Innovation in Hospitality *(T3)*

Euclides Major, PhD

Agenda – Session 1

1. Intro to the course

2. Understanding the importance of innovation & Entrepreneurship

3. Entrepreneurial Context and Patterns in Entrepreneurship

4. Entrepreneurship frameworks

5. Innovating in Hospitality
   - *Airbnb Case*

Supporting Literature: recommended book 'Managing innovation integrating technological market and organizational change' Joe Tidd, John Bessant - *Chapters 1 and 12*

WELCOME!

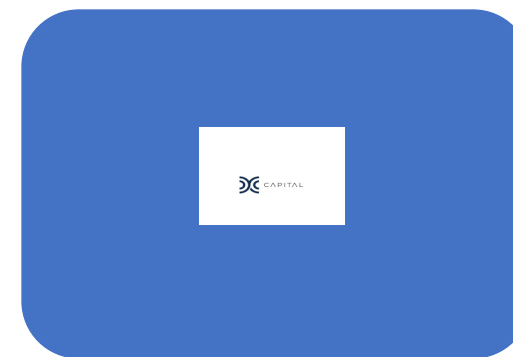Euclides.major@novasbe.pt

Fields of Interest:

- Startups & Scale-ups

- Acquisition entrepreneurship

- VC & Investments

- Innovation & Intrapreneurship

Corporate

Entrepreneur

Advisor to VC's and startups

Adjunct Professor &
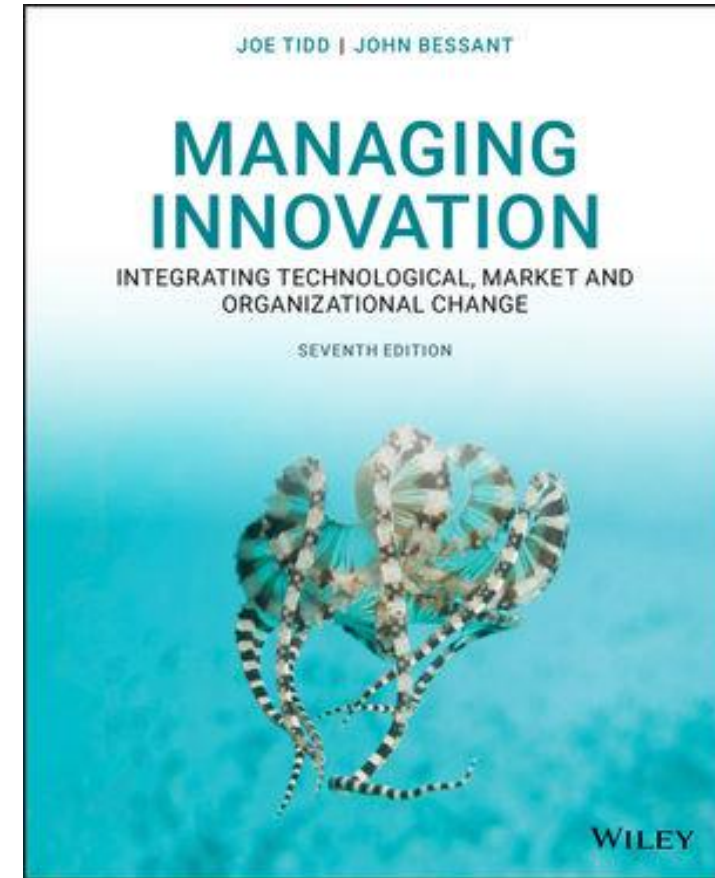HEI Director

Investor &
Board Member

eugenia.mascarenhas@novasbe.pt

Course Objectives

- Provide students the **mindset**, the **tools**, and the **experience** for them to become true change makers and problem solvers....

- ready to actively **contribute** to the **future** of many different companies and industries on topics related to the future of hospitality

  - **What is the importance of innovation** and how to start approaching it? How important is to develop an **entrepreneurial mindset**? How to look into entrepreneurship?
  - Entrepreneurial **strategy** and **Business model** analysis
  - Critically assess the relationship between the hospitality industry and its macro-environment
  - What are the future technologies that will disrupt and change the topics of Hospitality?
  - Map **disruptors** that are challenging the status quo in Hospitality and Tourism
  - **Innovation** through improving **customer journey**
  - How to **adapt** to new challenges?

Housekeeping & Evaluation

- **Class Participation** (10%)
  - *AI Friendly Policy – you can use it! In an ethical way please.*

- **Individual assignment** (30%)
  * Individual Report (3-5 slides) + Individual e-Portfolio *(Looking into the future) – briefing available before session 2.*

    - *Deadline: March 10th (before last class).*

- **Group assignment CX Roadmap** (30%)
  - Students should form groups of 4/5 students before session 3
  - Duration of final presentation will be around 10m (depending on number of groups)
  - Briefing on the challenge to be presented in session 3, delivering a final presentation in the last session.
  - Final group assignment grade will be calculated according to the Pitch presentation, Q&A and peer evaluation.

- **Final exam** (30%) – *case study*

JOE TIDD | JOHN BESSANT

MANAGING INNOVATION

INTEGRATING TECHNOLOGICAL, MARKET AND ORGANIZATIONAL CHANGE

SEVENTH EDITION

WILEY

Classes Planning – What to Expect

| #	Date	Topics
Class #1	Feb. 3	What is innovation and its importance. How it relates to Entrepreneurship.
Class #2	Feb. 10	Where innovation comes from? From ideation to execution (business model). Innovating in Hospitality. – *Guest Speaker*
Class #3	Feb. 17	Customer experience & Service Design principles
Class #4	Feb. 24	Corporate Entrepreneurship. Open & Closed Innovation. Lemonade Case
Class #5	Mar. 3	Customer experience & Service Design principles
Class #6	Mar. 10	Group presentations & Individual Assignment reflection

NOW YOU

- Share if you have any previous experience in an Innovation role or in Startups? Impact Entrepreneurship / Social Innovation ?

- Would you see yourself working in Innovation?
   - What? How? Why?

Why Innovation?

• Rethinking your processes may be a good idea...
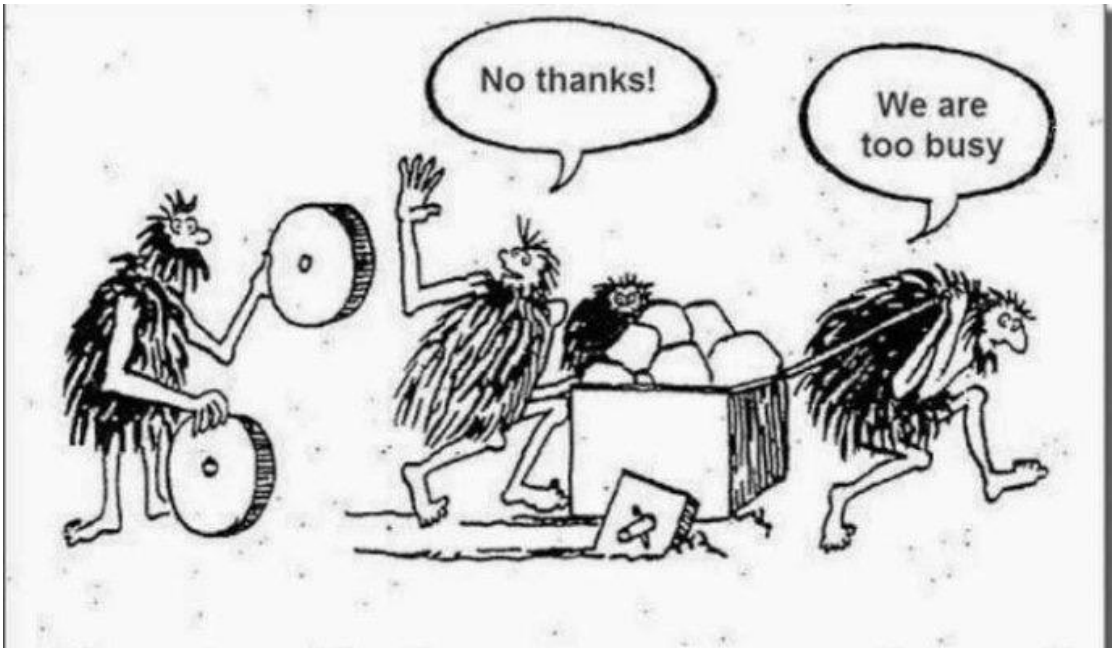
…in a World where AI will outperform humans in many activities

WHY IS IT RELEVANT?

- We live in **constant change**, demanding times, speed of change is increasing...

⇒ Today is the slowest change pace we will live

⇒ Customers more knowledgeable and demanding**; businesses need to reinvent, adapt and evolve faster and more frequently!**
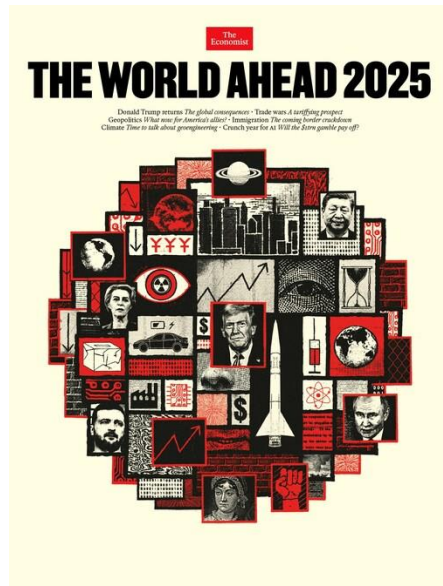
Predictions that were spectacularly wrong

- "I think there is a world market for maybe five computers (mainframes)."

