

## Branding and Strategic Positioning For Enhanced Performance among Online-Based Companies: An Empirical Study on Airbnb

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### Abstract

*Airbnb has been known for extensive services in online home-sharing and promotion of travel and tour business. However, bearing to the increasingly changing environment and business trends across the globe, it is time for Airbnb to diversify and extend its services to other inter-related products. The proposed new product for Airbnb is development of online taxi service platform in the most toured areas and other upcoming markets. While Airbnb has recently relied on homeowners to rent out their cars to their clients, Airbnb can also go an extra mile and have its own taxi platform which can either be developed separately or integrated with the existing platform. Through the existing potential clients and homeowners at the Airbnb platform, the company will identify the most appropriate travel destinations to start the service. The company will market the service where local drivers can link up with the travellers and offer taxi services. With time, this service can be expanded to stand on its own brand and compete with other key players in the market like Uber. However, it is proposed that the service can be piloted by partnering with the existing online taxi service providers like Uber. The company will then start its own service after the reception of the piloted service. The main potential customers for this service will be the existing customers at Airbnb and other referrals as well as other customers from extensive marketing to be done on the service. The pricing strategy adopted for the service will be economy strategy where the costs of development and marketing will be minimized and the prices minimized as well so as to stand a chance to compete with the existing players.*

### Keywords

branding; strategic positioning; enhanced performance; online-based companies; airbnb

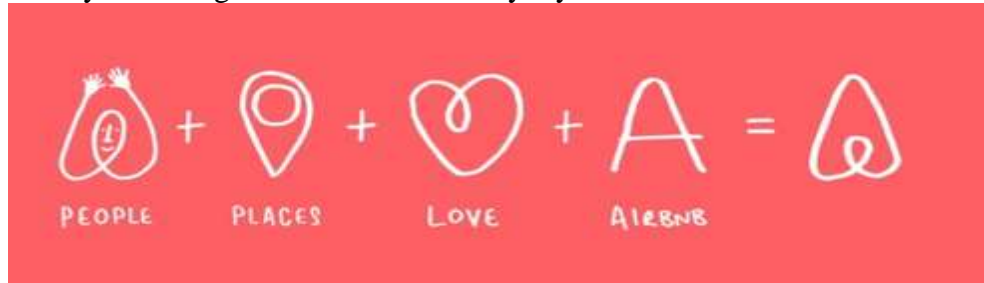


## I. Introduction

Airbnb company dates back in 2008 when two partners Chesky and Gebbia; came together with the main aim of providing accommodation solutions to conference attendants in USA. The two proprietors latter designed an online platform where travellers could book for rent-sharing while home-owners willing to host travellers would link up. The company has exceedingly expanded across the globe with the company having diversified to other services and products such as car rentals, events booking and ticketing, provision of meals to travellers as well as tour guides. These services are all offered through online platforms where customers can view and seek these services anywhere across the World thus making the expansion of the company quite easy and effective.

The company has major key defining features that have seen its brand grow exponentially beyond the expectations of the founders. One of these features is the company's logo. The logo of the company known as Bélo (Figure 1) has played a

significant role in building and distinguishing the brand. The logo amalgamates several aspects associated with the company which include people, places and love and forms a letter “A” for Airbnb. This signifies the connection between the company and its clients, an extensive way of winning customer trust and loyalty.



**Figure 1.** Meaning of the Airbnb's Logo

Source: Airbnb.com

Moreover, the colour adopted by the company is reddish which shows the appeal and the company's concern to the welfare of their clients. The colour was changed from corporate blue which was the initial from the inception of the company to a red peach which the founders stating that the new colour has helped the company uniquely identify its brand.

Another defining feature of Airbnb is the services it offers and how it identifies itself in the market, as a global link to tourists and travellers. The company offers travel and tour services with the major one being accommodation all through local hosts. While other companies only connect travellers with hotels, Airbnb connects them with local individuals in their travel destinations who are ready and capable of not only hosting but also guiding the travellers and helping them on one-on-one basis meet their travel goals. These features identify with the company's mission, vision, core values and goals as herein outlined.

