

An Analysis of Branding Practices of Airbnb: Implication for Future Strategic Planning

Yang Ji^{1, *, a, †} Hanwen Li^{2, *, b, †}, Zihan Yang^{3, *, c, †}

¹*School of tourism, Xi'an International Studies University, Xi'an Shaanxi, 710128*

²*Gabelli School of Business, Fordham University, New York 10023, USA*

³*North Raleigh Christian Academy, North Carolina 27616,*

**Corresponding author. Email: ^a107242018002845@stu.xisu.edu.cn , ^blinalhw@gmail.com,*

^cUSA, jessy040419@gmail.com

†These authors contributed equally.

ABSTRACT

The purpose of this study is to analyze Airbnb's branding strategies and compare them with its competitors to discover Airbnb's areas of improvement and to come up with ensuing strategic plans. The results will help Airbnb have a better understanding of its position in the market, its force of competition, as well as its ability to expand its market share. This paper has researched the key services Airbnb is providing, studied its operating systems, evaluated its brand visual design, dived into its social media performances, as well as analyzed its strengths and weakness in the market. Although Airbnb has shown great potential and a leading role in the lodging industry, one of its key problems is losing its differentiating power among its competitors other than economic hardships brought by the Covid-19 pandemic, complaints brought by local citizens, and privacy issues discovered by its guests. With in-depth knowledge of Airbnb and trends in the lodging market, this article, therefore, advises Airbnb to partner with local travel agencies and undertake event organizing roles to enhance its diversification and differentiate it from other competing companies.

Keywords: *Strategic management, Branding and marketing management, Brand visual design, Airbnb*

1. INTRODUCTION

Airbnb originated in 2007 when founders Brian Chesky and Joe Gebbia could not afford their rent. The two young designers put three air beds for rent in their living room and offered breakfast to tenants for \$80 per night to split the rent. The service was named "AirbedandBreakfast" as they provide both air mattresses and cereal breakfast for guests. By the end of May 2014, "AirbedandBreakfast" began testing a service called "Local Companion", which allows travelers to ask questions with locals and have them provide shopping, travel guidance, and assistance with ticketing, car rentals, baby care, etc. It is headquartered in San Francisco, CA with 5,597 employees as of 2020, 150 million users by 2018, more than 4 million hosts by September 30th, 2020. As of 2020, Airbnb has 5.6 million active listings worldwide, 100000 cities with active Airbnb listings covering over 220 countries and regions [1].

Airbnb's mission is "to help create a world where you can belong anywhere and where people can live in a place, instead of just traveling to it." The mission statement

incorporates components such as the improvement of life, exceeding expectations, and creating a sense of belonging. Their vision statement is simply: "belong anywhere", which ties into their official purpose that states: "To make people around the world feel like they can 'belong anywhere.'" They made sure to incorporate feelings of belonging, hospitality, and global presence in their vision. Their values include the following: "Champion the Mission", "Be a Host", "Simplify", "Every Frame Matters", "Be a Cereal Entrepreneur", and "embrace the adventure".

Although Airbnb has been a leading company in the lodging industry, it still faces many problems and challenges, such as the impact brought with the global pandemic leading to a decrease in Airbnb's revenue, hidden cameras found in many Airbnb's houses provided that invaded customers' privacy, parties hosted in Airbnb's houses that significantly bothered neighbors regular lives, and many more [2]. On the other hand, as the operating model of Airbnb is not quite challenging. As it only provides one type of service, it is easy for many companies to enter this market and provide similar

services that would compete with Airbnb and take away some of Airbnb's market share. By divining into websites, operating systems, and services owned by Airbnb's competitors, it is not hard to see that the most prominent problem for Airbnb right now is to figure out the strategy for it to stand out among its competitors as well as new companies that are entering the market [3]. It is extremely important for Airbnb to better position itself in the lodging industry and be more differentiated to keep its leading role in the competition.

Thereby, this study conducted an array of analyses concerning its current situation, brand visual design, and brand equity, the results of which are used to derive pertinent recommendations for the ensuing development of Airbnb.

2. SITUATION ANALYSIS OF AIRBNB

Situation analysis denotes a comprehensive detection with respect to the organization's current position. The future strategic plans should be thereby made based on the situation analysis results. The below sections respectively delineate the market profile, service provision, business model of Airbnb.

