

Success Diaries



Revolutionising the
travel industry



From renting a mattress to a \$100B company

\$100B+
Valuation

Largest IPO in
2020

4M+
Hosts

Active
Community

\$520M
Free Cash
Flow

Over \$1B+
Net Cash

825M+
Bookings

Across 220
countries

5.6M
Active
Listings

Repeat Users

3.4T+
TAM

Variety of use
cases

\$110B
Earned by
Hosts

New source of
income (Lifetime)

91%
Organic
Users

Low CAC

Airbnb derives its success from four key tenets



Perseverance

Chesky and Gebbia were rejected by 7 prominent Silicon Valley investors in 2018 who could've got a 10% stake in the company for \$150K. The founders never backed out!

Strong Community & Customer Obsession

In Paul Graham's own words – Better to have 100 people **love** your product, rather than 1M people **like** your product. Airbnb's success is largely credited to its strong community of hosts and guests.

Design First Approach

The founders implemented Steve Job's three click rule of design while creating the platform. They wanted their users to never be more than three clicks away from a booking.

Cater to Experiences

Airbnb started off as a cheap alternative to hotels, but now it largely caters to travellers who seek unique, authentic & personal experiences.

Early days of Airbnb

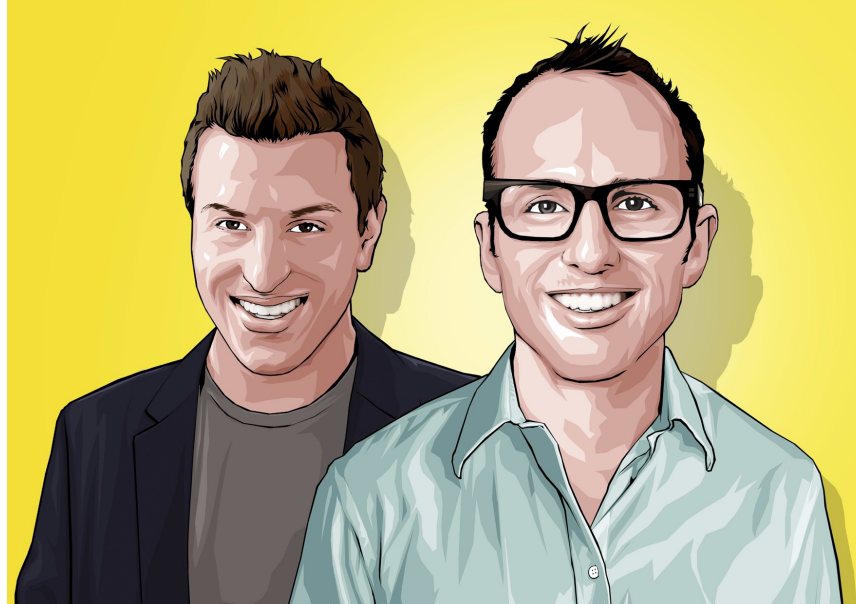
Fun Fact: The ‘Cereal’ Entrepreneurs!

During the early days, when Airbedandbreakfast.com (later changed to airbnb.com) was not able to generate enough revenue from the ‘beds’- Brian Chesky shifted his focus on the ‘breakfast’ part. Chesky and Gebbia created breakfast cereals, based on the presidential elections. They rolled out Obama O’s and Captain McCain’s limited edition cereal boxes, selling \$40 a box. These went on to be a huge hit amongst the Americans, and it eventually kept the company afloat for a few more months alongside generating national press coverage!

Joe and Brian made a great team!

Brian Chesky

- Graduated from Rhode Island School Of Design, with Bachelors Of Fine Arts in Industrial Design.
- He moved to San Francisco in 2007 to live with Gebbia and he fell in love with the city, it's creativeness and the entrepreneurial spirit.



Joe Gebbia

- Graduated from Rhode Island School Of Design, with Bachelors Of Fine Arts in Graphic and Industrial Design.
- Bit by the entrepreneurial bug, Gebbia was always trying to create something, and was certain that he and Brian will start a company someday.

Coming Together!

When Brian Chesky had just graduated and Joe Gebbia was in the junior year of the 5-year dual degree program, they teamed up to be a part of the RISD sponsored research project. The two of them had an amazing chemistry, used to work on a lot of design projects together and kept building on each other's ideas.

“I hope this is not the only idea you are working on..”



Rent is due!