Thomas Watson, Chairman of IBM, 1943.

- "There is no reason anyone would want a computer in their home."

Ken Olson, Chairman and Founder of Digital Equipment Corp., 1977

- *"Who would be interested in listening actors to speak?"*

-H. M. Warner, Warner Brothers, in the pinnacle of silent film era 1927.

"Who the hell wants to copy a document on plain paper?"

-Rejection Letter to Chester Carlson, inventor of the copying machine, 1940

So, What is innovation?

Innovation = 1% creativity + 99% work, work, work...

Adapted from T. Edison

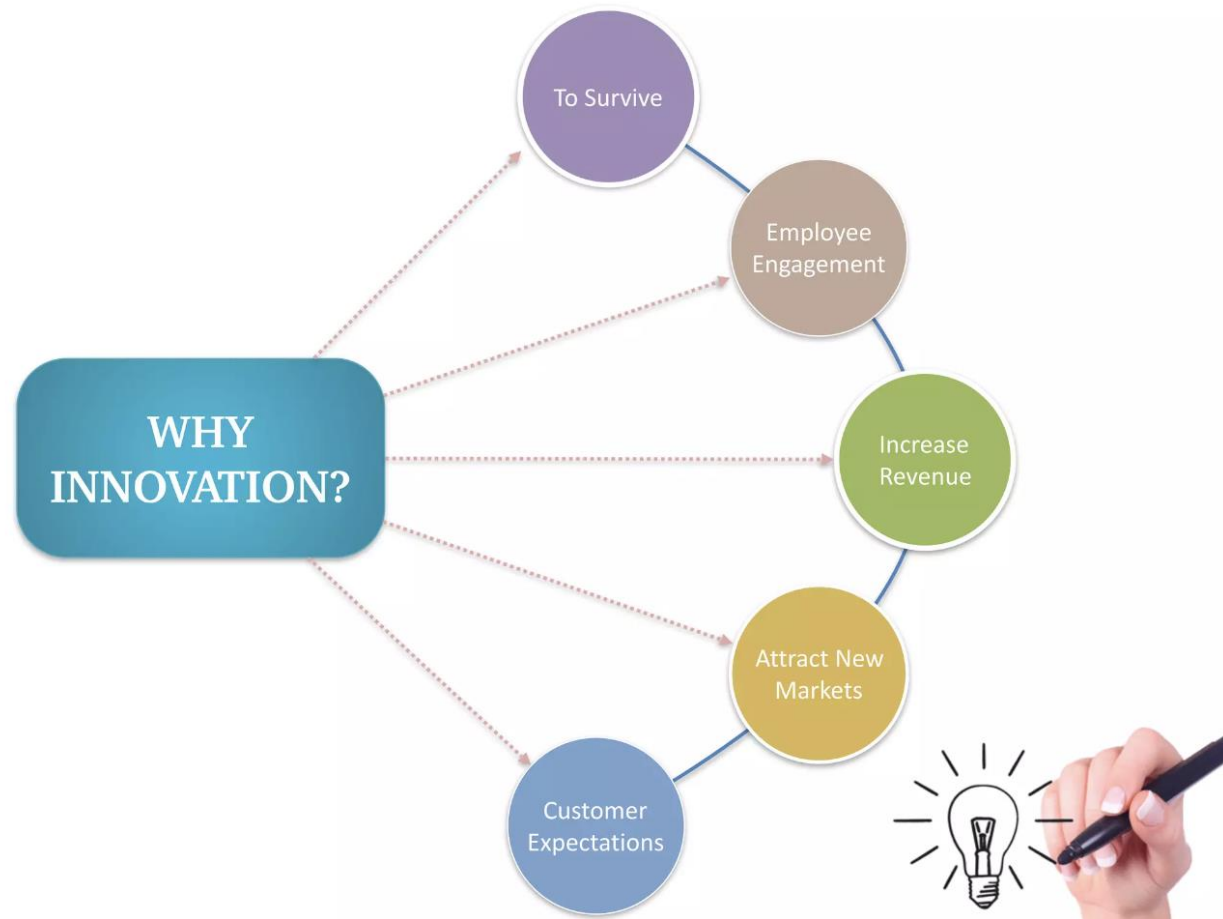+1000 patents registered during his life

Establishment of an industrial research lab in 1876

Innovation is more than simply coming up with good ideas; it is the process of growing them into pratical use.

So, What is innovation?

- Innovation is about growth (business, social) – about recognizing opportunities for doing something new and implementing those ideas to create some kind of value

- Innovation is also a survival imperative

- And it contributes to competitive success in many different ways – strategic resource

WHY INNOVATION?

- To Survive
- Employee Engagement
- Increase Revenue
- Attract New Markets
- Customer Expectations

Existing companies should build on their strengths;
To succeed with corporate entrepreneurship (...) new businesses **should be nurtured through a series of balancing acts that combine entrepreneurship and disciplined management, short- and long-term thinking, and established and new processes**.

NOTICED HOW FAST THE WORLD IS CHANGING?

Adoption rates
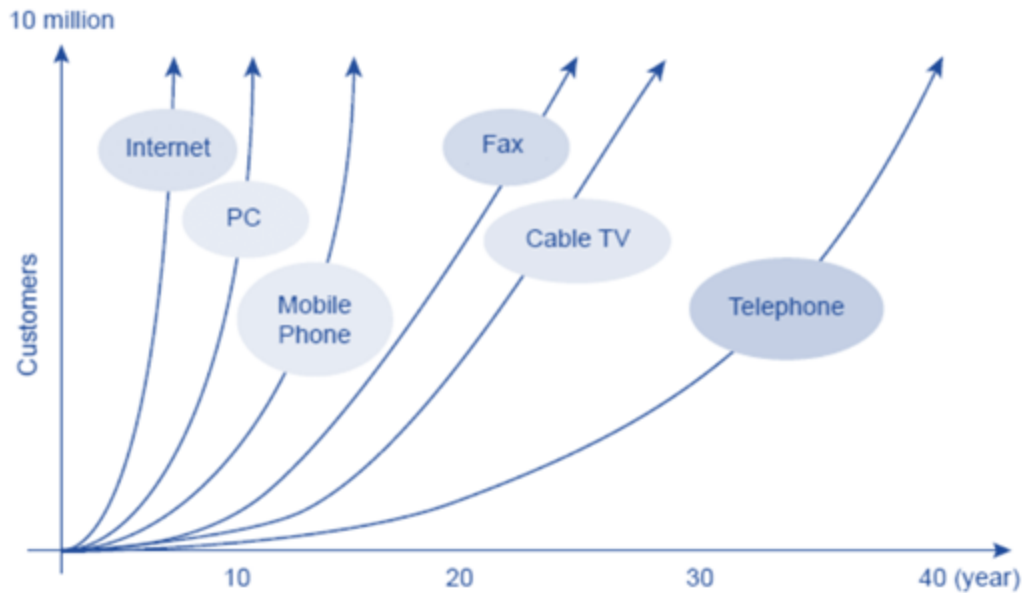

Source: Research Gate
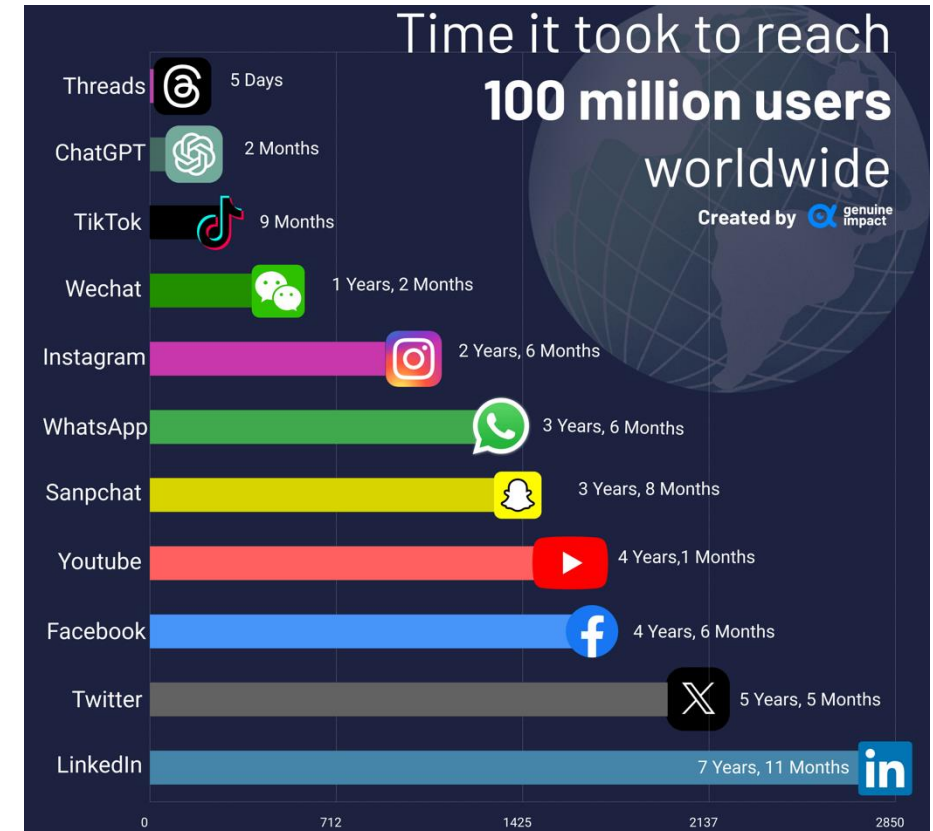
Internet, access to information, communication, travel, make evolutions and new technologies spread faster than ever! We live in fast-moving and complex time and in a changing reality. **Customers** become **more knowledgeable** and demanding, and thus **businesses need to reinvent, adapt and evolve faster** and more frequently!

