



# LEVERAGING THE POWER OF TECHNOLOGY-AIDED, HUMAN-POWERED EXPERIENCES

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# A few years ago, a photo made the rounds on the Internet.

It was a snapshot of words written by Alberto Brea, blogger, speaker, and chief growth strategist at DiMassimo Goldstein, that were scrawled on a whiteboard in some corporate office. Those words read:

***Amazon did not kill the retail industry.***

***They did it to themselves with bad customer service.***

***Netflix did not kill Blockbuster.***

***They did it to themselves with ridiculous late fees.***

***Uber did not kill the taxi business.***

***They did it to themselves by limiting the number of taxis and with fare control.***

***Apple did not kill the music industry.***

***They did it to themselves by forcing people to buy full-length albums.***

***Airbnb did not kill the hotel industry.***

***They did it to themselves by limited availability and pricing options.***

***Technology by itself is not the real disruptor: being non-customer-centric is the biggest threat to any business.***

I've spent over a year doing a deep dive into one of the disruptive companies Mr. Brea highlighted in his post and chronicled that exploration through stories of that company's leaders and community partners in my book titled *The Airbnb Way-5 Leadership Lessons for Igniting Growth Through Loyalty, Community, and Belonging*. Over the course of my study, it became clear that the founders of Airbnb quickly took their company to meteoric heights by pursuing a path that mixed the best of technology with the best of human service delivery. Airbnb struck a delicate balance between technology and people. Since the pursuit of business excellence is a journey, who better to guide that journey than a company whose self-described focus is to create: ***"a global travel community that offers magical end-to-end trips, including where you stay, what you do, and the people you meet. Airbnb uniquely leverages technology to economically empower millions of people around the world to unlock and monetize their spaces, passions, and talents to become hospitality entrepreneurs."***

Before we launch on our journey to optimized human experiences, let's take a moment to better acquaint ourselves with our guides—the leaders of Airbnb.

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## **A DECADE LONG JOURNEY FROM A NEED TO RENT SPACE IN THEIR APARTMENT TO A COMPANY VALUED AT \$38 BILLION**

The story of the Airbnb founders weaves well into the fabric of Silicon Valley mythology and is ripe for the big screen in the tradition of movies about the founders of Apple or Facebook. It begins with two graduates of the Rhode Island School of Design, Brian Chesky and Joe Gebbia. Upon completing school, these two enterprising young men lived in an apartment in San Francisco and found themselves challenged to make rent. Given that their apartment had a recently vacated room and that a major industrial design conference was coming to San Francisco, the duo decided to offer up their empty room as a bed and breakfast for conference attendees.

To market their offerings (several air mattresses, pillows, breakfast, access to Joe and Brian's library of design books and magazines, a welcome package with passes for the local area transit system, etc.), Joe and Brian constructed a very rudimentary website. By reaching out to design bloggers and conference organizers, Joe and Brian's website was circulated to attendees and they secured bookings for the three air mattresses they had available. These guests each booked the air mattress and breakfast package for \$80 per night for an average of five nights. In addition to providing their guests a breakfast of untoasted pop tarts and orange juice, Joe and Brian offered tours of San Francisco and insights on the city. The pair forged friendships with those who stayed with them and began to appreciate the unique human connection people can have when they open their homes to strangers.

Despite exceptional website design (lead by the third Airbnb founder Nathan Blecharczyk) the fledgling company faced periods of near collapse and the challenges of securing capital (who would invest in a business that's reliant on trusting strangers to stay in your home?).

However, the resourcefulness of the founders resulted in a profitable and highly valuable enterprise. In 2018, writing in *Forbes*, a group of MIT engineers and Wall Street analysts referred to as Trefis estimated that Airbnb was worth a minimum of \$38 billion using an interactive model based on four of the company's value drivers:

- **Number of Listings:** Estimated at 5.3 million in 2018.
- **Average Guest Arrivals per Listing:** Estimated at 31 per listing in 2018.
- **Average Rent per Guest Arrival:** Estimated at \$185 in 2018—multiplying 164 million guest arrivals by this average produces an estimated gross rental income of approximately 30.4 billion in 2018.
- **Average Share of Rental Income:** Based on the percentage Airbnb collects from hosts and guests off of the gross rental income generated, Trefis estimated Airbnb's 2018 revenue at \$3.8 billion with positive cash flow uncommon for fast growing start-ups.

Trefis calculates Airbnb's valuation by taking the companies estimated revenue (3.8 billion) and applying a multiplier of 10. The analysts also noted, "We believe this figure marks the lower limit of Airbnb's fair value, as our forecast for the number of listings and guest arrivals per listing are somewhat conservative (and it is a shorter-term forecast, not taking into account the long-term growth potential)."

Part of Airbnb's longer-term growth potential is reflected in product expansions from accommodation listings (the core area of Airbnb's business referred to as Homes) into areas such as booking local experiences and excursions (referred to as Airbnb Experiences). Rather than detailing the diversity of Airbnb offerings or relating a more comprehensive understanding of Airbnb's business success (both of which can be found in *The Airbnb Way*), let's shift our attention to how Airbnb leaders found their unique lane by striking a balance between technology and human service in a crowded field of well-capitalized hotel and travel industry giants.