### **Mission**

The mission statement for Airbnb is to take part in creating a World where people belong anywhere and can not only travel to places but leave there. This links to the feature of people, places and love where one can travel to places, find people who are accommodative and loving and at the end of the day feel part of them.

### **Vision**

The vision statement for the company is “Belong Anywhere”. This is similar to the feature where local hosts are the main tour guards. Having local hosts implies that one will be identified as part of anywhere he or she travels through the interconnection, Moreover, the cost efficiency and effectiveness of the services by the company would encourage travelling hence associating with ‘belonging anywhere’.

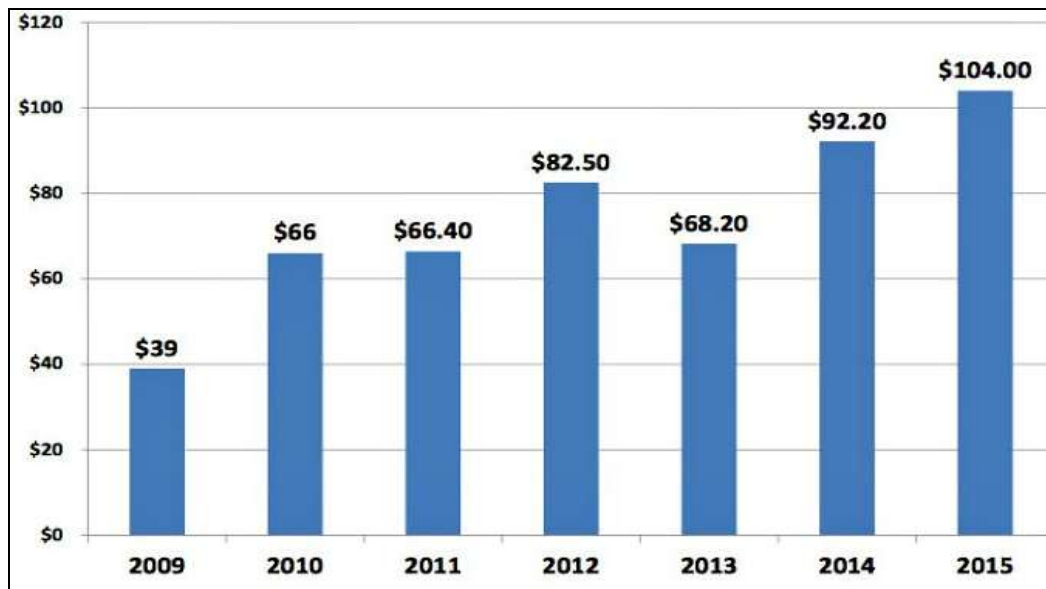
### **Values**

- The values of the company are:
- Simplify
- Embracing adventure
- Championship of the mission
- To be the host and entrepreneur

### 1.2 The New Service (Fits)

The proposed service is development of an online Taxi service platform. In the new era of globalizations, individuals and companies are turning to international entrepreneurship and as previous evidence reveals, this has increased the need for local travel by international visitors. Airbnb has for the years focused on having local hosts and housing as the main area of focus. There is the need for the company to diversify by investing in online taxi service platform where most of the Airbnb clients have been interested in the service. On top of local homeowners hosting travellers, the travellers also require to move around the areas they visit hence the need for a taxi service closer to the travellers.

The service will be part of the existing brand in that the immediate target market will be existing Airbnb clients. However, to identify with the existing brand, the taxi drivers will be put in strategic areas close to the hosts. This fits with the existing brand in that the company mainly deals with housing and accommodation and this will be part of the service but this time going an extra mile of having a taxi platform to facilitate movement of the travellers. As evidenced in Figure 2 below; the demand for local homes by international travellers has been increasing over time.



