



Airbnb's Innovation and Strategic Development: Model Analysis, Challenge Response and Future Outlook

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Abstract. As a pioneer in the peer-to-peer (P2P) accommodation industry, Airbnb has driven structural transformation in the traditional hotel industry through its disruptive business model, leveraging the global spread of the sharing economy. However, systematic analyses of its innovative model and related impacts in related research still await supplementation. This article explores Airbnb's innovative model, core challenges and future development direction through literature review, case analysis and data mining. The research finds that with the continuous development of the sharing economy and the constant changes in consumer demands, Airbnb's innovative development is mainly reflected in its disruption of traditional industries, the success of the C2C model, and the design of the trust mechanism. However, it faces challenges such as compliance disputes over policies in various regions, cultural differences, industry competition, internal governance, and difficulties in localization. Looking ahead, Airbnb can promote the sustainable development of the industry by improving its technology, learning from others' experiences, expanding medium- and long-term rental business, and cooperating with traditional hotels.

Keywords: Airbnb, innovation model, sharing economy, challenge response

1 Introduction

The sharing economy has seen rapid global growth, and Airbnb, as an innovation benchmark in the field of online short-term rentals, has reshaped the traditional accommodation industry through a unique business model. In the quarter ending June 30, 2023, Airbnb generated \$2.484 billion in revenue, representing a year-on-year increase of 18.06%. In the 12 months ending June 30, 2023, Airbnb's revenue reached 9.088 billion US dollars, an increase of 23.1% year-on-year [1]. While existing research has primarily concentrated on Airbnb's economic impact, the company also faces a range of challenges—including legal regulation, market trust, and international expansion. However, there is a notable lack of in-depth analysis addressing these challenges alongside the company's innovation strategies. Cheng Guisun et al. mentioned that Airbnb's business model has popularized the concept of "access over ownership," encouraging broader public participation in the sharing economy and promoting the

efficient allocation of resources [2]. Similarly, Shi Lei's research show that by 2020, Airbnb had a large number of landlords and listings, and had reaped huge profits through methods such as charging service fees, which also drove the development of related industries, such as catering, tourism, etc., and further promoted economic growth [3]. This paper mainly focuses on Airbnb's innovation model, key challenges and future development direction, aiming to provide strategic reference for innovation for Airbnb and other similar sharing economy enterprises through literature review, case analysis, data analysis and other research methods. It also seeks to provide practical references for business managers navigating the dilemmas posed by emerging business models, ultimately contributing to the improvement of service quality and operational sustainability.

2 Innovation Model Analysis

2.1 Airbnb's Disruption of Traditional Industries

The concept of disruptive innovation was introduced by Clayton Christensen. It refers to the situation where innovators enter the low-end market or new niche fields with breakthrough technologies, brand-new business models or value propositions; provide simpler, more convenient and lower-priced products or services; gradually accumulate advantages; and eventually break the existing market pattern. This model often marginalizes or even eliminates traditional mainstream products, services, or enterprises. The rise of Airbnb has brought about a disruptive innovation to the entire traditional accommodation industry [4]. The disruptive innovation elements of Airbnb in the traditional hotel industry are mainly reflected in its market perception, innovative technology platform, innovative business philosophy, and integration of various resources, etc. [5]. The operating costs of traditional hotels are mainly reflected in real estate resources, while Airbnb focuses on collecting information of landlords and guests. The platform itself does not need to purchase and manage real estate, so the cost is lower than that of traditional hotels [6]. In the early days of Airbnb's development, traditional hotels largely ignored this rising star. By the time they recognized its threat, Airbnb had already captured a substantial share of the market [7]. By the end of 2015, Airbnb operated in over 190 countries and regions, covering more than 34,000 cities, offering over 2 million listings, and boasting a market valuation of USD 25.5 billion [8].

2.2 Platform Economics: Analysis of Airbnb's Peer-to-Peer Model

From the perspective of multilateral market theory, the vast majority of traditional hotel rental platforms mostly adopt the C2B2C (customer-to-business-to-customer) model, taking enterprises as the core to connect both ends of consumers and integrate resources to provide standardized services. Airbnb adopts the C2C (customer-to-customer) model, which refers to a business model where individuals conduct transactions of goods or services (renting out idle houses) through the Internet platform (Airbnb) between individuals (specifically between landlords and guests here), building a bi-

lateral market and directly connecting landlords and guests. Technically speaking, Airbnb's C2C model effectively simplifies booking. The platform charges a certain percentage of service fees to both landlords and tenants, functioning primarily as a facilitator that ensures secure transactions and minimizes operational redundancy. This setup allows both supply and demand sides to interact directly, increasing transparency and efficiency, while reshaping the value network of the hospitality industry.