Unable to pay rent for their San Francisco apartment, back in 2007 – Brian Chesky and Joe Gebbia decided to rent out an air mattress in their living room and turning it into a bed and breakfast for some extra cash. After launching their website in Aug 2008, they found their first 3 paying customers during the Industrial Design Conference.



Getting into YCombinator

Paul Graham from YCombinator was not convinced with the idea when the three founders pitched it on the demo day. After getting to know how the Founders created and sold cereal boxes to keep the company alive, he was very impressed. “If you can convince people to pay forty dollars for a four-dollar box of cereal, you can probably convince people to sleep in other people’s airbeds,” he said.



Source: Entrepreneur’s Handbook

“It’s an Investment nuclear winter and only people who will survive this are cockroaches, and you’re a cockroach”
– Paul Graham, YCombinator

Airbnb coined the term ‘Ramen Profitable’



Achieving the bare minimum


After closing the first seed round by YCombinator in 2008, Airbnb founder mailed Paul Graham about their financials for January 2009 stating that they did \$734 in fee for the week and have become ‘Ramen Profitable’ – A term that gained popularity meaning they are generating enough profit to pay for basic expenses.



Customer Obsession: New York visits

On advice from Paul Graham, Joe and Brian decided to travel to New York where majority of their hosts were located. They realized that photos uploaded on the website were not pretty and went door to door to take photos of the listed houses. Customer obsession has always been one of the major focus areas for Airbnb, the two founders stayed with hosts, asked questions, gathered valuable insights and feedback.

Becoming ramen profitable


 **Brian Chesky** <brian@airbnb.co...> Jan 31, 2009, 6:34 PM

to Paul, Jessica, founders

PG,

Here is where we are, and exactly where we need to be by Demo Day. This week so far we have done \$734 in fees, and as you can see, we need to be doing \$1000/week in fees to be able to say we are ramen profitable.

Brian



Source: Paul Graham Twitter Post

“Everyone thought that they were completely crazy; no one thought this was a good idea” – Leigh Gallagher, *The Airbnb Story*

Airbnb is different

Fun Fact: The Original Bed and Breakfast!

CEO and Founder Brian Chesky, listed his own property and the original Airbnb until 2015, for fans to experience the very first Airbnb! He was praised for being a great host and a very down to earth person.

Creating a global community, where everyone belongs

Meet new people, discover new cultures.

In a world that is growing day by day, people are less connected with a decreased sense of belonging.



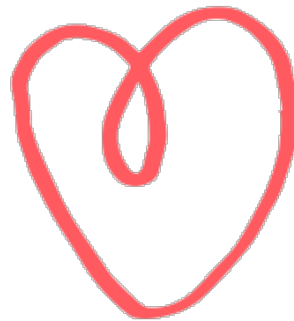
PEOPLE

+



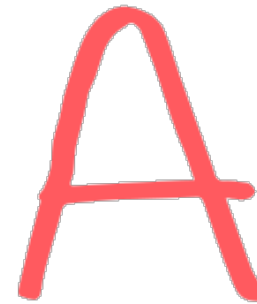
PLACES

+



LOVE

+



AIRBNB



Airbnb's new 'Belo' logo

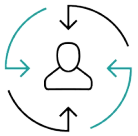
Connecting each other from around the world.

A platform that helps you experience all these and more.

Mastering the art of growth hacking



Network Effect: Build products that speak to the key needs of users in order to ensure growth from existing customers through referrals and word of mouth marketing.



Personalization: Email marketing has always worked for Airbnb. The emails are mostly automated, personalised, and well-timed, ensuring that they are highly relevant.



Strong Community: Marketing on social media has also been a power tool for Airbnb. Responding to customer queries and concerns promptly, they've also built a community centre where the content is highly relevant to keep hosts engaged and have structured it so that the content in each section is highly relevant.



Growth Hacks: Airbnb leveraged Craigslist to drive traffic and listings on their website. Every time a new listing was created on Craigslist, they emailed the host and asked if they would like to list on Airbnb as well. This led to increase in more and more people referring Airbnb to others.



Campaigns: Airbnb has always received laurels for their innovative and engaging campaigns. Few of the notable campaigns are 'The Belo logo' – Belong Anywhere, 'We Accept' – accusations of discrimination against guests etc.

From a vacation rental marketplace to a full-fledged travel platform

Airbnb started off as a vacation rental marketplace for hosts and travelers. Today, the company is not just a platform for booking a stay in a home but has also started focusing on other aspects of a trip.



