11 / OPPORTUNITY TO CREATE

Airbnb

Beyond airbeds

How far should a young marketplace expand before it can deliver trust?



Airbnb headquarters, San Francisco, 2018. Photograph: Steve Jurvetson.
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Moving from event accommodation toward a broader lodging marketplace opens opportunity for hosts while increasing the burden of matching, verification and support.

Brian Chesky and the founding team | Early 2009 • reconstructed decision

35-45 minutes to prepare / 75 minutes to discuss
Original public-source teaching case • First member edition • 1 November 2026

PRINCIPLED BUSINESS IN PRACTICE

Introduction

About Principled Business

Principled Business (PB) is a nonprofit organization that brings together business leaders to advance capitalism through education, relationships and action. It helps founders, executives and investors understand free enterprise, apply its principles in their organizations, and explain the contribution business makes to people's lives.

The PB manifesto grounds capitalism in individual agency, private ownership and voluntary production and trade. These commitments take practical form in everyday business decisions.

Opportunity to create

PB emphasizes the freedom to pursue ideas and build enterprises. Turning that freedom into a useful business requires judgment about demand, resources and the consequences of failure.

Airbnb connects entrepreneurial opportunity with the conditions that let strangers transact. More listings can create possibilities for hosts and travelers, but an unreliable marketplace can destroy the value it promises. Students must choose a scope for expansion and fund the work needed to make it credible.

PB presents this case to make the principle usable in a real business decision. Your recommendation should connect the principle to a workable policy, account for the people affected, and identify evidence that could change your mind.

What you will learn

01 Distinguish marketplace supply from completed, satisfactory exchanges.

02 Compare a broad listing strategy with a more intensive verification model.

03 Design a launch boundary that addresses hosts, guests and affected neighbors.

> **Apply it to your own business**
> Where does your business invite other people to create value through a platform or network? What must you verify before encouraging them to depend on it?

Source: About Principled Business; Capitalists for Capitalism Manifesto, Section 2: Opportunity to Create.

NOTES FOR STUDENTS AND TEACHERS

Using this case study

This packet includes the case, exhibits, worksheet, sources, answers and teaching notes. Allow 35-45 minutes to prepare and 75 minutes for discussion. Have a calculator or spreadsheet available.

Pages	What to use and when
4-8	Decision, evidence, exercise and alternatives. Read before discussion.
9	Decision worksheet. Complete before reading the answers.
10	Sources and reading notes. Check the evidence and its limits.
11-12	Worked answers, outcome and teaching plan. Read after deciding.

For students

Read once to identify the decision, then work through the exhibits. Separate historical facts from the invented classroom exercise. Use the case's decision boundary; write down assumptions when evidence is missing. Complete the calculation and worksheet on page 9. Be ready to defend your recommendation and the strongest objection to it.

For individual study, decide before turning to pages 11-12. Compare your reasoning with the worked analysis and write a short reflection on what you would change. Choose one action to try in your own organization.

For teachers and discussion leaders

Read the full packet and timed plan before teaching. Assign pages 1-10 first and reveal the final two pages after students commit to a choice. Record the alternatives, evidence and disagreements on the board.

Require students to count completed transactions and service failures, not listings alone. Keep later protections out of the early-2009 decision and treat nonparticipant effects as part of the design.

> **How to assess the work**
> Look for a clear choice, accurate analysis, stated assumptions, attention to affected people, a fair objection, and an implementation plan with an owner and review point. Assess reasoning rather than agreement with the historical decision.

EARLY 2009 • A MARKETPLACE'S SCOPE

The decision

Airbnb's company timeline traces the idea to three guests hosted in 2007 and subsequent event-based launches in 2008. The service's early opportunity was connected to a concrete problem: people needed somewhere to stay. The next question was whether a broader range of accommodation could become a repeatable marketplace. [B1]

Take the founders' position before the March 2009 expansion. They could concentrate on rooms around major events, broaden accommodation types, or focus their effort on a single city where the team could learn more directly about hosts and guests. These are reconstructed strategic alternatives, not reported internal proposals.

Growth creates obligations

A listing is a promise made by a host and presented through a platform. The traveler needs confidence that the space exists, is accurately described and will be available. The host needs confidence about payment, guest conduct and support. Neighbors and property owners may be affected without joining the platform.

Choose the initial scope and the operating arrangements needed to support it. Decide how much effort to put into verification, matching and problem resolution before encouraging wider participation.

> **Decision boundary**
> Use only the early opportunity and the classroom model. Later guarantees, verification systems and scale are not resources the founders can assume already exist.

THE BUSINESS LOGIC

Opportunity depends on trust

Supply is only the first step

More listings can improve choice, but only if travelers can find a suitable space and complete a satisfactory stay. Inactive, inaccurate or poorly matched listings can inflate the apparent size of a marketplace while adding search effort and disappointment.