Based on the theory of brand localization, Airbnb launched its Chinese name "Ai-biying", when entering the Chinese market. This name precisely aligns with the cultural context of the East. The meaning of "Let love greet each other" not only conveys warm emotional values but also ingeniously echoes the brand's core service philosophy, helping travelers integrate into local communities and experience authentic cultural interactions. This enables it to no longer be confined to the information barriers and dull standardized travel experience models caused by the traditional economic model [9]. This localization strategy breaks down the barriers of information asymmetry and service homogeneity in the traditional C2B2C model.

2.3 Airbnb's Trust Mechanism Design

Given the uniqueness and innovation of Airbnb's C2C model in the industry, its trust mechanism construction is also relatively advanced and comprehensive.

Firstly, Airbnb's two-way rating system is designed so that hosts and guests can rate each other and make it public to other users, unlike traditional platform rating systems, which are generally limited to guest reviews of hotels. This kind of operation of Airbnb has greatly protected the rights of the host, and is conducive to urging the guests to voluntarily comply with the accommodation requirements set by the host, such as cleanliness and noise reduction. Second, to enhance trust, Airbnb requires users to upload government-issued identification (e.g., ID cards, passports) and link social media accounts for verification.

For Airbnb's "Experiences" activities, the platform has introduced full verification of listed experiences, added specialized vetting for technical activities, and introduced automated/manual layered review systems. It also employs keyword and image recognition, real-time monitoring, and user reporting mechanisms to identify and prohibit dangerous activities—ensuring both safety and service quality. In addition, Airbnb also invests in technology platform, new business development, acquisition and marketing[10].

3 Challenge and Response

3.1 External Environmental Challenge

Policy and Regulatory Restrictions. According to the theory of regulatory arbitrage, C2C-type online short-term rental platforms represented by Airbnb have achieved rapid expansion by flexibly utilizing regulatory rules. However, in China, such platforms are facing significant legal and tax predicaments: According to the "Measures for the Administration of Public Security in the Tourism Industry" and the "Civil Code",

individual landlords conducting online short-term rental business may face legal risks such as unauthorized business operations and illegal changes in land use. On the tax front, ambiguity in identifying the taxpayer and the difficulty in defining the nature of income, coupled with the characteristics of paperless transactions, increase the risk of tax evasion and complicate tax inspections. Internationally, a large number of short-term rental properties in New York have been ruled illegal, and Berlin has even introduced an "Anti-Airbnb Law" to strictly restrict them.

To address this, it is urgent to clarify the obligation of pre-approval of the legality of housing sources on the platform through legislation, and require the platform to bear joint and several liability for compensation for disputes caused by failure to fulfill its duties. A cross-platform blacklist sharing mechanism for landlords should be established to break down regulatory information silos; meanwhile, drawing on international experience, tax regulations should be improved to clearly define taxpayers, tax categories, and applicable rates, accompanied by practical tax compliance guidelines—all aimed at building a standardized and well-regulated online short-term rental market [9].

Cultural Differences. Since Airbnb's audience consists of people from all over the world, in different cultural backgrounds, landlords and guests may have different understandings and expressions of property information. Some landlords, either influenced by local market practices or lacking a thorough understanding of platform rules, exaggerate the advantages of properties while concealing their flaws, such as providing false photos or overstating the house area. This results in a significant gap between the actual experience of tenants and their expectations.

To address this, Airbnb can optimize the evaluation mechanism, increase comments on pictures and videos, introduce a public consultation section, and ask guests who have stayed before about their true feelings of staying based on its own situation. In addition, the platform should also enhance the training of landlords, formulate guidelines for the release of housing information that conforms to different cultural backgrounds, clarify the penalties for false advertising, and enforce these rules strictly. Meanwhile, a dynamic image verification system should be developed to require 360° panoramic video uploads. In terms of cross-border payment, different countries and regions have unique financial cultures and payment habits. In some regions, cash transactions are still preferred and the acceptance of online payment is relatively low. Some countries have a strong preference for specific payment methods. For instance, in some European countries, credit card payment is highly popular, while in some Asian countries, electronic wallets such as Alipay and WeChat Pay are more favored. In addition, variations in payment regulations across countries make it extremely difficult for Airbnb to standardize its payment process and ensure secure transactions [11].

Industry Competition. Compared with traditional hotels, Airbnb is fully committed to creating a differentiated competitive advantage. For platforms that also adopt the Internet model, such as Booking from the Netherlands and Tujia from China, Airbnb should also be vigilant and enhance its own competitiveness.

Booking adopts a hybrid B2C+B2B model, connecting with hotel groups for wholesale inventory while also incorporating individual homestays (via commissions). Although it boasts a standardized supply chain and global distribution system, its homestay offerings lack uniqueness. Airbnb can enhance user stickiness in this way by

adopting "community operation + local experience", for instance, allowing high-quality hosts to offer paid local guide services to generate additional revenue.