Airbnb Luxe is the selection of the best luxury retreats, with the highest standards of service. These homes are designed by experts and have the best-in-class amenities, services along with dedicated trip designers.



Airbnb Plus is a selection of the highest quality hosts, who are known for great reviews and services. Airbnb verifies all these homes with in-person quality checks and inspection with hosts to ensure supreme quality and design.



Airbnb Experiences is a platform that offers unique activities designed and led by locals. The activities can range from like training with marathoners to shopping and styling. Airbnb again focusses on the 'local people' rather than local trips.

Airbnb is now bigger than top 3 hotel chains combined!



Source: Forbes

IPO during a Pandemic

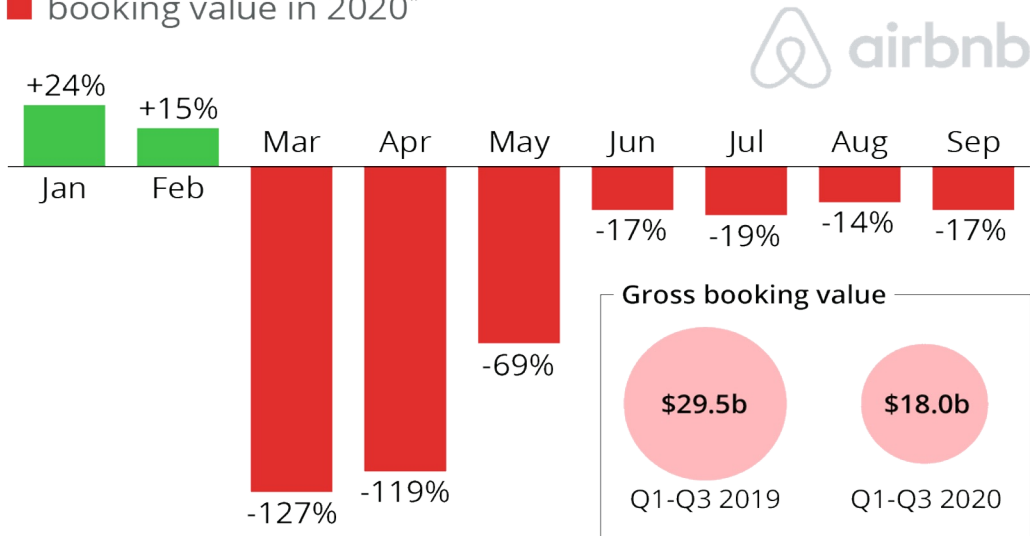
 **Fun Fact:** The one that got away!

Airbnb was passed by one of the renowned Silicon Valley investor – Fred Wilson. In an email thread revealed by Paul Graham on his Twitter account, Wilson mentioned that although he loved the founding team, he wasn't sure how big of a business this could become - Airbnb listed at a valuation of \$100B in 2020. Wilson's firm now keeps a box of Obama O's in its conference room as a daily reminder of the one that got away!

COVID-19 halts travel

How Hard Has Airbnb Been Hit by the Pandemic?

Year-over-year change in Airbnb's gross booking value in 2020*



* gross booking value reflects bookings made in a period for any time in the future net of cancellations and alterations

Source: Airbnb



statista

- In December 2019, a novel strain of coronavirus disease was first reported. Only three months later, in March 2020, the World Health Organization characterized COVID-19 as a global pandemic.
- The COVID-19 pandemic led to global travel restrictions, a corresponding significant reduction in travel and adversely affected the global travel industry.
- Gross nights and experiences booked contracted on a YOY basis, with a low in April 2020, down 72% year over year. Gross Booking Value was down by 119%
- In September 2020, Gross Booking Value started recovering, down by 17% on a year-over-year basis.
- In a heartfelt letter, Chesky announced that Airbnb had to layoff 25% of their existing workforce due to the Pandemic.

Source: Statista

Travel's biggest IPO ever!