To have a glance at the market profile of Airbnb, Airbnb's total revenue was 3,378,199 US dollars for the fiscal year 2020. Airbnb's market share has risen dramatically since 2010. Statistics from 2019 estimate that Airbnb now accounts for upwards of 20% of the vacation rental industry as a whole. Some mainstream ranking organizations provide a reference for Airbnb's market position. For instance, on the Forbes List, Airbnb ranks #60 of America's Best Midsize Employers 2021, #90 of America's Largest Private Companies 2020, #149 of Best Employers for Diversity 2020, and #217 of Best Employers for New Grads 2018 [1].

Although Airbnb offers multiple services, its platform, which allows for short-term vacation and lodging rentals, represents the most profitable service for the company. Their platform provides its hosts with opportunities to offer their residences, homes, or lodges as short-term rentals for traveling guests. Airbnb utilizes a business model that is called peer-to-peer economy, heavily based on sharing resources [4]. Airbnb does not make or sell a good. Rather the platform they offer connects two parties (guests with hosts). Since the company does not sell anything per se, their revenue and profits come from service fees that are gathered through bookings from the guests and the hosts. Both parties are charged fees: the guests (renters) are charged a fee of around 14.2%, based on factors such as duration of stay, location, and type of rental. The hosts are charged a fee of 3% for each booking that was completed.

As previously stated, Airbnb has offered more than 7 million listings in over 200 different countries, with over 150 million users. This results in a significant amount of

total fees the company collects. Airbnb can take home high profits due to its design. They are taking advantage of the increasing era of technology in which everything is becoming digital [5]. Through Airbnb, users simply download an app and book accommodation as guests or host gatherings in seconds. Since Airbnb does not essentially create or produce something, its costs of production are low. They rely on the popular peer-to-peer business model that allows them to not have high expenses at all [6].

The supplier platforms of Airbnb contain its cellphone apps and website services, while the payment platforms are included in the suppliers of Airbnb. With the help of those supports from apps and websites, Airbnb's services are easily accessible for its guests. These digital platforms, once supported, will be used by the company's network of landlords to offer their properties to guests. Guests pay a service fee and hosts pay Airbnb a 3% cut to cover the processing fee. When guests pay their hosts through Airbnb, they can use a variety of payment processing platforms, including Apple Pay, Google Pay, and PayPal in addition to credit cards. Depending on those suppliers, not only does Airbnb get profit, but those suppliers cooperate with Airbnb to become profitable [7].

The other special supplier is the group of hosts. The network of hosts is extremely large as there are over 650,000 hosts worldwide. There are three kinds of hosts based on the Airbnb Help Center website. They are Listing host, Co-host, or Hosting team, respectively. A listing owner is someone who lists a space on their Airbnb account. A co-host is usually a friend of the listing owner who helps manage the listing or its guests. A hospitality group is a business or group that manages accommodations on behalf of the listing owner. These three kinds of hosts are also divided into two categories which are host and Superhost, respectively [8].

Many people benefit from Airbnb. The biggest beneficiary is the whole group of Airbnb because their proper experience has brought them a lot of benefits, followed by the tenants and users. Airbnb provides a good platform for the tenants to rent out their houses, bring benefits to the tenants, and provide users with a different experience from the hotel. It is also more convenient and cheaper, which also provides customers with more choices. Some brands have cooperated with Airbnb, and both sides can benefit. The last is to borrow the idea of Airbnb but in different areas of the brand. What's more. There are two more additional stakeholders are its communities and employees. As for the communities build criteria for guests to travel sustainably and hosts to get in touch with other hosts. As the development of communities, they can offer a harmonious circumstance for guests to immerse themselves in novel culture. As for the other stakeholder, Airbnb, their first influence on Airbnb is to enhance

diversity and belonging, build and execute long-standing targets, and create career opportunities. In addition, employees represent the company's community and strive to build a strong community. Hopefully, the relationship between Airbnb and its employees will grow, especially now that many Airbnb employees work from home because that really shows the company's value to its employees [8].

Airbnb's biggest competitors are HomeAway and VRBO, Booking.com, and Flipkey [5]. All three of them have very similar concepts to Airbnb in that they are lodging rental platforms as well. However, each of the three has different advantages over Airbnb, thus making each company unique in its own way. HomeAway is owned by its parent company VRBO. They focus exclusively on "whole home" rentals. They are thus looking to attract travelers who are not seeking sharing spaces with others. They are ideal for rentals with larger homes and backyards with whole property offerings. Booking.com offers apartment and vacation rentals or entire homes; guests cannot rent rooms or portions of a property as they can with Airbnb. However, from the six months between June and November of 2019, Booking.com generated an average of 458 million visitors relative to web traffic, which compares to Airbnb's 88 million. Lastly, Flipkey is another rental website but with the benefit of being affiliated with TripAdvisor but focuses exclusively on vacation rentals [7].