Tujia adopts a dual-track system of C2C and B2C. Besides individual landlords, it also directly cooperates with developers to manage idle properties, offering fixed rent or revenue-sharing models. Its localized operation in China covers aspects such as cleaning, maintenance and full-service customer service, which has increased costs. Airbnb can adopt an alliance strategy and cooperate with local service providers to offer standardized service modules. Landlords can purchase on demand, which not only maintains the lightweight of the platform but also matches the service depth of Tujia. Meanwhile, a pilot intelligent management system is launched to automatically schedule cleaning and maintenance teams through Internet of Things devices, thereby reducing response time.

3.2 Internal Governance Challenges

Airbnb also faces many challenges in terms of internal governance. In terms of service management, Airbnb China has problems such as improper handling of disputes over the interests of landlords and guests and low efficiency in complaint management, which seriously affects the user experience and the platform's reputation. The problem of discrimination is also quite prominent, covering multiple aspects such as age, nationality and race, which has infringed upon consumers' rights and interests and undermined the fairness of the platform. Meanwhile, a broader crisis of trust, common in the shared accommodation sector, is also evident on Airbnb's platform[3]. Consumers doubt the quality and safety of the properties, and landlords are worried about the usage of the properties. The platform's policies may also trigger psychological resistance from landlords, further affecting the quality of service. In terms of business model, the display and search rules of Airbnb China's property information do not suit the habits of domestic users, which affects order conversion and puts it at a disadvantage in the market competition[12]. Moreover, during its development process, Airbnb faced numerous difficulties in adjusting its business model to adapt to market changes and needed to balance the interests of all parties to achieve sustainable development.

4 Future Outlook

In the future, Airbnb should first improve its technical architecture, optimize platform functions, enhance personalized recommendations and improve user experience. On this basis, we should "stand on the shoulders of giants", actively draw on the mature experience of other competitors, implement dynamic pricing in combination with fluctuations in market demand and seasonal cycle changes, flexibly adjust the price strategy, and maximize profits. Even the "ecological business layout" idea of Didi Chuxing can be borrowed - integrating multi-scenario services through a one-stop platform [13]. Airbnb can build an underlying architecture based on cloud computing and big data, integrating user data, property information, transaction records, etc., to achieve real-time processing and intelligent analysis of data.

Secondly, Airbnb can further expand its medium- and long-term rental business and launch personalized services for different target customer groups, such as business people who travel frequently, international students, and remote workers from different locations. It allows users to set the rental period and additional service requirements. The system could automatically match eligible properties and negotiates rent discounts and facility services with landlords in advance on their behalf, simplifying the procedures for customers and striving to become the first choice for both landlords and tenants.

In the same industry, apart from competition, there should also be cooperation. Only through cooperation can we achieve a win-win situation. The "non-standardization" of shared accommodation is complementary to the "standardization" of traditional hotels [14]. Airbnb could also deepen its cooperation with the traditional hotel industry, such as integrating listings and developing "cross-platform interfaces" to achieve data intercommunication between Airbnb and traditional hotel booking systems. This would allow users to search for homestays and hotels on the same platform, making choices based on their preferences. Establish a "standardized service certification system", marking information such as cleaning frequency, safety facilities, and customer service response time, to enhance user trust. While maintaining the personalized characteristics of the homestay, improve service quality. The two accommodation forms should not be seen as rivals but as mutually reinforcing options.

5 Conclusion

This research finds that Airbnb has achieved industry innovation through technology-driven approaches, community trust mechanisms, and the transformation of the experience economy. Its technological drive is reflected in the dynamic pricing, intelligent housing source matching and personalized recommendation system supported by big data algorithms, which significantly improves the efficiency of supply and demand matching. The community trust mechanism reduces transaction risks in the sharing economy through the user evaluation system, identity verification and insurance guarantee. The transformation towards localized and personalized travel experiences has further reshaped the accommodation demands of modern consumers. However, this innovative model also faces severe challenges, including compliance risks brought about by the differences in short-term rental regulations in various regions, intensified market competition due to the counterattack of the traditional hotel industry and the rise of new platforms, as well as the social impact on the local housing market and community relations. The current research has several limitations. Due to the reliance on public information and secondary data, and the lack of support from internal operational data of the platform, it may affect the depth and accuracy of the analysis. Future research can conduct cross-regional comparative studies to deeply analyze the differences in the impact of different regulatory environments on the shared accommodation business model; and Explore how emerging technologies such as artificial intelligence and blockchain can further optimize the platform trust mechanism, and at the same time study the fulfillment path of the platform's social responsibility.

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