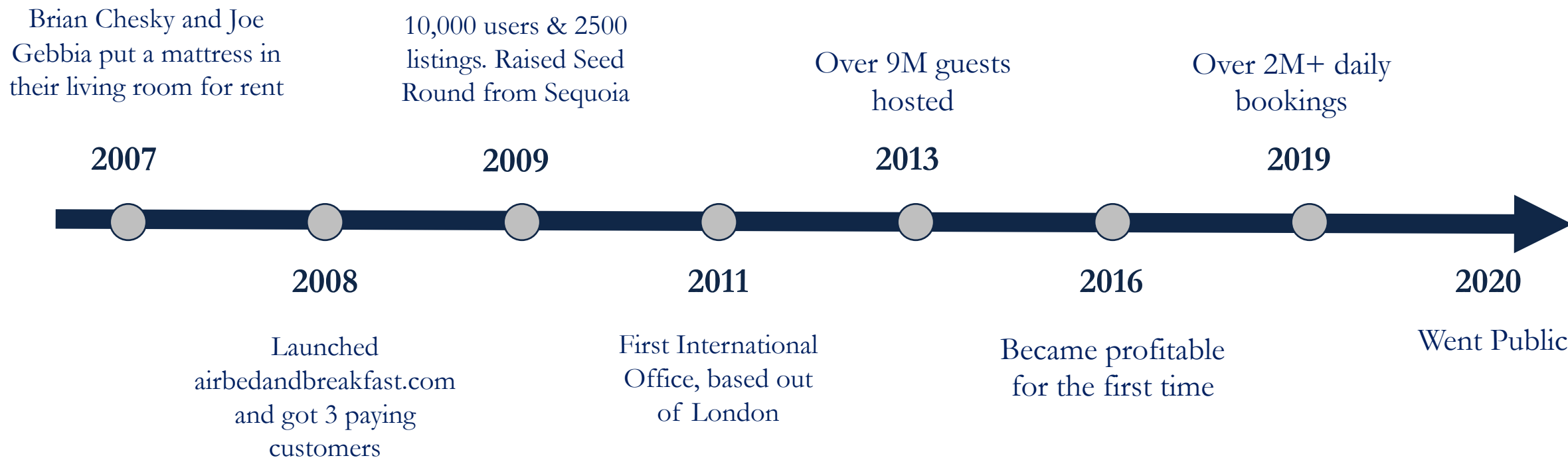


NASDAQ Building in NYC on Airbnb's listing day

- Airbnb planned to launch on NASDAQ in March 2020, but unfortunately had to delay plans of going public when travel came to a halt due to the Coronavirus.
- Airbnb's public filing with the Securities and Exchange Commission took place in December 2020, in the midst of the pandemic when the company decided to raise \$3.5B for fueling further growth and expansion.
- Airbnb listed on NASDAQ on the 10th of December, with the shares being originally priced at US \$45-50. By the time of the listing, the shares were priced at \$68.
- The stock finally listed at \$146, much higher than the expected listing price – enabling the company to be valued at over \$100B

‘We believe that the lines between travel and living are blurring, and our platform has proven adaptable to serve these new ways of traveling’ – Airbnb in its SEC Filing

Journey of disrupting the entire industry



Airbnb turned out to be the biggest exit in the history of YCombinator

Date	Round	Capital Raised	Valuation	Lead Investor
January 2009	Pre-Seed	\$20K	-	YCombinator
April 2009	Seed	\$600K	-	Sequoia Capital
November 2010	Series A	\$7.2M	-	Greylock Partners, Sequoia Capital
July 2011	Series B	\$112M	\$1.3B	Andreessen Horowitz
October 2013	Series C	\$200M	\$2.5B	Founders Fund
April 2014	Series D	\$475M	\$10B	TPG Capital
June 2015	Series E	\$1.5B	\$25.5B	General Atlantic, Tiger Global
November 2015	Series E	\$100M	\$25.5B	FirstMark Capital
September 2016	Series F	\$555M	\$30B	Capital G, TCV
March 2017	Series F	\$448M	\$31B	Capital G, TCV
April 2020	Private Equity	\$1B	\$26B	Silver Lake and Sixth Street Partners

- Airbnb raised \$3.5B when it listed on NASDAQ in December 2020, at a valuation of \$100B+
- Sequoia, the largest outside shareholder in Airbnb, had a stake of more than \$5.5B at the time of IPO

Learnings from Airbnb

💡 **Fun Fact:** Airbnb was launched thrice!

Airbnb was launched three times. The first time they launched, it was with 3 airbeds at the time of the design conference. The second time they launched, nobody noticed. The 3rd time was for SXSW. The final version of Airbnb was completed in the summers of 2008.