*Figure 2. U.S. Home Sales to Foreign Buyers*

Source: Schulz (2015)

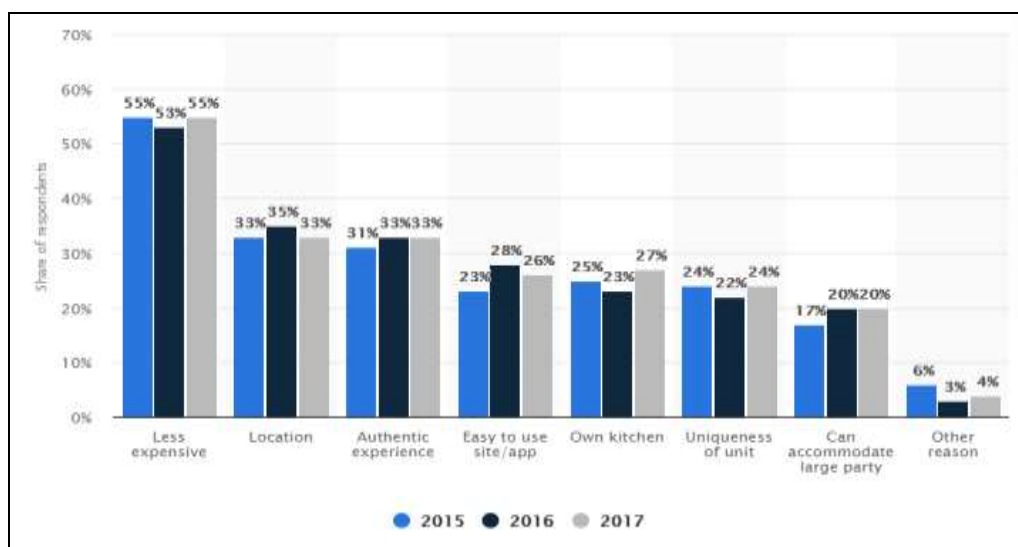
Evidence shows that most of the homestay tourists and travellers develop interests in continued stay at the hosted places and in turn look for continued stay in their destined areas. This implies that Airbnb clients do not have to seek other means of transport but seek the service through a platform by the company. This way, the company will enhance its market and revenue growth and sustainability. This will not affect the way Airbnb markets its other products and services since this is an additional product with aspects and framework tied to the main product and services.

### 1.3 Effectiveness of the existing Branding efforts by Airbnb

The branding efforts by Airbnb have been comprehensive and effective in covering the target market. The company has positioned its brand as a unique travel company that caters for the accommodation of travellers and their welfare while at their travel

destinations. Through focusing on local home-hosting and linking the home-owners to the travellers, this branding effort has seen people tune from the normal travel where hotels are the major points of focus thus placing the company and its service to a unique level.

The name selection by Airbnb has also been a key successful effort in promoting its brand. The name connects to the key aspects for travel which are ‘Air’ for travel means, bed and breakfast. These aspects assure the traveller of the essential services in accommodation thus they are at the centre of strategically placing the Airbnb’s brand. The company also embraced lower pricing strategy that has seen its brand grow exponentially owing to the effect of price leadership. As shown in Figure 3, majority of the Airbnb clients cited low pricing as the main drive for them to choose the company.



**Figure 3. Reasons why People Prefer Airbnb**  
Source: Statista (2019)

The effectiveness of branding efforts by Airbnb suggests that the online tax service as the new service should be customer-focused such that it upholds the needs of the consumers. The prices also have to be low as it has been for the other products by Airbnb. This will be the expectations of most of the customers.