Brainstorming challenge

i.   **Choose 1-2 NEW companies from the past 20 years that you think completely changed their sector.**

ii.   **Choose 1 innovation inside an existing firm that produced significant impact**

Explain Why & Discuss the impact *(industry, society)*
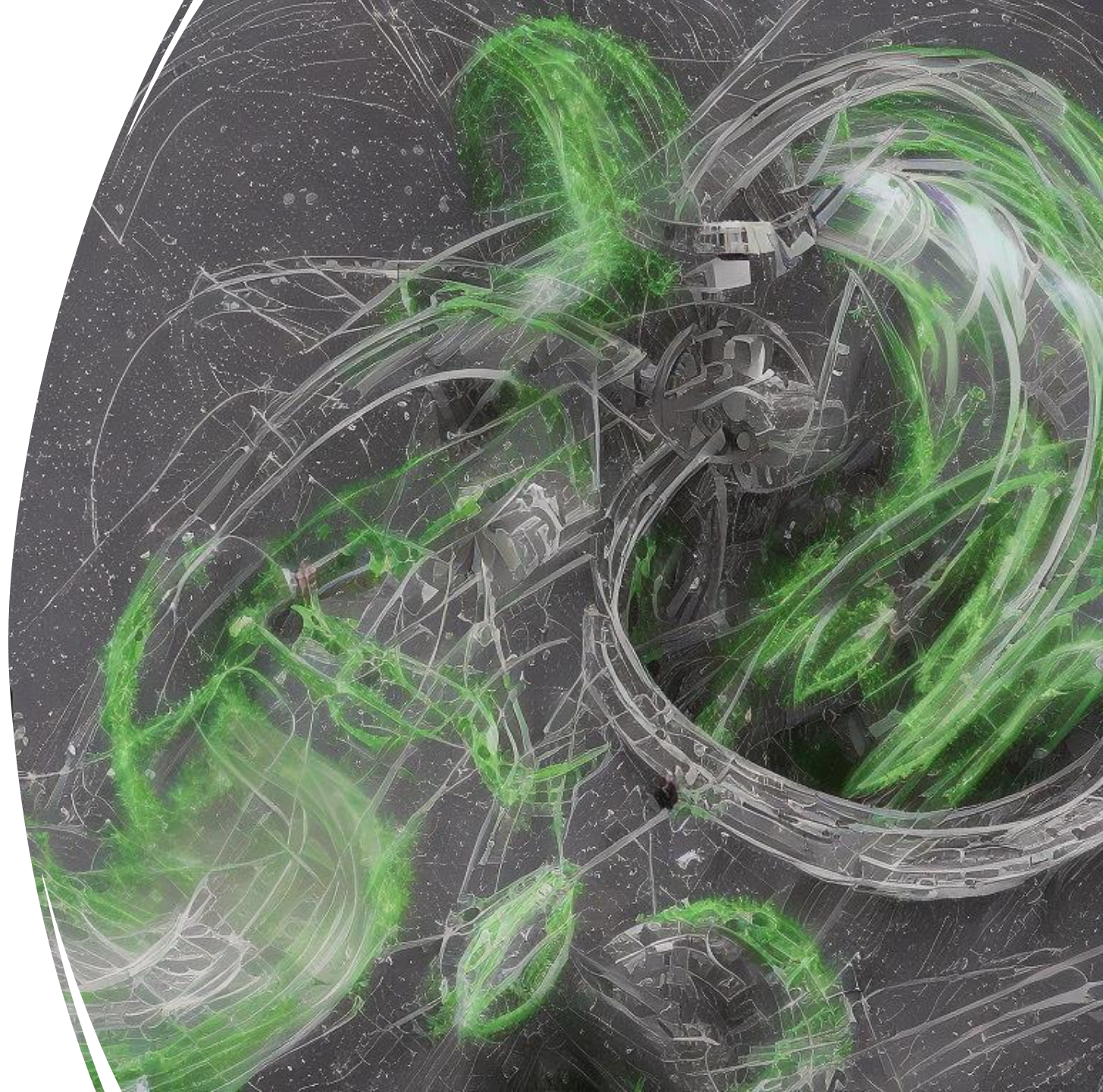
SOME EXAMPLES

SOME EXAMPLES

Uber Begins Testing Lunch Delivery With UberFRESH

Darrell Etherington @etherington / 3:47 PM GMT+1 • August 26, 2014 💬 Comment

uberFRESH

Uber isn't done producing variations on the theme of on-demand wheels – the startup has now begun testing uberFRESH, a service that provides lunch between 11:30 AM and 2:30 PM to customers in the Santa Monica trial area first, with a prix fixe menu that offers a different selection each day and is refreshed every week, for $12 per meal.

Uber Eats

PEPSICO

In the mid-1980's, Frito-Lay was going through a difficult time, so CEO Roger Enrico announced a new initiative for all 300,000 employees to "act like an owner".

Cheetos Flamin' Hot

Flamin' Hot
2023 · PG-13 · 1h 39m

Biography Drama History

Flamin' Hot is the story of Richard Montañez, the Frito Lay janitor who channeled his Mexican American heritage and upbringing to turn Flamin' Hot Cheetos into a snack that disrupted the food industry and became a global phenomenon.

Director Eva Longoria

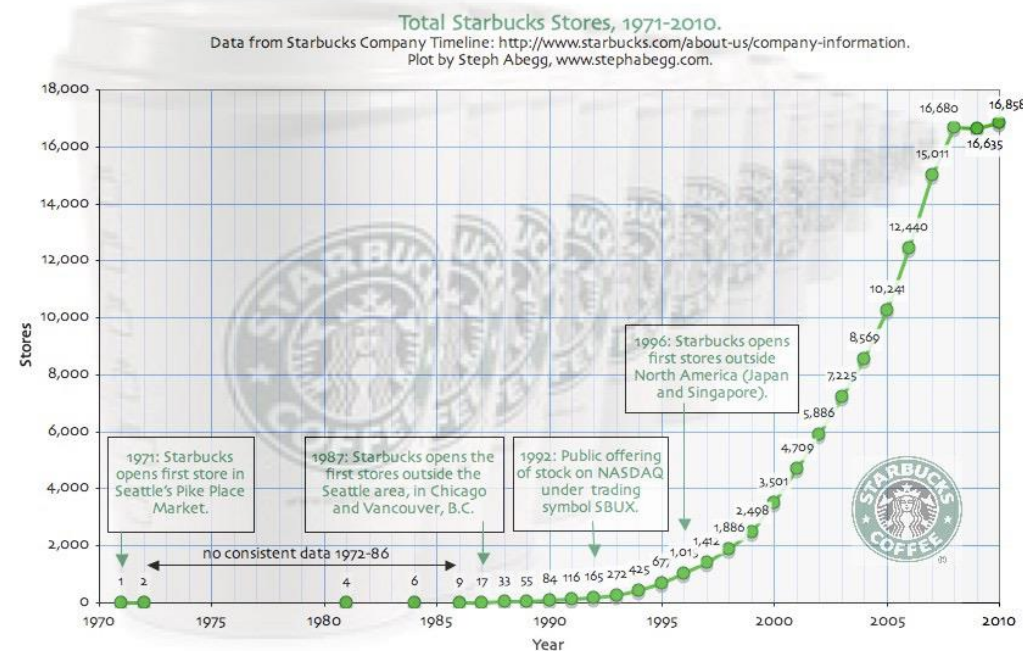**Writers** Linda Yvette Chávez · Lewis Colick

Starbucks

Howard Schultz

"If I came to you in 1987 and I said to you, 'Even though coffee consumption in America is down, I wanna build a company that was gonna sell coffee not in a porcelain cup, but in a paper cup, with Italian-saying words that no one could pronounce, for $3 a cup of coffee,' would you invest?"

More than 35,711 stores worldwide (80 countries) in 2022

Almost doubled its number of locations over the past 10 years.

Total Starbucks Stores, 1971-2010.
Data from Starbucks Company Timeline: http://www.starbucks.com/about-us/company-information.
Plot by Steph Abegg, www.stephabegg.com.

WHAT IS OUR ROLE TO PLAY?

What we as students, as employees, as leaders can do to compete, differentiate, succeed?

Our changing reality, implies *NEW* ways of looking and thinking about challenges!

INNOVATION

HAS NEVER BEEN SO ESSENTIAL

- Look at problems with different lenses
- Confident about where to go next!