## **A HIERARCHY OF NEEDS REQUIRE A MULTIPLICITY OF SOLUTIONS**

Reflecting back to the first Airbnb listing, (Brian and Joe's spare room) it might seem that Airbnb's breakthrough moment was the creation of a web-based platform where prospective guests could find varied or cheaper accommodations than they might otherwise find on hotel websites. While that is partially true, Brian and Joe understood that home hosting served a multitude of needs for their guests. On a practical level, their fledgling website had made it easy for guests to secure shelter and breakfast. On another level, it enabled them to experience personal connections in the community to which they were traveling. Brian sought to better understand the range of needs Airbnb could address by recruiting Chip Conley to an Airbnb leadership position. Chip, a veteran hotelier who masterfully stewarded his boutique hotel chain Joie de Vivre, had previously written a book titled *Peak: How Great Businesses Get Their Mojo from Maslow*. In that book, Chip outlined how business leaders could and should meet the needs of their team members

and customers across Abraham Maslow's famed hierarchy of needs—which in its most simplest form represents three escalating levels:

- **Basic Needs** (food, water, shelter, and safety)
- **Psychological Needs** (love, belonging, accomplishment, prestige)
- **Self-Fulfillment** (realizing one's potential)

As Airbnb matured, the company's leaders incorporated their "needs-based" thinking into all elements of their business culture and operations. In 2014, while writing to Airbnb's guest and host community, Brian Chesky signaled how the Airbnb experience addresses human needs on multiple levels:

*"Like us, you may have started out thinking you were just renting out a room to help pay the bills. Or maybe you were just booking a bed for a night on an unexpected layover. However we first entered this community, we all know that getting in isn't a transaction. It's a connection that can last a lifetime. That's because the rewards you get from Airbnb aren't just financial—they're personal—for hosts and guest alike. At a time when new technologies have made it easier to keep each other at a distance, you're using them to bring people together. And you're tapping into the universal yearning to belong—the desire to feel welcome, respected, and appreciated for who you are, no matter where you might be. Belonging is the idea that defines Airbnb."*

Leaders at Airbnb seek to address psychological needs like belonging (the company's mission seeks to create a world where everyone can "belong anywhere"), basic needs



(such as shelter and safety), and even self-fulfillment needs (helping individuals gain personal satisfaction through travel and business ownership). These efforts take place both on the Airbnb platform and through support to the Airbnb host community.

## **PERSONALIZATION AND PERSONAL CARE**

The concept of people renting out rooms to strangers is far from new. Boarding houses were once common in most towns and cities, and there are websites that predated Airbnb—e.g., VRBO and couchsurfing.com, which enable prospective guests to search for housing options. However, Airbnb’s commitment to a seamless and expedited user experience differentiated their web application. Their site loaded quickly, search functions were intuitive, and the interface was uncluttered. Airbnb leaders also deployed industrial design principles to address safety and psychological needs of customers.

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In a TED talk viewed well over two million times titled *How Airbnb Designs for Trust*, Joe Gebbia outlines how design principles can address emotional and safety needs. For example, when a guest asks a prospective host about a possible booking, Airbnb has carefully designed the size of the box in which that early interaction takes place. This design is guided by an understanding of factors that foster trust between two strangers.

In that talk, Joe noted that Airbnb website designers learned:

***“that building the right amount of trust takes the right amount of disclosure. This is what happens when a guest first messages a host. If you share too little, like, “Yo,” acceptance rates go down. And if you share too much, like, “I’m having issues with my mother,” acceptance rates also go down. But there’s a zone that’s just right, like, “Love the artwork in your place. Coming for vacation with my family.” So how do we design for just the right amount of disclosure? We use the size of the box to suggest the right length, and we guide them with prompts to encourage sharing.”***

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To exemplify the optimal size of the communication box, Joe shared the following:

## Introduce Yourself to Susan

Giving your host more information will make them more likely to confirm your booking request:

- Tell Susan a little about yourself
- What brings you to Atlanta? Who's joining you?
- What do you love about this listing? Mention it!



Airbnb has also established a well-crafted reputation system on its web-platform. Through iterative design, leaders have worked on weeding out many of the biases that can reduce the reliability and usefulness of such a system. For example, Airbnb made a change to a reciprocal rating process where guests rate hosts and hosts rate guests without fear that a retaliatory review might occur. In the early days of the system, when either party rated the other that review would be posted immediately. This could lead to an overly positive first review out of fear that the other party would lash out in their review. Now the system creates a simultaneous disclosure of the reviews once both parties have submitted feedback.

In addition to these trust-building design elements, Airbnb has used technologies like artificial intelligence to avert fraud and personalize search options based on user preferences and past booking behavior. Therein is our jumping-off point from technology to human service delivery. While Airbnb's technology fosters trust, drives efficient transac-

tions, and personalizes search options, leaders in the company understand that truly memorable travel experiences require a host community that delivers personal care through hospitality (defined at Airbnb as “service with heart”).