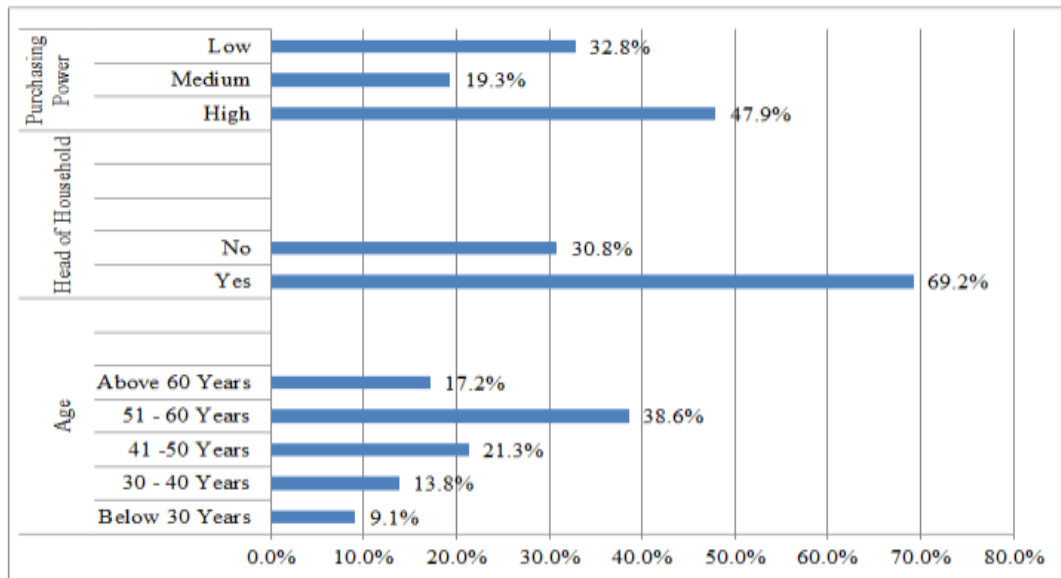
## II. Review of Literature

### 2.1 Target Market

The target market for the product will be travellers who mainly are Airbnb clients as well as other travellers who require movement around their places of visit.

#### a. Demographics of Potential Clients

The demographics of travellers who are the potential clients for the new product show that majority of the travellers are aged over 50 years. These are individuals who require easy life and to facilitate their movement around during the visits, a convenient taxi service would be necessary. Majority are heads of the households which implies that they make most of the decisions including moving around during their visits. The demographics further shows that majority of the target market have high purchasing power. The available evidence shows that individuals with high purchasing power are more likely to visit more than one place at a go hence they would require an effective taxi service.



*Figure 4. Demographics of Travellers*

### **b. Behavioural or Psychological Characteristics**

Most of the clients targeted are likely to be aggressive and exploratory people who are willing to explore other cultures and social aspects. This is an indication that such individuals will have frequent movements around places they visit and to facilitate this, a taxi service is necessary. Such customers are the majority in Airbnb which implies that the service is likely to pick once the customers embrace it.

### **2.2 Key Features of the Product to the Market**

The proposed service (development of online taxi service) is aimed at providing further solutions to the Airbnb's clients who have previously developed the interest of movement out of their experience from the homestay host. As noted by McIntosh, Lynch, and Sweeney (2010), most of the homeowners who are willing to allow in commercial homestay for the tourists and travellers also consider the option of renting out their cars to the travellers. This is to imply that if Airbnb adopts the service by allowing homeowners to rent out their cars to the travellers. Moreover, there are the travellers who develop interests in movement around the areas they visit but they have no means of doing so doing to lack of convenient aid (Taxi). The company also needs to maximize revenue through diversifying to online taxi service and this would be the breakthrough.

According to Acharya and Halpenny (2013), most homestay tourists and travellers develop interests in exploring and moving around the areas they visit. Moreover, most customers will develop interests in products and services after they see them and this is the case when the products are under one platform.

### **2.3 Why the Target Market is the Strategic Choice for the Product**

The target market which is comprised of the existing customers at Airbnb and other travellers and tourists is the strategic choice for the proposed service. This is because most of the customers at Airbnb and other companies with services similar to Airbnb have developed concerns on the availability of convenient taxi services. Moreover, Airbnb has been previously seen decline in the number of availability of rental cars hence the taxi platform developed by the company will close this gap an indication of an already existing potential market.