Innovation importance & entrepreneurship

- According to Statistics Canada the following factors characterize successful SMEs:

  - Innovation is consistently found to be the most important characteristic associated with success

  - Innovative enterprises typically achieve stronger growth or are more successful than those that do not innovate

  - Enterprises that gain market share and increasing profitability are those that are innovative

Innovation importance & entrepreneurship

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  - Innovative enterprises typically achieve stronger growth or are more successful than those that do not innovate
  - Enterprises that gain market share and increasing profitability are those that are innovative

- Nature of innovation fundamentally linked to entrepreneurship. Peter Drucker put it: *'Innovation is the specific tool of entrepreneurs'*

- Entrepreneurship matters just as much to the established organization

- This idea of **entrepreneurship driving innovation to create value** – social and commercial – across the life cycle of organizations is central

Relevancy for STUDENTS TO BE LEARNING ABOUT INNOVATION & ENTREPRENEURSHIP

WHY ?

WHAT DO YOU EXPECT TO LEARN?

ENTREPRENEURIAL mindsets in need!

We're looking for <u>curious</u>, <u>creative</u> and <u>well-informed</u> people to join our team. If you appreciate connecting with like-minded guests and have a <u>deep desire to create unexpected experiences</u>, we invite you to explore career opportunities.

- *Learn how to <u>structure problems, and problem causes</u> with efficiency, supporting the design of action-plans and consequently follow the implementation plan.*
- *<u>Develop teamwork</u> and <u>promote cooperation</u> between multidisciplinary teams*
- *<u>Identify automation opportunities</u> that promote a greater efficiency;*
- *Ability to <u>work creatively and with a problem-solving approach</u>;*
- *<u>Communicate effectively</u> both oral and written.*

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MARRIOT

- Structure ambiguous problems and take action to solve them
- Synthesize clear takeaways from complex information into clear takeaways and recommendations using both qualitative and quantitative methods
- Work effectively with diverse teams to come up with the best solution and move people and organizations to act
- Establish trust-based relationships with clients to better serve their organizations
- Communicate effectively with all audiences, including senior leaders, in a structured manner
- Develop your leadership style, leveraging your own passions, strengths, and personal values.

MCKINSEY

- *Learn how to structure problems, and problem causes with efficiency, supporting the design of action-plans and consequently follow the implementation plan.*
- *Develop teamwork and promote cooperation between multidisciplinary teams*
- *Identify automatizing opportunities that promote a greater efficiency;*
- *Ability to work creatively and with a problem-solving approach;*
- *Communicate effectively both oral and written.*

PESTANA HOTEL GROUP

Entrepreneurship definitions:

"Pursuing an opportunity beyond the resources controlled"
- HBS Professor Howard Stevenson

"Always searches for changes, responds to it and exploits it as an opportunity" - Peter F. Drucker

"Obsession and passion" – Jeff Bezos

'Defining entrepreneurship has become a philosophical debate among researchers, policymakers and practitioners' – Kauffman F

Harvard Business Review

"(…) someone who sees an **opportunity to create value** and is willing to **take a risk** to capitalize on that opportunity; some elements of this are opportunity spotting, risk taking, and value creation." - John Hagel III

Patterns in Entrepreneurship

explore several of the many ways to be an entrepreneur

"the process of setting up a business, taking it from an idea to realization"

**We will not advocate any single pattern of entrepreneurship over the others;
rather, the course will encourage students to understand the various opportunities and how to
evaluate them through a 10-step framework for analysis**

- better information

- higher degree of confidence

- evaluate which entrepreneurial path best suits specific interests, needs, and goals

- factor risk and lifestyle

- highest probability of success, however you define it?

- Which one will best accommodate the lifestyle you envision for yourself?

10 Entrepreneurial Pathways (TENEP*)
Diverse Routes to Venture Creation

1. VC backed Tech Startups

2. SME Local business

3. Cool branded consumer products Co's

4. Boring/ basic copycat models

5. Opportunistic / execution play

6. Search funds / ETA

7. Impact Entrepreneurship

8. Intrapreneurship / Corporate Entrepreneurship

9. Franchise

10. Creators

* Euclides Major tbp

Framework that examines and assesses:

1 Barriers to Entry

2 Key differentiators (e.g. scalability)

3 Paths to going concern (product market fit)

4 Exit (need for)

5 Risk (and reward)

6 Success Metrics

7 Control (e.g. King vs Rich' dilemma)

8 Day-to-day activities

9 Lifestyle

10 Intangibles

1. Key characteristics of "Venture capital–backed technology startups"

1	High growth potential	**6**	Success Metrics are easy to benchmark
2	High risk and high reward	**7**	Typically requires Strong management team
3	Continuous look for product market fit	**8**	Day-to-day activities change throughout journey
4	Exit	**9**	Scalability
5	Innovative differentiated products or services	**10**	'King vs Rich' dilemma (control)

https://www.youtube.com/watch?v=a4aUX5u90oA&t=40s

2. Key characteristics of "SME Local Business"

1 Limited growth potential

2 Smaller risk and small reward

3 Easier product market fit

4 Exit strategy limited

5 Less differentiated products or services

6 Success Metrics are harder to benchmark

7 No big management team

8 Repetitive Day-to-day activities; exhaustive (?)

9 Not that Scalable

10 'King vs Rich' dilemma (you control but small potential of a big outcome)

10 Entrepreneurial Pathways (TENEP*)
Diverse Routes to Venture Creation

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Euclides Major tbp

Not always obvious…

"MBAs seem to be opting for careers well-suited for cocktail party conversation – venture capital pioneers, private equity visionaries, and healthcare innovators – instead of the careers chosen by those who have gone on to become the wealthiest people on the planet. It may not be sexy for Joseph Grendys to talk about his poultry processing empire in Illinois, but his massive wealth is probably compensation enough"

- Rasmussen, Daniel. "Do MBAs Want to Be Billionaires?" 19 Sept. 2022

https://www.forbes.com/profile/joseph-grendys

- Joseph Grendys runs Koch Foods, a poultry processor that slaughters, ships and sells chicken under its own brands and through private label products.
- The $5 billion (estimated revenues) business makes buffalo wings and chicken strips for Walmart and nuggets for Burger King

Entrepreneurship Frameworks

BUSINESS MODEL CANVAS – ALEX OSTERWALDER

STEP 1 – BUSINESS MODEL CANVAS
Explore key components of business

STEP 2 – CUSTOMER INTERVIEWS
Explore customers' needs

STEP 3 – MINIMUM VIABLE PRODUCT
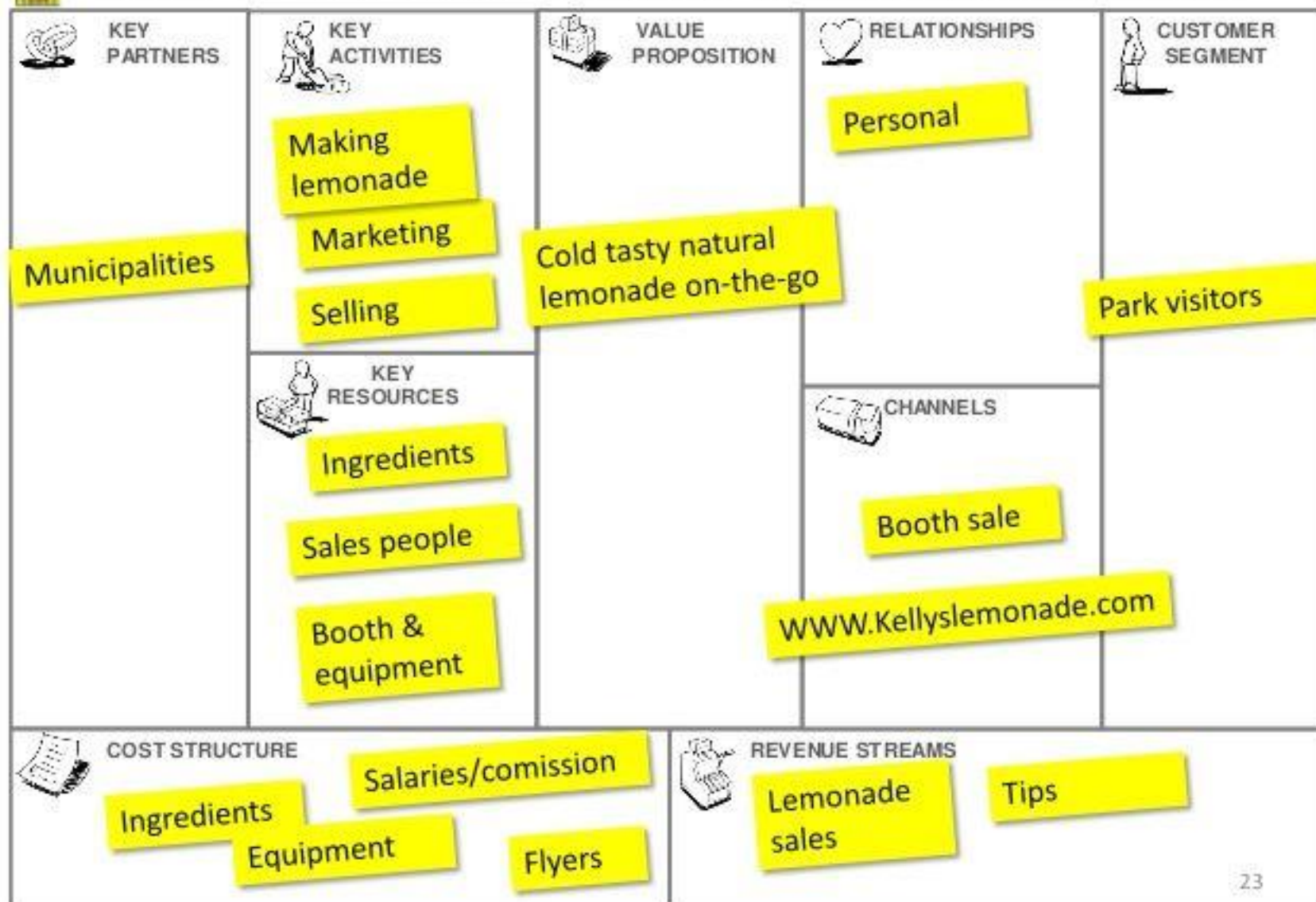Explore customers' willingness to pay

