Airbnb: Scaling Safety with Rapid Growth

Teaching Notes

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Purpose of the Case Study

1. To discuss the challenges of a rapidly growing company in the competitive sharing economy.
2. To describe the implications of Airbnb’s business model and associated safety hazards.
3. To outline the company’s response to similar hazardous occurrences for purposes of problem solving and communication criticism.
4. To explore possible ethical issues and how Airbnb should proactively proceed as it continues to grow.

Identifying the Business Problem

On July 4, 2015, Jacob Lopez arrived in Madrid, Spain to meet his Airbnb host, whom he learned was transgender. Upon arrival, Lopez followed his host to the apartment at which point she demanded that he perform a series of sexual acts. Lopez refused and she locked him in the room where he would be staying, and threatened him by cutting off the lines to the Internet and fumbling with kitchen knives.

Fearing for his well-being, Lopez texted his mother back in the United States who immediately phoned Airbnb for help. The company indicated that she would need to call the Madrid police for Lopez’s address to be released. Unfortunately, she was unable to connect with the police. Lopez was later sexually assaulted before escaping.

The growing sharing economy, characterized by peer-to-peer transactions, creates an exploratory environment for legalities surrounding traditional needs. This case study highlights Airbnb’s attempt to remain competitive amidst uncertainty and examines the potential detrimental effects of the company’s reactive approach.

Identifying Critical Issues Involved

This case outlines various internal and external communication issues.

- First, the failure to properly use the hotline as a method of emergency communication. Airbnb implemented the hotline as a safety precaution, yet it has proved to be unreliable.
- Second, the delivery method for each apology. Airbnb’s apologies never directly confronted the issues. However, Airbnb indirectly framed its apologies, suggesting that the company was not truly “sorry.” The apologies have a repetitive nature and little seems to have changed in their corporate policies.

This case also describes several hurdles associated with entering the sharing economy. As Airbnb does not need to adhere to the same legalities that traditional hotel properties must follow, the company essentially becomes forced to structure its own safety framework.

In addition to safety protocol, Airbnb must consider how best to implement necessary processes to accommodate the sharing economy’s rapid growth. This begs the question of whether Airbnb will be able to balance growth and safety in the future.

The degree of Airbnb’s transparency is unclear. There is certainly a parallel between when the
company has changed the terms of service and when hazardous situations occurred.

**Applying the Page Principles**

Arthur W. Page was a vice president and director of AT&T from 1927 to 1947. Considered the first vice president of public relations and an innovative communicator, he is credited for having established several key management initiatives, later coined “The Page Principles.” The principles focus on long-term integrity and timely management. As outlined below, each principle can be applied to this case.

**Tell the Truth.** While it does not appear that Airbnb’s management intended to blatantly lie, there is evidence that they tried to mislead the public. Many of the company’s public statements following safety-related incidents were vague. Furthermore, the fact that Airbnb management implemented an emergency hotline, yet failed to use it properly, begs the question as to whether or not they really took this precautionary measure as seriously as they promised they would.

**Prove it with Action.** Certainly the company’s history of emergency hotline failures shows that Airbnb failed to prove with action. Additionally, CEO Brian Chesky offered up his email address in case other representatives were unreachable in an emergency situation. However, how could he possibly be on-call 24/7 to literally thousands of consumers? Finally, when we tried to reach Mr. Chesky via this address, we did not receive a reply.

**Listen to the Customer.** After EJ (the Airbnb host who reported her apartment trashed and items stolen in 2011) called for remedial action, Airbnb only offered support when the mainstream press began covering the story. Fearful of negative press coverage, the company remedied the situation. When saving face becomes the reason for helping customers, the average consumer is apt to question the company’s integrity.

**Manage for Tomorrow.** Forecasting is no easy task, especially in an emerging market such as the sharing economy. The “unknowns” and “what-ifs” associated with such a market are extraordinarily complex. Nevertheless, Airbnb must transition to an overall more proactive approach. Time and again, the company proved to be entirely reactive to similar situations instead of executing truly aggressive and continuous quality improvement.

**Conduct Public Relations as if the Entire Company Depends on it.** While Airbnb released public statements, let’s not forget that a portion of such statements were disclosed after prodding by the press. Today’s viral social media landscape essentially allows anyone to be a self-proclaimed journalist. This makes it necessary for a company to squelch rumors early on. Airbnb should expand their communication team to include more than the Chief Business Affairs and Legal Officer. Additionally, the corporate blog should be used as a medium to conduct public relations, and the corporate press page should not be the only internal platform.

**Remain Calm, Patient, and Good-Humored.** Airbnb’s brand strongly associates with a community feel. Community is associated with support and fun, both adjectives that could be arguably connected to calm, patient, and good-humored. Airbnb should maintain this positive and trendy branding, while exerting care to remain transparent, as well, so the carefully cultivated image doesn’t backfire.
Discussion

Students should focus on the entrepreneurial nature of Airbnb’s business endeavor and think about how other businesses within the sharing economy, including those serving varied purposes such as transportation, parking, etc., navigate the sharing economy. Incorporate relevant legal ramifications and ethical considerations into the discussion.

Conversation surrounding the communication team is also important. Students should explore how this team might address the Lopez incident and other similar incidents. Students should also examine how communication might be restructured to better serve hosts and guests. The instructor may consider briefly talking about how much closure Airbnb brings to consumers within the context of each hazardous situation. He/she should encourage students to comment on the degree of Airbnb’s transparency.

Ethics is an important discussion topic as well. Students should be reminded that without ethics at the forefront of business practices, failure is almost guaranteed. Discussion surrounding how to form one’s own ethical compass while operating in a space not forced to adhere to certain legalities would be an asset to classroom conversation.

Questions

1. If the press posed the following question to you as an Airbnb executive, how would you respond? “You claim that safety is your first priority, yet a teenager was sexually assaulted in one of your properties. How do you explain this?”
2. Is it Airbnb’s responsibility to protect its guests? Should the company implement an automaticity plan?
3. Should Airbnb communicate all safety and policy changes to customers? How should it communicate changes?
4. Is Airbnb being proactive enough in its safety efforts? Is the business growing too fast to properly protect guests?
5. Although it would slow growth, is a more thorough vetting process for hosts and guests needed?

Suggested Solutions

1. Airbnb executives must couple their verbal responses with action, something they failed to do in the past. The response should acknowledge the failure and must promise to show commitment to safety through action. Executives should be prepared to provide a detailed action plan.
2. An automaticity program should be implemented. Airbnb has a dual loyalty to its guests and hosts. Investing in both parties’ safety will ultimately benefit Airbnb fiscally. Perhaps more importantly, this investment is ethical.
3. The company must include transparency in their Terms of Service. While not every change calls for an announcement, certainly major edits related to safety improvements do. Such transparency could also improve consumer confidence.
4. Remember that ethics should be at the forefront of business practices. If Airbnb compromises safety for fast growth, failure is likely. Airbnb could be more proactive by incorporating certain ethical practices.
5. And, yes, a vetting process would be an asset. While the process may slow short-term growth, it will almost certainly result in long-term stability.
PowerPoint Presentation

Click here to download the PowerPoint presentation accompanying this case.

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