### III. Research Methods

#### 3.1 The company's tangible and intangible strengths in providing the new product

There are several strengths that are projected to enhance the success of the product. One of the strengths is the availability of experienced personnel at Airbnb who will extend their expertise to the new product. The personnel have far-reaching experience in branding and marketing strategies thus they will employ the competencies in promoting the new service. The weakness associated with this however, is that the costs of training the employees on the specific aspects of the new services and how to go about it to enhance its success in the market.

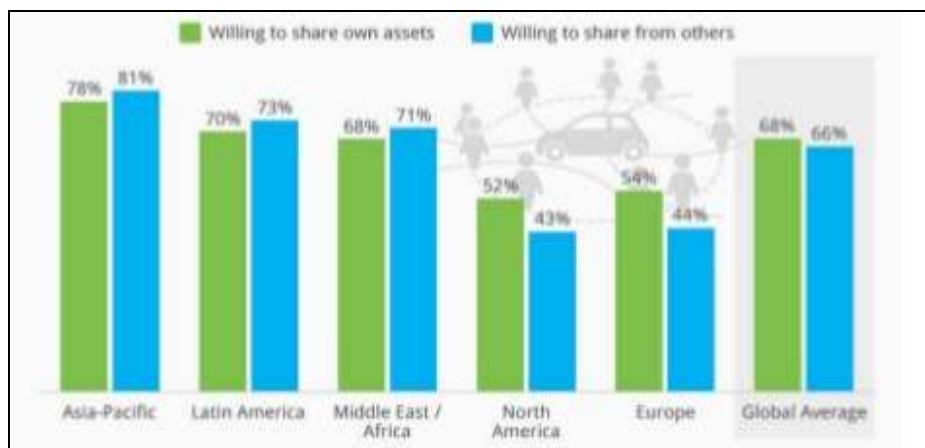
The organizational culture at Airbnb will also be a major strength that will highly pave way for the success of the proposed service. The values and beliefs embraced at Airbnb have a strong correlation with how the employees behave and relates to each other. These are major ways of enhancing the success of a new service. The culture also may turn to be weakness if the values, assumptions and beliefs are not aligned towards the main organizational goals and objectives.

The other strength is the pricing strategy that has been used previously by Airbnb. The prices of rooms and accommodations offered by company have been relatively low and competitive. The proposed service will therefore attract customers who expect low prices and this will be the thriving point for Airbnb. However, this can be a weakness if the projected prices of the taxi services turn to be higher. This may highly affect the success of the service.

#### 3.2 Opportunities and Threats

There are several opportunities and threats that are expected to affect the success of the proposed service. The emerging consumer trend is one of the opportunities. In the recent past, the consumers also prefer homestay travels than hotels which implies that the subscription of new customers to the existing products at Airbnb is likely to increase. This will create an opportunity for a growth in the market of the new service.

The customers are also tuning to lower cost consumption and they are more willing to engage in sharing economy. The analysis shown in Figure 5 reveals that in most parts of the World, majority of the traveller are willing to participate in sharing economy an indication that homestay travels are likely to be embraced more. However, this can be a threat if the consumers decide to shift their preferences and this can be influenced by aspects such as continued dissatisfaction and risks associated with sharing economy.



**Figure 5.** Online Consumers willing to take part in Sharing Economy  
Source: Statista (2019)



Ethics are also likely to affect the success of the proposed service. Some societies may consider sharing of property or cars as an aspect of intrusion thus they could be slow in embracing the main product of the company and this will disadvantage the new product as well. Other persons may perceive homestay or home sharing during travels and tours as a symbol of poverty. This will make them shy-off from embracing the products and services thus disadvantage the new product as well. Moreover, some actions by the users of the product may also affect the success of the product. An example is an incidence where a travel host accused the Airbnb customers of vandalizing her property which affected other hosts from offering their premises for travellers.