STEP 4 – CONCIERGE/PROTOTYPE
Explore customer-service/product interaction

Standard approach
followed
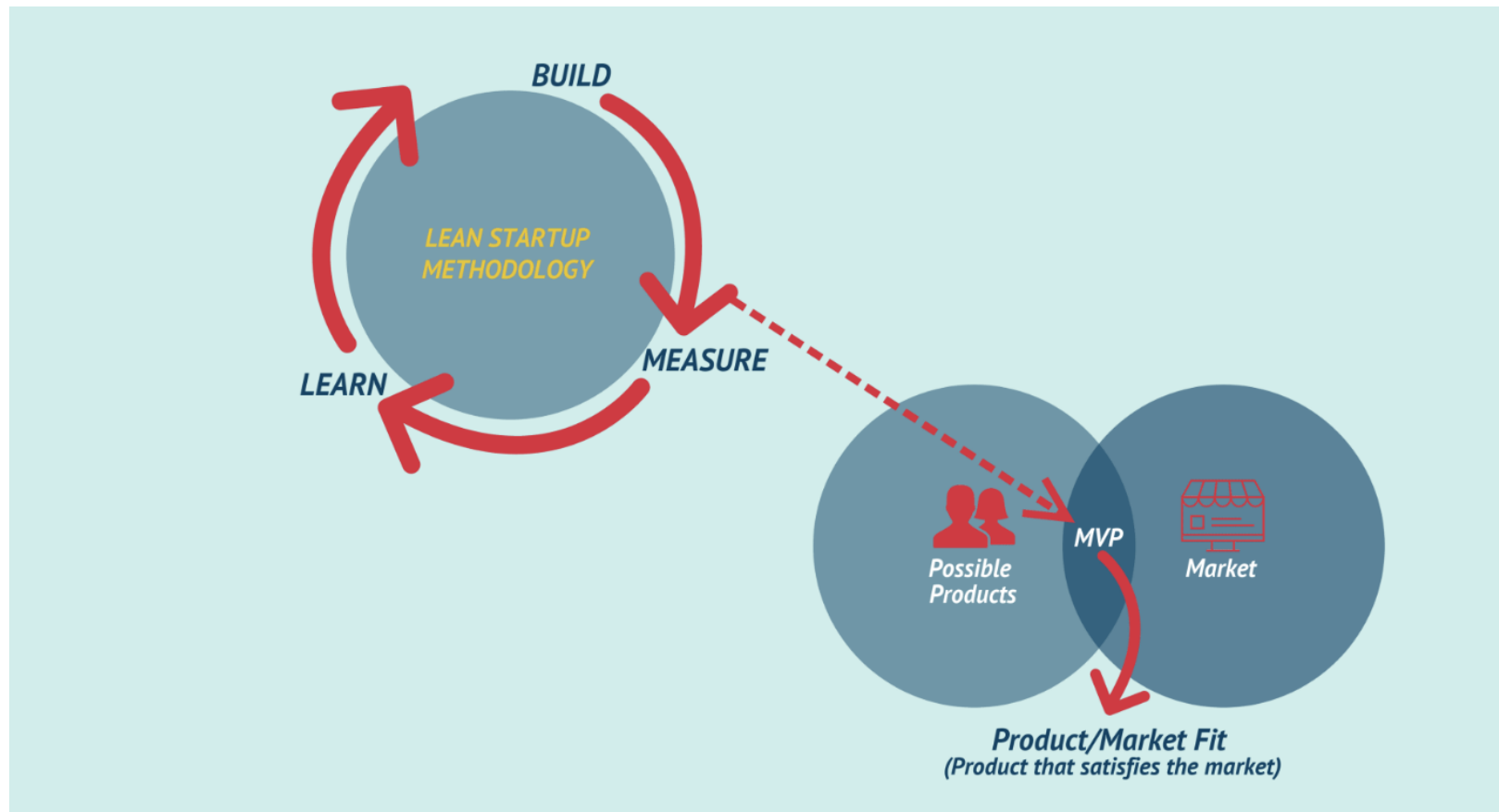by entrepreneurs

Kelly's Lemonade Stand: Refreshing Lemonade

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITION	RELATIONSHIPS	CUSTOMER SEGMENT
Municipalities	Making lemonade Marketing Selling	Cold tasty natural lemonade on-the-go	Personal	Park visitors
	KEY RESOURCES Ingredients Sales people Booth & equipment		**CHANNELS** Booth sale WWW.Kellyslemonade.com	

COST STRUCTURE	REVENUE STREAMS
Ingredients Salaries/comission Equipment Flyers	Lemonade sales Tips

23

CHAT-GPT CAN HELP YOU GET STARTED! LET'S LOOK AT AN EXAMPLE...

Generate a business model canvas for an education tech product that helps students increase their startup success	
Key Partners:	Incubators and accelerators, Entrepreneurship professors, Mentors and industry experts, Investors
Key Activities:	Curriculum development, Online course delivery, Mentorship and networking opportunities, Access to funding and resources
Key Resources:	Educational content and materials, Online platform and technology, Network of mentors and industry experts, Funding and resources for startups
Value Proposition:	Our education technology product helps students increase their startup success by providing them with access to a comprehensive curriculum, mentorship opportunities, and funding and resources. Through our online platform, students have access to a network of industry experts and entrepreneurs, as well as resources like incubators and accelerators. Our curriculum is specifically designed to help students develop the skills and knowledge they need to start and grow successful businesses.
Customer Segments:	College and university students, Early-stage entrepreneurs, Startup founders
Customer Relationships:	Self-service, Direct sales, Online communities
Channels:	Online education platform, Social media, University partnerships
Revenue Streams:	Subscription-based access to the platform, Advertising and sponsorships, Consulting and mentorship services, Investment opportunities for successful startups
Cost Structure:	Development and maintenance of the platform, Curriculum development and delivery, Marketing and outreach, Mentor and industry expert compensation

# ERIC RIES MVP AS THE FOUNDATION FOR **LEAN STARTUP**

**Minimize effort & Maximize validated learning >> LEAN CANVAS**

DISCIPLINED ENTREPRENEURSHIP

- Substantially increase your odds of success
- Provide more structure to one of the two critical elements in starting a company
- Common language
- Identifies questions & weak points
- Prepares for:
  - Execution
  - Scaling
  - Fund raising