3. BRAND VISUAL DESIGN OF AIRBNB

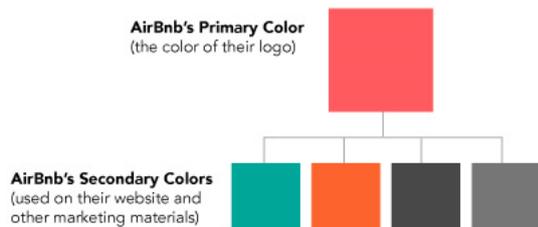


Figure 1. Airbnb Brand Color Codes

Figure 1 shows both the primary and secondary color schemes of Airbnb's use of color in its logo, website designs, and advertising materials. The primary color of Airbnb's logo is coral pink or Rausch. Rausch is very close to red, one that represents strong passion and energy, but it is not as bold as red. Therefore, the Rausch color shows Airbnb's inspiring, uplifting, and challenging brand personality, hoping to spread such attitudes to those who choose Airbnb and let customers feel the warmth and welcome. Other than the primary color used as Airbnb's logo, Airbnb also has a series of secondary colors used on their website and other marketing materials such as Hackberry, Kazan, Babu, Lima, and more shown in the right picture attached above. This secondary color palette also demonstrates Airbnb's voice and tone. For Hackberry, the willingness of being open-

minded and the courage of accepting challenges are key values Airbnb wants to share with its stakeholders. With Kazan, Airbnb would like to let people know that every detail matters to them that they would follow the rules and provide promising services to its customers consistently. Babu represents Airbnb's goal of showing clarity and simplicity that it would also take quick and firm actions without hesitation. There is no doubt that Airbnb has spent a lot of time considering its color system and would like its color system to add power to its marketing strategies.



Figure 2. Color codes of Airbnb's competitors

From Figure 2, it is clear to see that most of its competitors are using blue as their logo colors which are really similar between one and the other. However, the coral pink of Airbnb's new logo stands out from all the other logos of its competitors, which is a great success. Although Airbnb has different colored logos representing different meanings in different situations, including the secondary colors demonstrated in Figure 1, the color system is used consistently throughout different social channels and effectively shows Airbnb's values.



Figure 3. Evolution of Airbnb's brand logo

Finally, Figure 3 shows Airbnb's logo visual design evolution since 2007. For the first time when Airbnb was built, the company used Airbnb's full name, Airbed & Breakfast. The company's name and logo were designed in such a way as the founders of Airbnb, Brian Chesky and Joe Gebbia, put three air beds for rent in their living room and offered breakfast to tenants in order to split the rent of the founders' apartment. For the second version of Airbnb's logo, Airbnb wanted to change its logo to simplify the form to make consumers remember it easily and read it smoothly. Meanwhile, the use of the color blue symbolizes the trustworthiness of their company. However, with the Internet-based service industry's fast development and less need to emphasize trustworthiness of a company, consumers are opening up to brighter, warmer colors. Moreover, as many competitors of Airbnb are also using the blue logo, Airbnb converted the blue into coral red in order to make their logo unique. At the same time, the Design Studio designed a logo called Bélo, which represents their brand's positioning that is the mission of creating belongingness to all customers, uplifting Airbnb's values to a higher level.

4. EVALUATION OF BRANDING STRATEGIES OF AIRBNB

This section analyzes the brand of Airbnb based on the 10-factor brand evaluation model, namely regarding the ability to deliver benefits, relevance, value perception, positioning, consistency, brand architecture, brand equity, brand meaning, internal support, and use of a brand equity measuring system.

To begin with, For the ability to deliver benefits, Airbnb is using reviews in order to receive the reflection of users. Meanwhile, in order to attract different types of customers, Airbnb creates various products like Airbnb Plus or Experiences to deliver benefits. For the Relevance, one of the most important customers of Airbnb who are hosts, Airbnb spends a huge amount of money on hiring professional photographers in order to make the hosts' room beautiful. By doing so, it helps to increase the volume of transactions and revenue. For the Value Perception, Airbnb has pricing tools that help hosts to set different prices according to a guest's length of stay or based on the days of the week. Hosts can offer a discount for stays longer than a week or a month, and you can set up custom weekend pricing. This strategy not only meets the need of the host but exceed the expectation of customers. For the Positioning, with the strengthening of the company, Airbnb now wants to stand for something much bigger than travel. Other than being a company in the travel and lodging industry that provides short and long-term rentals, it also wants to bond the community together by creating a sense of belongingness for its consumers. For Consistency, Airbnb is trying its best to provide a consistent quality of services and values throughout its platform both domestically and internationally. Though it is clear to see that the values spread through their words and actions tend to be consistent, the qualities of lodges provided may be hard to control.