7 Star Design Principle – Customer Experience is one of the Core Values



- To disrupt the lodging industry, Airbnb had to go beyond than simply providing a place to stay for the traveler.
- Airbnb's success is credited to their focus on Customer Obsession. In an interview, Brian Chesky elaborates about Airbnb's 11 Star Framework, where he mentioned how giving a 7 Star Experience is what Airbnb strives for.
- Airbnb has been on top of resolving customer issues like how they launched a Host Guarantee Program, ensuring hosts of USD 1M if a guest damages the place, after they received few complaints of vandalism by the guests.

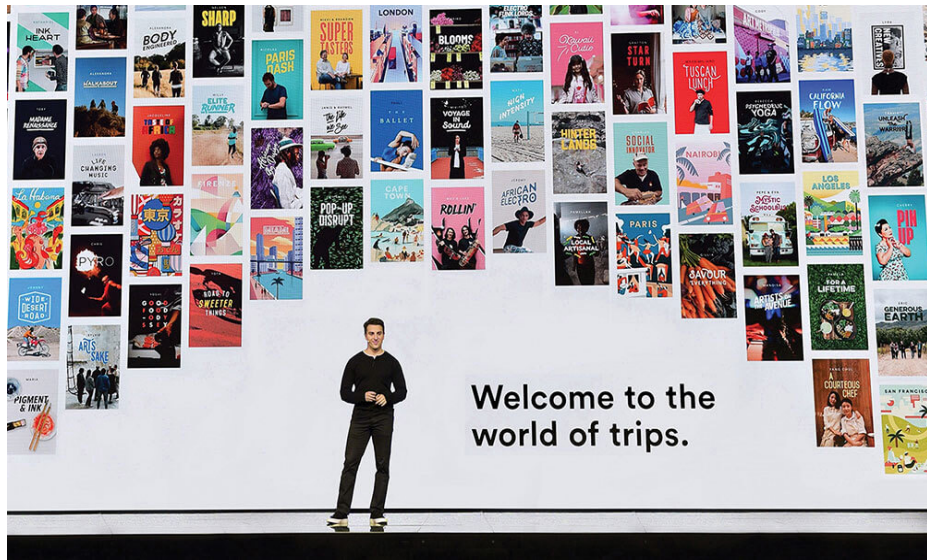
Airbnb's website mentions this as one of their core values-:

“Be a Host”

Meaning hospitality runs in your blood. Caring for the customers and making them feel that they belong is the prime objective of the company.

Define what your company stands for and build for the same.

Do things that don't scale!



Brian Chesky while launching Airbnb Trips in 2016

“You don’t start with 100 million users. You start with a few. So, stop thinking big, and start thinking small” – Paul Graham

- To achieve a scale of over 825M guest arrivals and 5.6M+ Listings, Airbnb did things that are not scalable:
 - To stay afloat, Chesky and Gebbia made over 1000 cereal boxes of Obama O’s and Cap’n McCain’s by themselves.
 - During their early days, most of the Airbnb hosts were based out of New York. Brian and Joe visited each and every host of theirs - spent time with them and collected valuable feedback on Airbnb’s offerings.
 - While launching Airbnb Trips, Brian invited a traveler and created a perfect trip for him – they designed an end-to-end experience, just like seen in movies. The trip really touched the traveler, and it became a blueprint for Airbnb Trips.
 - Chesky physically interviewed the first 300 hires by himself, in order to ensure that the company’s culture is protected.

Do a few things but do them exceptionally well.

Believe in your idea & get right mentors for your journey



Make rejections and failures a steppingstone for your success. Get the right set of people to join you in your journey.

Failures are a part of the journey

Neither the investors, nor their friends and family believed that this idea will ever work. Airbnb was rejected by 7 prominent investors in the Silicon Valley!

Right Mentors

YCombinator and Paul Graham played a very key role in Airbnb's success. As mentioned by Brian Chesky in an interview, YCombinator helped them create a structure and rhythm whereas certain advice from Paul Graham changed the entire course of their business forever.

Airbnb has time and again shown how important it is to learn from setback and come back much stronger.

With the pandemic still affecting global travel, we are sure the company will come back even stronger as they have always did.

Learnings for startups & entrepreneurs



Believe in your idea

Airbnb is an inspiration to all entrepreneurs who are told that their idea will never work.



Focus on Customer Experience

Create a product that really matters and adds value to your customers. Take regular feedback from them.



Get right mentors onboard

Getting right mentors onboard can change a lot of dynamics for the business.



Identify the company's true mission

While Airbnb started as a cheap alternative to Hotels, their mission was to create a personalized experience for the travelers and a bond between the hosts and guests.