24 STEPS TO A **SUCCESSFUL STARTUP**

DISCIPLINED ENTREPRENEURSHIP

BILL AULET
MANAGING DIRECTOR, MARTIN TRUST CENTER FOR MIT ENTREPRENEURSHIP

WILEY
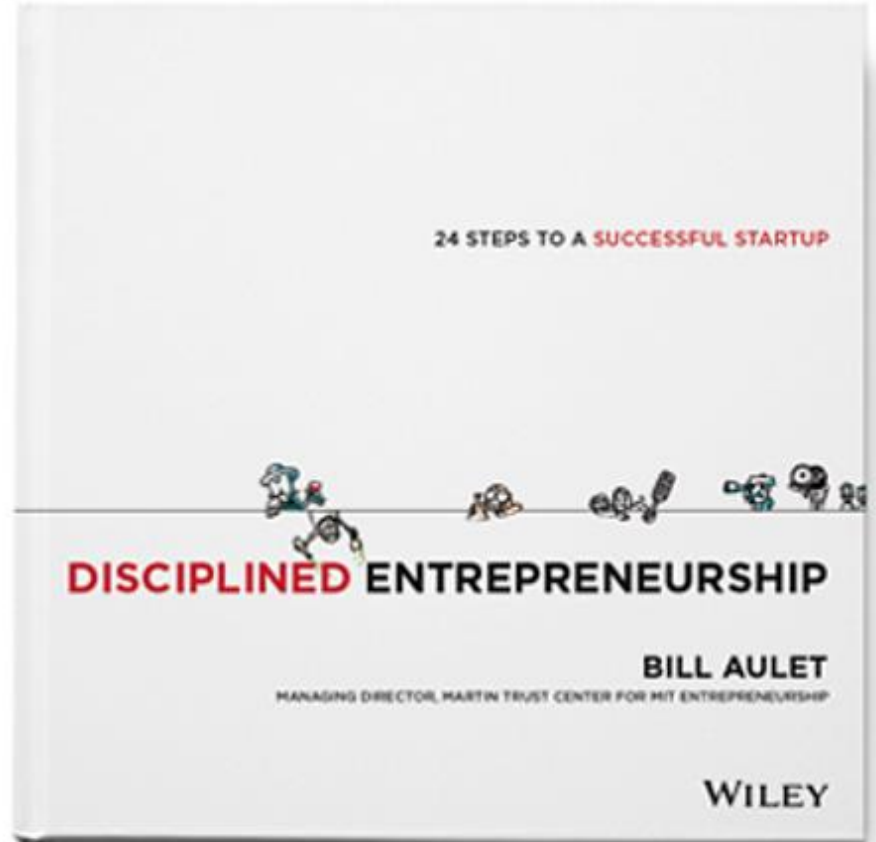
D- ENTREPRENEURSHIP PREMISE: IDE
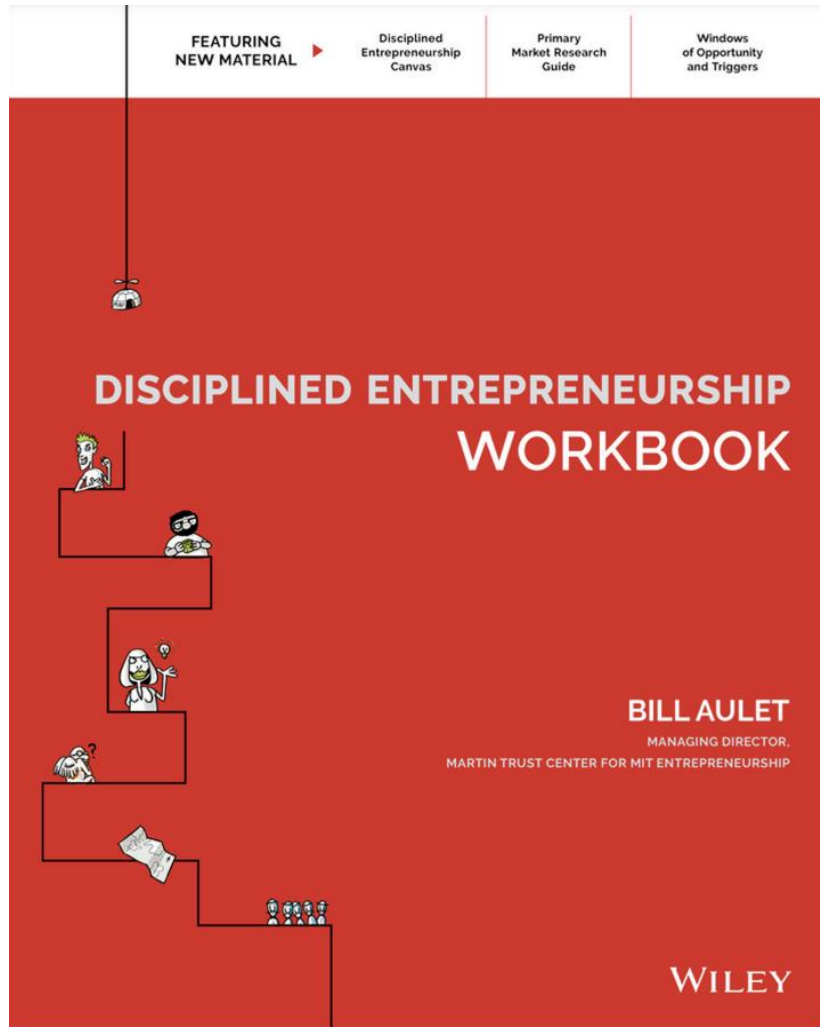
SME Entrepreneurship
- Focus on regional markets
- E.g. restaurants, dry cleaners, local shops
- Somewhat linear revenue / CF / jobs

IDE *(Innovation-driven enterp)*
Entrepreneurship
- Focus on global markets
- Based in some sort of innovation
- Clear curve from neg > pos

I have a technological breakthrough!

I have an idea!

I have a passion!

Three ways to start a new venture

DISCIPLINED ENTREPRENEURSHIP 24 STEPS – MIT BILL AULET

DISCIPLINED ENTREPRENEURSHIP CANVAS – MIT BILL AULET

1 Raison d'Être
Why are you in business?

Mission:

Passion:

Values:

Initial Assets:

Initial Idea:

4 Competitive Advantage
Why you?

Moats:

Core:

Competitive Positioning:

5 Customer Acquisition
How does your customer acquire your product?

DMU:

Process to Acquire Customer:

Windows of Opportunity:

Possible Triggers:

8 Overall Economics
Does your product make money?

Estimated R&D Expenses:

Estimated G&A Expenses:

LTV/COCA Ratio High Enough:

9 Design & Build
How do you produce the product?

Identify Key Assumptions:

Test Key Assumptions:

MVBP:

Tracking Metrics:

2 Initial Market
Who is your customer?

Beachhead:

End User Profile:

TAM:

Persona:

First 10 Customers:

3 Value Creation
What can you do for your customer?

Use Case:

Product Description:

Problem Being Solved:

Quantified Value Proposition:

6 Product Unit Economics
Can you make money?

Business Model:

Estimated Pricing:

Short Term LTV:
Short Term COCA:
Medium Term LTV:
Medium Term COCA:
Long Term LTV:
Long Term COCA:

7 Sales
How do you sell your product

Preferred Sales Channel:

Sales Funnel:

Short Term Mix:

Medium Term Mix:

Long Term Mix:

10 Scaling
How do you scale your business?

Product Plan for Beachhead:

Next Market:

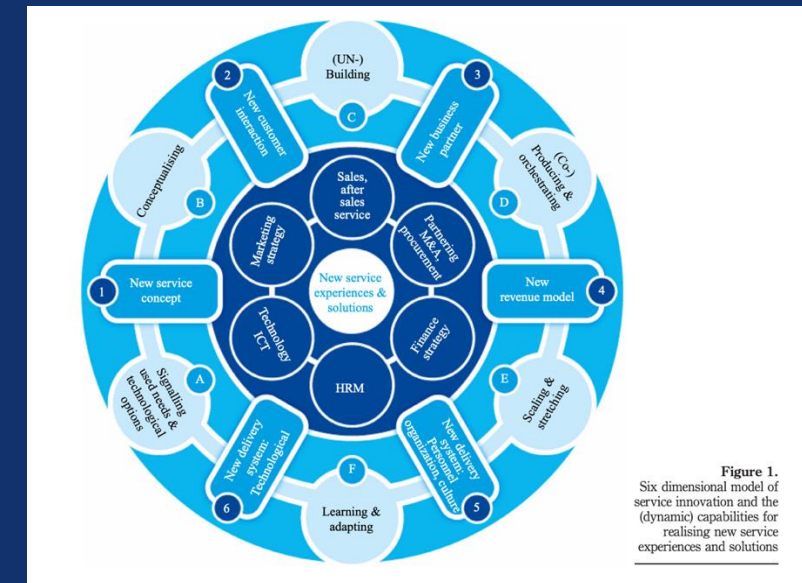Product Plan beyond Beachhead:

Follow-on TAM:

DISCIPLINED ENTREPRENEURSHIP CANVAS – EXAMPLE: DE TOOLBOX

1 Raison d'Être
Why are you in business?

Mission: Help more startups around the world to become successful, and improve lives, fix unemployment, and grow economies. Help more people to invest in startups in a smart way.

Founder passions: Startups and innovation, teaching, interacting with smart people.

Values: transparent, competitive, fair play.

Initial Assets: Team (Marius & Vlad), connections (Bill Aulet, MIT, accelerators), current users (5,000+ for current product).

Initial Idea: Online tool to help startups accelerate and get funded.

4 Competitive Advantage
Why you?

Moats: Network effect (both startups/accelerators use it).

Core: We match the best startups with the best accelerators/investors, and help them work smarter together.

Competitive Positioning: Better productivity than AngelList, F6S. Focused on process more than Visible, FounderSuite, Gust.

5 Customer Acquisition
How does your customer acquire your product?

Decision Making Unit:
A. Founders & Chief Product Officers
B. Sponsor: CIO/CTO or Managing Director of accelerator. Decision: managing team.

Decision Making Process:
A. Start trial, share with team, add data, discuss with team before trial expiration.
B. Analyze features & cost for tools, contact suppliers, negotiate & sign (4-6 mo).

WoOs:
A. Apply to accelerator, prepare for fundraising
B. New generation/new fund (twice per year) or change in leadership

Possible Triggers:
B. Discounts, sales rep meetings or events.

8 Overall Economics
Does your product make money?

Est R&D Exp: $50,000

Est G&A Exp: $24,000

LTV/COCA Ratio: 20:1 / 7:1

9 Design & Build
How do you produce the product?

Key Assumptions:
1. Startups will use the tool recurrently.
2. Accelerators need a better tool to source startups (than F6S/AngelList/Google Forms) and manage the acceleration process (than Google Docs/Slack/Email).

Assumption Tests:
1. Simplify tool (not linear, iterative/depth).
2. Try selling a prototype/slideware.

MVBP:
1. Current product with subscription
2. Presentation/prototype for accelerator features

Tracking Metrics:
1. Retention for startups
2. Number of paying startups
3. Number of paying accelerators

2 Initial Market
Who is your customer?

Beachhead Market:
A. Early-stage founders who want to improve their startup's chances to fundraise.
B. Accelerators outside Silicon Valley who want to improve their process and outcomes.

End User Profile:
A. Tech founders outside major US startup hubs with an idea or product but no revenue.
B. Smaller accelerators who have trouble getting good deals and accelerating them properly.

TAM: 1M tech founders outside US ($100M). 5,000 smaller accelerators ($30M).

Persona: TBD

10 Customers: MVP Academy (RO), NUMA (FR), MITEF Poland (PL), IncubatecUFRO (CL), UDD Ventures (CL), Magical Startups (CL), Eleven (BG), HUStart (IL), MadeInJLM (IL), AccelerateKorea (KR).