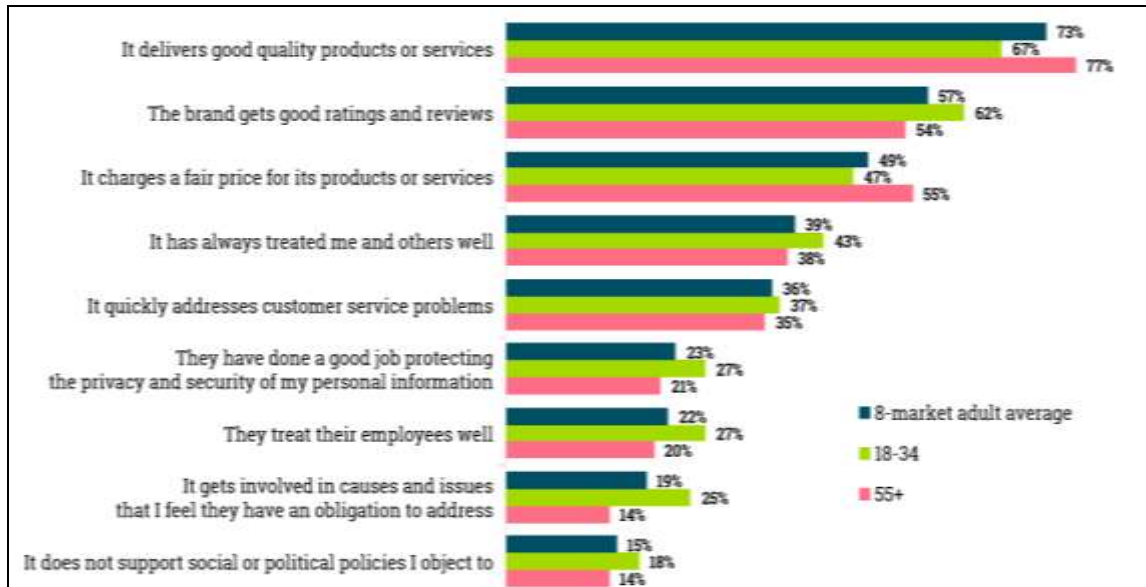


Figure 6. Reasons Why consumers Trust Brands

## IV. Results and Discussion

The success of the proposed new service (Online Taxi Services) will significantly be contributed by the core competencies in Airbnb. These competencies will be streamlined to the new service in order to enhance its penetration in the market. The competencies are as herein outlined.

### 4.1 Leadership Skills

From a simple operation in an apartment ran by two individuals to a multinational empire, Airbnb has exceedingly drawn its success from the leadership skills right from the founders to the rest of the management team. According Bahri and Yahya (2015), leadership capabilities and skills play a key role in steering the differentiation of organizational products to gain competitiveness. Similarly, leadership skills and styles exemplified by the management team at Airbnb have enabled the company to differentiate its products from those of the competitors. For Airbnb to compete with the already established key players in the market such as FlipKey, HomeAway, HouseTrip and HomeToGo, the ability of the leaders to involve the stakeholders, outgoing in search of partners, example setting and proper and efficient decision making.

Linking this core competency to the proposed service, a new service requires outgoing leaders who are willing to go out of their way to uphold and promote the new service. The taxi service will require the company to first pilot through partnership with the

existing players in taxi industry such as Uber and Lyft. For this to be achieved, the leaders are the major players to link up with these companies for the partnership. The leadership skills by the company leaders will also be integral in assessing and interrogating the credibility of the proposed service and making decisions on how to have the service rolled-out.

#### **4.2 Teamwork and Teambuilding**

One of the major key drivers of organizational success in the modern business World is teamwork. The ability of a company's workforce to work together as a team portrays its ability to tackle emerging issues that are critical to continued improvement and problem solving. This has been the case at Airbnb where the operational procedures of the company have been based on teamwork and organized working procedures to contribution of each employee towards success of the company. Airbnb believes that the teamwork espoused by its employees has exceedingly contributed to their success over the years. This is also expected to be a major driver to the success of the proposed service. Through working together as a team, the online taxi service is expected to be propelled to high penetration rate in the market. This will be mainly as a result of creativity brought about by teamwork.