For the Brand Architecture, other than providing lodging services with the help of its hosts and guests, Airbnb currently only has AirbnbPlus, a more deluxe service branch they launched recently that provides customers with the selected and highest quality homes. Brand architecture or diversification is also the key area of growth and opportunity for Airbnb that more services should be extended to gain more overall revenue. For the Brand Equity, the logo Bélo, as Airbnb has named its new logo, is intended to be a symbol of "belonging," which connects to the position of Airbnb. Meanwhile, the slogan "Belong anywhere" also aims to maximize brand awareness. For the Brand Meaning, Airbnb's brand meaning is initially indicating the Airbed and breakfast. With the development of Airbnb, it can let the customer associate with comfort and convenience. With the aim of guiding customer's association, Airbnb put forward a strategy called the community to enhance the sense of belonging. As for the Internal Support, Airbnb has a

support center called Airbnb resources center to help hosts on how to navigate hosting and traveling especially during COVID-19. It includes the resources for hosts and travelers. As for the use of a brand equity measuring system, Airbnb is making changes to its review policies based on periodical host feedback. Hosts can dispute reviews from guests who violated the party-ban policy.

5. CONCLUSION AND SUGGESTION

It is clear to see from this analysis that Airbnb has huge competitiveness against other companies and is a leading power in the market. There is no doubt that Airbnb has many strengths, especially in providing convenience to consumers who choose Airbnb and in spreading positive values around the communities. However, as the company has been operating in the industry for years since 2007, it is facing some threats inevitably and has many areas of improvement.

There is some recommendation that might be beneficial for the further development of Airbnb's business. From this analysis, it suggests Airbnb expand its variety of services by not only focusing on providing short-term and long-term rentals. To have a better understanding of what consumers want, Therefore, with these findings, this paper suggests Airbnb partner with local travel agencies and undertake event organizing roles in order to enhance its diversification and differentiate it from other competing companies.

Though Airbnb is one of the first companies to change traditional hotel bookings and providing short and long-term housings for customers, the operating system behind its service is not quite challenging that left chances for competitors to imitate what Airbnb is doing and create competition. With the rising of new companies entering the market, Airbnb needs to expand its business and find new possibilities. As consumers' demands and wants may shift over time, it is even more critical for Airbnb to introduce new services or products that may be eye-catching and differentiating. It would definitely be helpful for Airbnb to survey consumers to gain feedback and opinions. Meanwhile, as the travel and lodging industry's continued growth, laws and government regulations are getting stricter. Airbnb, therefore, needs to pay extra attention to monitoring its services and make sure that no violations occur in the services it provides for both its hosts and guests.

To sum up, though Airbnb has become a mature brand, it still needs to diversify its production and make its policies feasible and detailed. When facing such a changeable and unknown market, Airbnb is required to take initiatives to conduct market research to get a deeper and more comprehensive sense that can better help Airbnb in strengthening its current advantages and take effective actions in solving any potential problems.

REFERENCES

- [1] Jorge Alberto, V. M., & Cristian Armando, R. L. (2021). Branding. Does its approach and applicability follow a one-dimensional trend? Critical analysis from a systematic review of the last 10 years. *Journal of Contemporary Issues in Business and Government*, 27(1), 237-247.
- [2] Guttentag, D. (2019). Progress on Airbnb: a literature review. *Journal of Hospitality and Tourism Technology*.
- [3] Oskam, J., & Boswijk, A. (2016). Airbnb: the future of networked hospitality businesses. *Journal of tourism futures*.
- [4] Quattrone, G., Proserpio, D., Quercia, D., Capra, L., & Musolesi, M. (2016, April). Who benefits from the "sharing" economy of Airbnb?. In *Proceedings of the 25th international conference on world wide web* (pp. 1385-1394).
- [5] Guttentag, D. (2015). Airbnb: disruptive innovation and the rise of an informal tourism accommodation sector. *Current issues in Tourism*, 18(12), 1192-1217.
- [6] Zervas, G., Proserpio, D., & Byers, J. W. (2017). The rise of the sharing economy: Estimating the impact of Airbnb on the hotel industry. *Journal of marketing research*, 54(5), 687-705.
- [7] Dolnicar, S., & Zare, S. (2020). COVID19 and Airbnb—Disrupting the disruptor. *Annals of Tourism Research*, 83, 102961
- [8] Mody, M., & Gomez, M. (2018). Airbnb and the hotel industry: the past, present, and future of sales, marketing, branding, and revenue management. *Boston Hospitality Review*, 6(3).