3 Value Creation
What can you do for your customer?

Use Case:
A. Learn about the biz side of your startup, apply it using a vetted process (DE24) & online tools.
B. Recruit better startups, engage more mentors, accelerate startups faster, get them funded.

Product Description: Process & toolbox for founders & accelerators—marketplace.

Problem:
A. Founders lack guidance and tools to help them be more disciplined on the business side.
B. Accelerators' "spray and pray" strategy does not yield too many successful startups.

Quantified Value Proposition:
A. Move faster. Get funded faster.
B. Get better deals. Get better follow-on investments for startups.

6 Product Unit Economics
Can you make money?

Business Model: Subscription model for both startups & accelerators.

Pricing: $15/mo per startup

Short term LTV: $200 / $15,000
Short term COCA: $10 / $2,000

Medium term LTV: $250 / $25,000
Medium term COCA: $7 / $1,750

Long term LTV: $275 / $32,000
Long term COCA: $5 / $1,500

7 Sales
How do you sell your product

Preferred Sales Channel:
A. Website
B. Direct sales

Sales Funnel:
A. Search online→Read features & testimonials →Create trial→Add data in app→Receive trial end email→Discuss with team→Buy.
B. Search tools/get referrals→Analyze features→Discuss with sales reps→Discuss with team→Negotiate→Sign contract→Buy.

Short Term Mix: Email newsletter, event presentations, inbound, direct sales.

Medium/Long Term Mix: Event presentations, inbound, direct sales.

10 Scaling
How do you scale your business?

Product Plan for BHM: ???

Next Market: Universities, Angel groups

Product plan beyond BHM: Marketplace

Follow-on TAM: 100,000 angels ($1B).

Theoretical framework for Innovation:
Dynamic capabilities — David Teece (Berkeley)

- Firms' ability to reconfigure its resources and competences in order to quickly adapt to macro context changes

1. Ability to identify opportunities in the market and then develop and implement strategies to explore them

2. Ability to renovate and re-create business models

3. Ability to construct and sustain collaborative networks

Figure 1.
Six dimensional model of service innovation and the (dynamic) capabilities for realising new service experiences and solutions

Airbnb Case Study

Understanding strategic importance of Innovation, Business model and Strategic Advantage

CASE OVERVIEW

- Let's set the case back in early 2019, protagonist is Brian Chesky who co-founded 10y before Airbnb, now valued at $31B

- At the time had 5M listings in 81k cities in its digital platform. 70% are exclusive listings, making it unique

- Expanding product offerings (e.g. Experiences) , acquisitions (e.g. Luxury Retreats) and geographically (China)

- Debating IPO timing amid various challenges (e.g. regulatory, NYC), and its future growth avenues

CASE OVERVIEW

2018 CNBC DISRUPTOR 50

3. Airbnb

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Founders: Nathan Blecharczyk, Brian Chesky (CEO), Joe Gebbia

Launched: 2008

Headquarters: San Francisco

Funding: $3.4 billion (PitchBook)

Valuation: $31 billion (PitchBook)

Key technologies: Artificial intelligence, machine learning

Disrupting: Hotels, travel

Discussion Questions

1) Let's start by developing a SWOT Analysis.

2) What are the strategic implications of Airbnb's mission:

   - "Build an end-to-end travel app for a global travel community"

   - "build a global community rather than simply maximizing profit"

3) What is Airbnb's platform strategy? What are some strengths and some weaknesses of this approach?

4) Who is Airbnb's competition, and how does Airbnb attempt to differentiate itself from the competition? Do any of these factors have the potential to lead to a (sustainable) competitive advantage?

AIRBNB SWOT ANALYSIS

Strengths

- Large number of Rentals
- Asset light model enables expansion
- Repeat customers
- Website UX/UI
- Community

Weaknesses

- Penetration in Business travel segment
- No direct control over customer experience

Opportunities

- Further Geographic expansion
- Other type of rentals (e.g. boats)
- Vertical integration (air travel)

Threats

- Regulatory threats
- Competitors (e.g. booking.com)
- Potential lawsuits
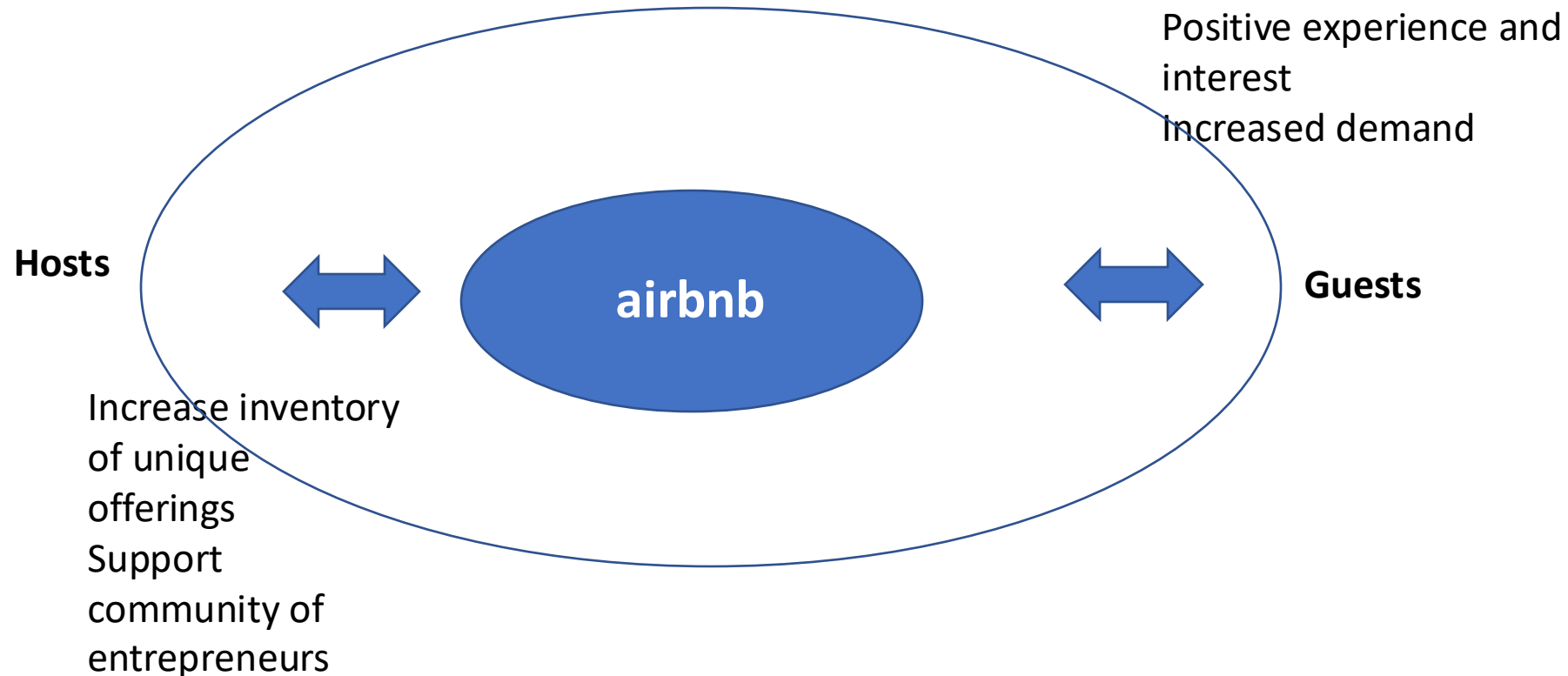- (Particularly exposed to pandemic)

2) What are the strategic implications of Airbnb's mission?

- "Build an end-to-end travel app for a global travel community"

- "build a global community rather than simply maximizing profit"

- Implication: IPO has been delayed (too much?) – conflict (e.g. CFO departure)

- Mission statement more product-oriented (end-to-end travel app) rather than consumer-oriented

![airbnb logo]