#### **4.3 Design and User Friendliness**

Airbnb has been known to provide products and services that are easy to use and with unique and appealing designs. Right from the company's logo, the design shows a unique frame to connect the consumers as well as to make the company's products and services easier to identify. The company has also embraced high classic designs of other products which have enhanced their high penetration and acceptance in the market. Grunig and Kühn (2011) suggest that when planning for a strategy, it is important for the management to ensure that the strategy will be easy to use and unique to beat those of the competitors.

The online taxi service platform will be uniquely designed to ensure it stands out from those of other market players. The company has previously come up with unique and appealing designs of its products and services and this will be the case to the new service. Moreover, the service will be user friendly such that the users will be able to easily request for taxi under the same platform offering them accommodation and other travel services. This is one aspect that will enhance trust among the customers hence giving the company an advantage.

#### **4.4 Cost-Saving and Affordability**

Airbnb has mainly majored on offering affordable services and products to her clients, an aspect that has seen the company thrive in the market. Evidence shows that cost-leadership is one of the major ways that upcoming businesses can successfully use to distract and enter into the market. Most of the clients at Airbnb have cited low prices as the major reason as to why they chose the services and products of the company. This is to imply that the company has a core competence of minimizing the costs of coming up with their services and products hence they are able to provide them at affordable prices. This will be the case for the proposed service. The company will reduce the costs of designing the platform for taxi services as well as encouraging use of low fuel consuming vehicles. This will enable the company to provide the online taxi service at a lower price.

The core competencies of Airbnb will be significant in enabling the proposed new service to excel in the market. The leadership skills among the management team of Airbnb will provide a pathway for the online taxi service to be embraced in the market and



strategically place the service under one roof with the homestay services offered by the company. The teamwork competence will also enable the company through the employees to collectively work towards creating a unique platform for the taxi services. Cost-saving will strategically place the proposed service as a cheap and affordable means of moving around among the travellers.

## V. Conclusion

### 5.1 Fixed and Variable Costs

The company will incur costs in developing and marketing the new proposed service. The costs will be both variable costs and fixed costs. The variable costs will include development of a website to be attached to the existing platform, costs of designing the product, promotion costs, cost of piloting the product to test its viability in the market before it is launched in the market and the costs of recruiting drivers. The fixed costs will include costs of marketing the product, costs of maintenance and service of the website, costs of repair and maintenance, salaries, insurance covers among others. The breakdown of these costs is as shown in Table 1.

**Table 1.** Breakdown of costs for the Product

| <b>Variable Costs</b>           | <b>{000\$}</b> |                |
|---------------------------------|----------------|----------------|
| Website Development             | 500.00         |                |
| Product Design                  | 320.38         |                |
| Promotion                       | 397.02         |                |
| Pilot of the product            | 211.00         |                |
| Purchase on pilot cars          | 2044.91        |                |
| Developing the product          | 1960.55        |                |
| Launch of the Product           | 92.00          |                |
| Staff Training                  | 116.09         |                |
| <b>Total Variable Cost</b>      | <b>5641.95</b> |                |
|                                 |                |                |
| <b>Fixed Costs</b>              |                |                |
| Marketing                       | 498.21         |                |
| Website Service and maintenance | 71.08          |                |
| Repair and maintenance          | 917.00         |                |
| Salaries                        | 220.05         |                |
| Insurance                       | 92.00          |                |
| Taxes                           | 933.67         |                |
| <b>Total Fixed Costs</b>        | <b>2732.01</b> |                |
|                                 |                |                |
| <b>Total Costs</b>              |                | <b>8373.96</b> |