## GETTING TO THE HEART OF THE MATTER

No matter how well Airbnb leaders design their website and app, guests will judge their experiences based on:

- **How well their needs were met.**
- **The level of effort they had to expend to get those needs met.**
- **The responsiveness of hosts.**
- **The authentic care and concern demonstrated by the host.**

To help hosts deliver a type of hospitality in keeping with Airbnb expectations, Airbnb has developed hospitality training resources, created peer-to-peer sharing platforms, and leveraged their reputation system to incentivize desirable behavior while culling out those who fail to meet guest expectations. As Chip Conley puts it: ***“We realized we had to help hosts understand what they were missing when it came to hospitality. Often hosts would have high ratings on most but not all important areas of service excellence, so we would send those hosts emails with relevant and helpful information based on opportunities in areas like responsiveness.”***

In addition to helping hosts improve their personal care of guests, Airbnb also spotlights hosts who provide exemplary hospitality. In *The Airbnb Way*, I offer countless examples of this type of service with heart. Here is an excerpt from the book which demonstrates the type of personal care delivered by hosts:

***Dabney Tompkins and Alan Colley list an extremely popular Airbnb property atop a 40-acre meadow on 160 acres of private land near the Umpqua National Forest in Oregon. The property is so desirable it appears on the wish lists of 20,000 Airbnb guests and gets booked for the entire season within a few minutes of opening their annual calendar. The home is modeled after fire lookout towers built by the U.S. Forest Service, with considerable modern upgrades. For all its modernization, guests still have to traverse four flights of stairs to get from the ground to the living area, and toilet facilities are primitive by flush toilet standards.***

***Limitations notwithstanding, the peaceful, off-the-grid nature of the property is a large part of the fire tower's appeal. An equally important attractant is Dabney and Alan's commitment to personalized guest care. Dabney and Alan choose to live on the 40-acre parcel so they can be available to guests. Cell service is provider dependent, so Dabney and Alan supply two-way radios for communication with guests. They also keep guests informed if they go off-property for supplies.***

These hosts are actively in communication with guests before, during, and after their visits. They also collaborate with guests to help them, in Allen's words, "listen to the wind giving voice to the trees and to create lifelong memories."

Dabney states, "We are aware of 12 marriage proposals that have taken place on this property. It's a very popular place because it's so remote and we are eager and willing to

do whatever we can to make a visit special.” Alan gives a specific example of one of those proposals and the way the hosts partnered to personalize the experience. The man began involving the hosts in his plan for his proposal as soon as he secured the date for his return visit. When the guest and his girlfriend arrived, Alan recalls, “We met them at the base of the tower and asked if we could reveal to them the major renovations we made in the home since they last visited. To do so, we asked if we could blindfold them before we led them into the living space. They agreed, and we took the boyfriend in first.

The room had been staged for the event and he swiftly went to one knee with his ring in hand. We then escorted his girlfriend in and removed her blindfold. We videotaped her surprise and her acceptance of his proposal.” Dabney adds, “When we were discussing the arrangements, I said, ‘this is a personal moment. Are you sure you want us there?’ And our guest said, ‘you guys are like family to us.’ So, we enjoyed the honor of sharing that moment.” Not all of us will be perceived as being “like family” by those we serve, but we should strive to blend technology and human service to meet a breadth of human needs.

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## BRINGING THE AIRBNB WAY INTO YOUR BUSINESS

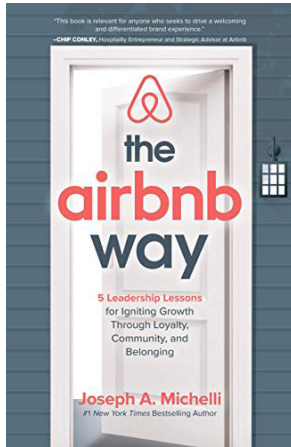
Here are a couple of quick takeaways for you to consider as you think about how lessons from Airbnb apply to you and your business:

- Most customers calculate the cost of an experience based not only on how much money they pay, but also how much time and effort they must expend to receive their goods or services. How are you leveraging technology to reduce the effort of your customers?
- Delivering elevated human service begins with listening and observing the needs of those you serve. What training are you receiving or providing when it comes to listening, empathizing, and anticipating ways to meet not only stated but unstated (e.g., belonging) needs of your customers?

While some futurists envision a world where technology will replace all humans when it comes to service delivery, **Airbnb demonstrates how much is possible when leaders adopt a technology AND human service approach which responds to customer needs beyond transactional levels.** 📌



# Info



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## ABOUT THE AUTHOR

Joseph A. Michelli, Ph.D., C.S.P., is an internationally sought-after speaker, author, and organizational consultant. His insights encourage leaders and frontline workers to grow and invest passionately in all aspects of their lives. Dr. Michelli is the author of numerous national bestsellers, including *The Starbucks Experience*, *The New Gold Standard*, and the *New York Times* #1 bestseller *Prescription for Excellence*. He was named as one of the Top 10 thought leaders in Customer Service by Global Gurus.

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