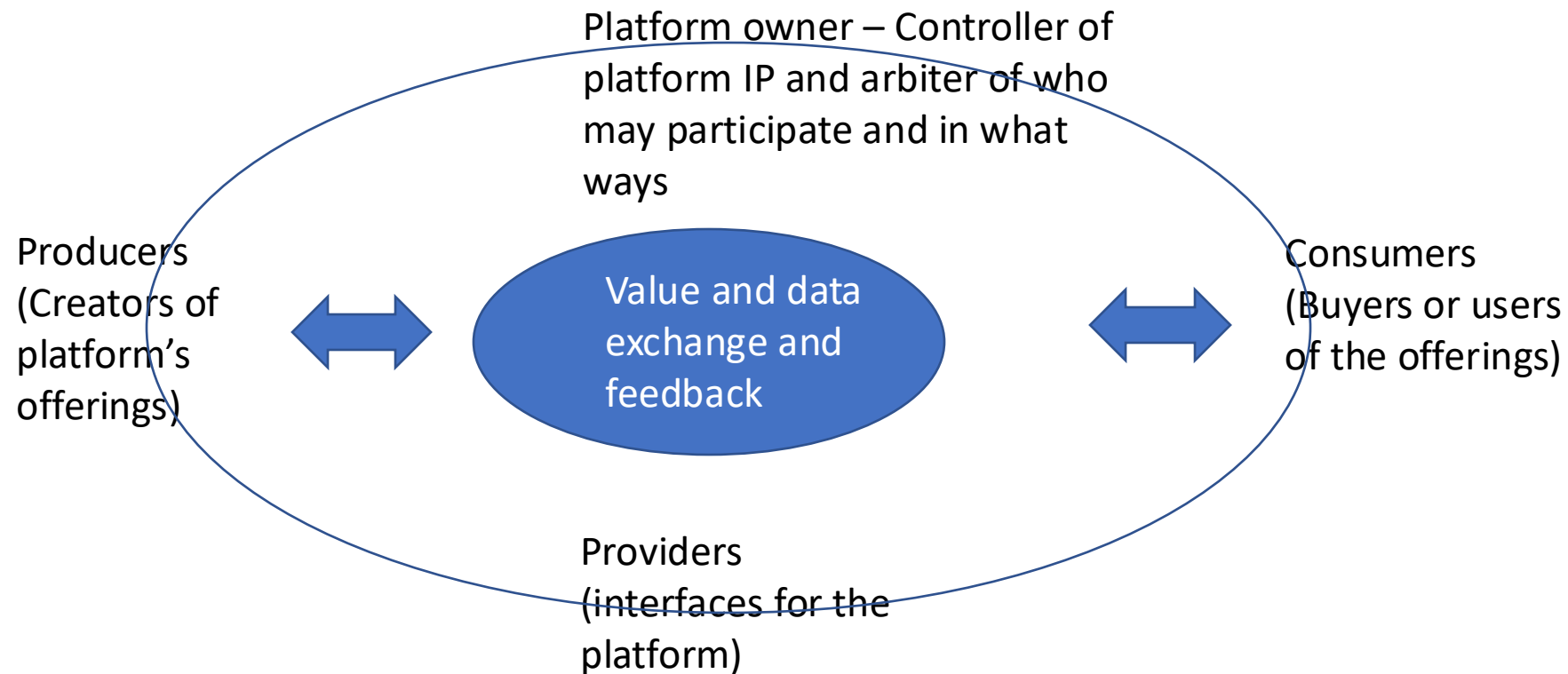3) What is Airbnb's platform strategy? What are some strengths and some weaknesses of this approach?

- 2-Sided platform: enables value-creating interactions between external producers and consumers

Hosts

Guests

airbnb

Positive experience and interest
Increased demand

Increase inventory of unique offerings
Support community of entrepreneurs

3) What is Airbnb's platform strategy? What are some strengths and some weaknesses of this approach?

- The Players in a Platform Ecosystem

Platform owner – Controller of platform IP and arbiter of who may participate and in what ways

Producers (Creators of platform's offerings)

Value and data exchange and feedback

Consumers (Buyers or users of the offerings)

Providers (interfaces for the platform)

![airbnb logo]

3) What is Airbnb's platform strategy? What are some strengths and some weaknesses of this approach?

- The platform purpose is to match users and facilitate the exchange of goods and services.

- The platform provides an infrastructure for these interactions and sets governance for them.

- Airbnb makes money by taking a portion of rental fees

- Eliminated the pains of person-to-person transactions by facilitating online reservation & payment

- Asset-light approach >> to expand capacity no need to build more properties, just focus on adding more Hosts and secure guests demand!
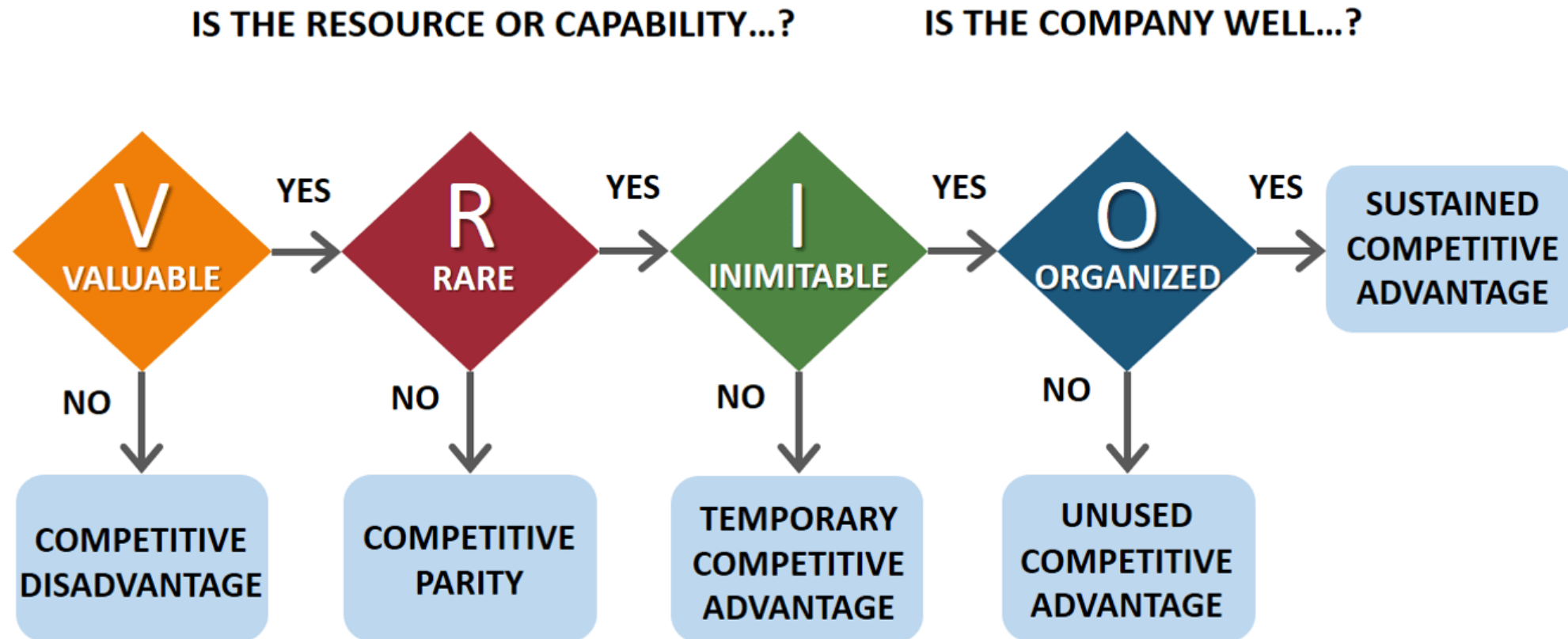
Hosts ⟷ **airbnb** ⟷ **Guests**
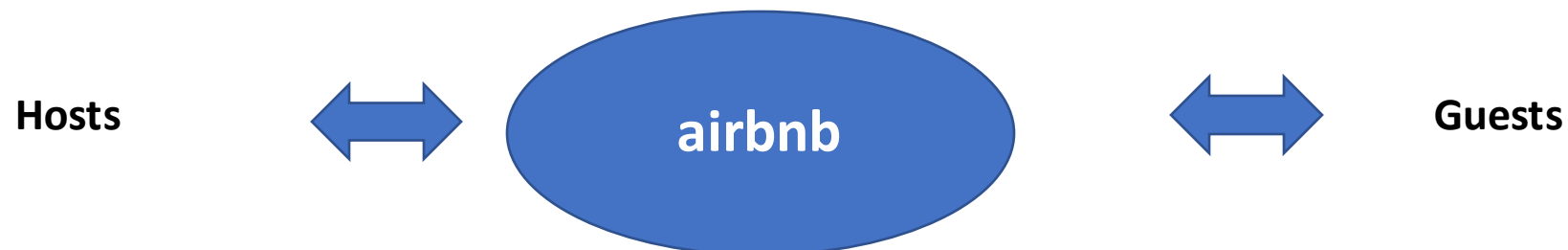
Discussion Questions

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- Facing competition from other online booking platforms

- Has positioned as more of a complement than substitute to traditional offerings (longer stays trend)

- Compet. Advantage: has created a global network effect; turning guests into hosts. Users highly value the unique inventory; developed offerings that span across all price points and consumer segments. Passionate community (3M+) gaining a clearer understanding of the consumer needs.

- Airbnb's approach with regulatory bodies and commitment to the triple bottom line serve as further differentiators

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- **Valuable**: platform that creates value for hosts and guests. Asset-light approach -> focus on matching supply & demand

- **Rare:** although other travel websites and hotel websites exist, Airbnb's size and variety of offerings makes it rare. Focus on authentic experiences, trusted and with strong brand recognition. Continuous innovation.

- **Imitation costly:** Due to the size and community, imitation would be incredibly costly and time consuming.

- **Is the firm Organized to Capture Value?** Partners with regulatory bodies, aims to be socially responsible and respectful of communities. Leadership recognizes the responsibility to all stakeholders. Stronger BoD.

WHAT HAPPENED NEXT...

- End of 2019: Airbnb starts paperwork to go public

- March 2020: COVID hits the US, and its revenue drops 72% y/y over the next 3 months in Q2

- April 2020: Airbnb raises $1B in emergency capital

- May 2020: the company cuts 25% of staff (1900 FTEs)

- Then, by the end of Q3 2020, revenue had bounced back to $1.3B!

- Revenue grew ~4x QUARTER OVER QUARTER from its low point in Q2 2020!

Why? People were:

- using Airbnb as a safer alternative to hotels

- taking LONGER stays as many jobs went remote

- December 2020: Airbnb goes public at a ~$40B valuation, stock more than doubles on day 1 to >$100B

  - ➢ 9 MONTHS AFTER REVENUE PLUMMETED!

Today, Airbnb's market cap is ~$82B. Last quarter, the company reported $3.8B in revenue!

Thank you!

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