The total costs are in line with the company's short-term and long-term goals and within the budget for upcoming investments. The short-term goals of Airbnb are to invest in upcoming ideas tend to maintain the mainstream revenues of the company. The company intends to have short-term projects that are in line with the existing brand as it is the case for the proposed product and service. The long-term goals of the company on the other hand are to ensure that the existence and sustainability of the company is enhanced

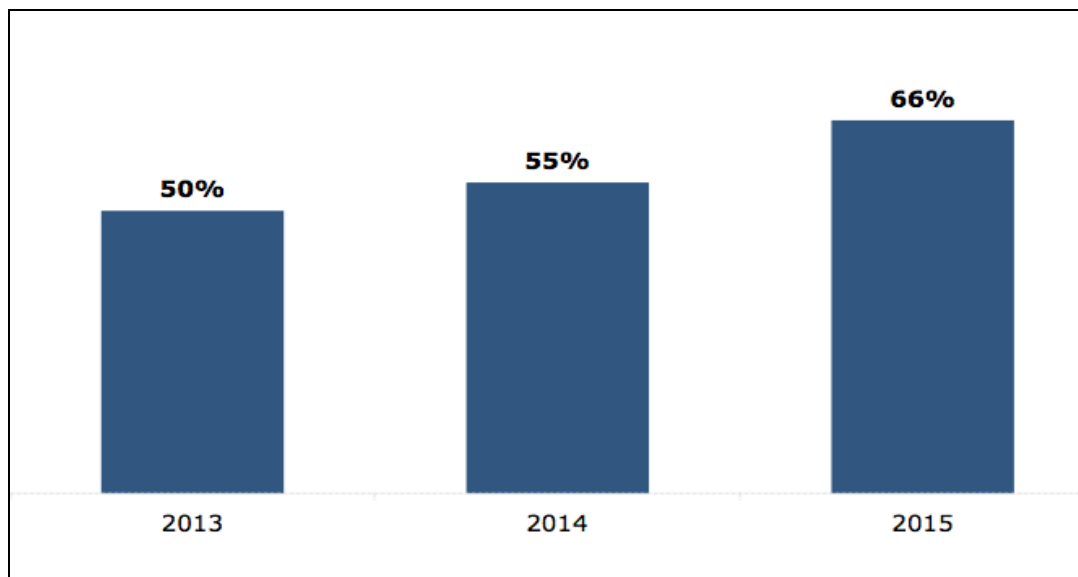
through investment in other brands that can enable the company to enter and diversify into new markets. It is expected that in future, the company an invest more in the product to have stand alone as a different brand for diversity.

### 5.2 Amount the Target Market is willing to Pay

Based on previous experience with the customers at Airbnb, they are always willing to pay a price that is slightly lower than other players in the market. The price of a medium trip by other key players in the market ranges between \$200 and \$450. The company will minimize the costs of trips by having lower consumption vehicles and other associated costs so as to lower the prices of the trips as well. The average price of trips for the taxi services under Airbnb is projected to cost between \$140 and \$210.

### 5.3 Willingness of the Customers to Pay more

Owing to the fact that most of the Airbnb customers have always be driven by the price, the may as well not be willing to pay more for the new product and service. However, with continued innovation and diversity, the customers can be convinced to pay more for the product but with assured increased quality and other related benefits. A survey on willingness of customers to pay more for products and services from firms that are devoted to environmental and social impact showed that the numbers increased from 50% to 66% between the year 2013 and 2015. This implies that once the product penetrates the market, the company can focus on sustainable methods. It is projected that in future, the company will have Taxis that are environmental friendly such as solar and hybrid vehicles.



*Figure 7. Willingness to pay more for Environmental Friendly Products*

### 5.4 Price Strategy to be used

Based on the analysis, most of the Airbnb customers are price sensitive thus the best pricing strategy will be economy pricing. This is a strategy that will aim at reducing the service development costs, marketing costs and other related costs so as to minimize the price. The initial price for the service therefore is projected to range from \$140 to \$210 which are among the lowest prices in the market.

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