

AIRBNB GOES PUBLIC: THE BUSINESS MODEL HAS BEEN CRITICIZED



The historic provincial town of Kingston in New York State illustrates how resourceful business people can profit financially even from the corona pandemic. Virtually overnight, Kingston became a place of refuge for people who could no longer stand to live in the metropolis of New York City, 100 minutes away by car - and the booking portal Airbnb played a central role in this.

In May, Airbnb CEO Brian Chesky, one of the co-founders of the company founded in 2008, noticed how users of his platform were suddenly no longer looking for holiday flats in vibrant cities or exotic dream destinations, but for houses by a secluded lake near their actual place of residence. So Chesky ordered **a change of business model, away from mass tourism to new lodgings in the province.**

A Drop in Turnover at Airbnb

The platform currently lists more than 100 properties for Kingston. They range from historic townhouses to cozy cottages by the river. Many of these properties can also be rented for a longer period. And because there is good money to be made on Airbnb, business is booming.

Such anecdotes explain why the interest in today's IPO of Airbnb is extraordinarily high - even though travel restrictions and quarantine obligations are currently paralyzing tourism not only in America.

Last week the company raised over \$3.5 billion trading 50 million shares - \$68 per each. Initially, Airbnb had expected the stock price somewhere in-between \$56 to \$60 per share.

The Founders Are Getting Super-rich

The main beneficiaries will be Airbnb's three co-founders. The personal fortunes of CEO Chesky, chief strategist Nate Blecharczyk and advisor Joe Gebbia will grow to about \$5.5 billion each through the IPO. However, Kingston's success story cannot hide the fact that Airbnb has had a difficult year. In the third quarter, for example, the flat broker's turnover collapsed by 18% to 1.34 billion dollars.

Thanks solely to job cuts at the group's headquarters in San Francisco - around 25% of Airbnb's 7500 employees lost their jobs this year - the bottom line was a quarterly profit of 219 million dollars. In the eyes of investors, the company thus proved that it would turn the corner, after Airbnb had still accumulated a loss of more than 916 million dollars in the first six months of 2020.

Airbnb Faces Big Problems

In addition, the company, like so many internet groups, was already struggling to operate profitably throughout the year before the crisis. In the past ten quarters, Airbnb has made a profit only four times. The prospectus, which was published in mid-November, states: "Our revenue growth has declined, and we expect it to continue to decline in the future", partly because the Corona pandemic is crippling free travel, especially in Europe.

The stock exchange prospectus is packed with such warnings concerning the business in Europe, the pending exit of Great Britain from the EU or the growth of the Chinese market. **Airbnb, for example, is having a hard time resisting pressure from Chinese authorities to share as much user information as possible.**

There are also numerous unanswered questions, especially in America and Europe, regarding the core of Airbnb's business model - it is a thorn in the side of many municipalities that the housing broker creates an artificial shortage of supply on the real estate market. However, the prospectus does not reveal how much money the company is currently turning over in Europe or China. Airbnb also refrains from publishing the turnover figures for the largest countries in which it operates.

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