hire their very first employee, he only hired that person when he felt satisfied that they were helpful, playful, and fun, and as such, someone who would enhance and promote his company's values.

This first employee was uniquely important to Chesky because this was the first time they had expanded the company outside the little trio of himself

and his friends. But it was also important because he believed that that first employee would set the tone for their future for better or worse. But if it was a good fit, one that made them all better, happier, and more successful, he believed that other great candidates would be attracted to his company. And sure enough, he was right! In the summer of 2009, the team met Nick Grandy and he joined their fledgling engineering team. Now, with the combined efforts of their newly close-knit and like-minded team, they found that expanding their business was even easier. Because of the company's mission-- and their new motto, "Belong Anywhere"-- hosts were more eager than ever to share Chesky's vision and open up their homes.

This was another crucial element because, with Airbnb's mission in place, hosts and guests alike were no longer participating in a simple business scheme-- they were being asked to share a vision. And because this vision was one of adventure, hope, and belonging, everyone could get behind it! Hosts gladly followed Airbnb's suggestions to share their favorite restaurants and hot spots and make guests feel welcome in their new city. And as a result, hosts and guests alike found new experiences and a new sense of meaning that would never have been possible without Airbnb.

Airbnb Deals With Setbacks

For most new entrepreneurs, your startup is your baby. And just like any new parent, you never want your baby to go through any type of hardship or be hurt. But sadly, it's impossible to keep your child or your startup safe from every bad experience, so the key is learning to roll with the setbacks. And fortunately, that's just what Airbnb did when a few pesky safety issues threatened the integrity of their platform. Until now, Airbnb had been a hub of kindness, positivity, and good experiences for hosts and guests alike; the team had been pleased to see the respect with which their clients treated one another. Unfortunately, however, that changed in the summer of 2011 when a host named EJ had her home vandalized by guests.

On her blog, EJ documented the damage to both her home and her trust, with the casualties including the loss of her camera, iPod, laptop, MasterCard, social security card and birth certificate (both of which were copied by the vandals). They also found a stash of Bed Bath & Beyond coupons EJ had been saving and used these-- along with her credit card-- to purchase items for themselves. And as if that wasn't enough, they hacked through a door that EJ had kept locked, locating-- and stealing-- her passport, cash, and numerous family heirlooms, many of which they burned in EJ's own fireplace. Shockingly, however, because Airbnb had not anticipated such vandalism, they had no policies in place for events like this. Likewise, because they lacked a 24/7 customer service team, they didn't respond to EJ's complaint until the next day.

Although EJ was initially angry with Airbnb's statement that they were not financially liable for the destruction, Chesky quickly rearranged his policies to brainstorm a new solution that would compensate EJ and protect future hosts if something like this ever happened again. Even after the customer service team had connected with EJ, Chesky later reached out himself to apologize and offer financial and emotional support from Airbnb. And in addition to issuing a public apology on behalf of the company in August, Chesky announced that, for him, one mistake was one too many and he

pledged to make Airbnb better. True to his word, he raised the Host Insurance Guarantee from \$5,000 to \$50,000 and implemented a 24/7 customer service support team.

As a result of this incident, they also cracked down on their security measures, implementing background checks on all users and offering hosts and guests the opportunity to work only with those who are ID verified. This means that Airbnb has matched a user's online identity to their identity in real life, confirming that not only are they a real person, they can be held accountable in real life if issues like this happen again. They've also since instituted a triage system to monitor customer complaints and assess the severity of the danger at hand.

When complaints are flagged as a triage priority, they are handled immediately and heightened security and support procedures are initiated. And last but not least, since the vandalism at EJ's house, the team has also established a Trust & Safety unit to weed out any potentially unsavory clients and eliminate threats before they happen. To accomplish their mission, they even employ data scientists, behavioral analysts, and victim advocates who can help! In light of this company overhaul, one thing is clear: in an age where few people-- let alone corporations-- are willing to step up and take responsibility, Airbnb sets an example for us all. This is what accountability and a commitment to customer service should look like!

Final Summary

Today, we know Airbnb as an international corporation which links hosts and guests for affordable travel experiences. But when it started, it was nothing more than a simple dream shared by two guys who just wanted to make enough money to keep living in the city of their dreams. But thanks to their innovative thinking and creative problem solving, they soon realized that their idea could help themselves and others afford to live their dreams.

With just a little bit of creativity, determination, and a commitment to wholesome core values, Airbnb grew almost overnight to attract the attention of major investors and become the world's leading accommodation platform. But Airbnb isn't content to rest on its laurels now that it's reached the top; instead, their relentless commitment to customer service has motivated them to evolve, change, and take accountability for their customers' needs.



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