Trust has operating costs

Verification, clearer descriptions and responsive support consume time and money. They may reduce some failures and improve conversion, but they cannot eliminate risk. A useful plan specifies what is checked, what remains uncertain and how the platform responds when a promise is broken.

Participants are not the only people affected

A host’s opportunity may interact with a lease, building rules or local requirements. A traveler’s satisfaction does not establish that a neighbor’s interests were considered. The case does not ask students to interpret current law; it asks who must verify permission and identify constraints before a listing is offered.

Concentration can improve learning. A smaller geographic area may make it easier to understand failed bookings, observe operations and refine support. Broad expansion can generate more variety but make a weak process harder to diagnose.

> **A marketplace test**
> Follow one proposed stay from listing through booking, arrival, departure and problem resolution. At each step, identify the promise, the evidence and the person responsible.

EXHIBIT 1 • HISTORICAL CONTEXT

From an event to a market

Company timeline [B1]	Question for the founders
First guests hosted in October 2007	What specific problem did the first transaction solve?
Event launches during 2008	Will demand repeat outside a concentrated event?
A broader accommodation opportunity emerged	Can a common service process support different properties and hosts?

The evidence still needed

Interview hosts who never received a booking and guests who abandoned a search. Compare their reasons with the experiences of successful users. A marketplace can fail because of weak demand, unsuitable supply, poor information or lack of trust; each requires a different response.

Define a completed exchange

A booking confirmation is an intermediate result. Specify what the platform should know about cancellations, arrival problems, refunds, complaints and repeat participation. A high conversion rate can be misleading if bookings later fail or create harms that the platform does not record.

> **Do not backfill the past**
> The exercise below offers invented operating choices. It does not claim that the founders had these conversion rates, support costs or incident data in 2009.

EXHIBIT 2 • INVENTED CLASSROOM EXERCISE

Breadth or verified density?

Compare two hypothetical monthly pilots. Each active listing receives 20 qualified views. The platform earns $30 per completed booking before support and incident costs. All amounts are U.S. dollars. Rates are expected values, not measured Airbnb outcomes.

Input	A. Broad pilot	B. Verified pilot
Active listings	1,000	600
View-to-completed-booking rate	2%	4%
Support cost per booking	$5	$8
Incident rate per booking	2%	1%
Average platform cost per incident	$200	$200
One-time verification cost	$0	$6 per listing

Assume the same bookings and costs repeat each month; verification is paid only once. Ignore fixed overhead, acquisition cost, cancellations already excluded from completed bookings, and changes in behavior. The $200 captures only platform cash cost, not the full human impact of an incident.

01 Calculate monthly completed bookings and expected incidents.

02 Calculate contribution in month one and over three months.

03 After how many months does B overtake A under unchanged assumptions?

04 Which assumption would you test first before expanding either pilot?

ALTERNATIVES • IMPLEMENTATION • ASSIGNMENT

Choose a defensible scope

Path	Potential benefit	Main concern
Event-focused rooms	Concentrated demand and a clear customer occasion.	Demand may be intermittent and unrepresentative.
Broad accommodation types	More host opportunities and more traveler choice.	Different properties may exceed the team’s support capabilities.
One-city depth	Closer observation and a more consistent service process.	Slower geographic reach and possible local bias.

Your assignment

01 Select a scope and explain what the team needs to learn first.

02 Recommend a verification and support process, with responsibility for failed stays.

03 Specify what a host must confirm about permission, description and availability.

04 Set expansion gates for completed stays, complaints and contribution, not just listings.

Write a short promise to hosts and guests that the pilot can actually keep. Explain the limits of verification and the available remedy when something goes wrong. Include a route for concerns from people who are not platform users.

> **A decision to challenge**
> A larger marketplace is not automatically a better marketplace. Show how the additional supply produces useful, responsible exchanges.

WORKSHEET • COMPLETE BEFORE READING THE TEACHING NOTES

Your decision

Write as the decision-maker. Use the historical evidence and the classroom model for their stated purposes. A recommendation needs a boundary, an owner and a test.

My recommendation and the principle it puts into practice

The calculation or evidence that matters most; its main limitation

Who bears the risk, and how their choice or voice is protected

The strongest objection and my response

First action, accountable owner, review date and stop/change trigger

EVIDENCE • METHOD • LIMITS

Sources and reading notes

A reconstructed decision before the March 2009 expansion described in Airbnb's corporate timeline. The listing funnels, incident rates and economics are hypothetical. No actual internal pilot data or private founder dialogue is used.

B1 Airbnb, About Us: company timeline

Early hosting, event launches and the March 2009 name and accommodation expansion.

Open source document →

B2 Principled Business, Capitalists for Capitalism Manifesto

Opportunity, agency and voluntary exchange provide the interpretive framework.

Open source document →

How to read the evidence

The timeline is the company's retrospective account. It establishes chronology but not the causal impact of a particular growth or verification policy. Later platform protections must not be treated as available at the decision date.

All quantities in the classroom exercise are invented unless explicitly identified as historical. The models omit factors deliberately for discussion; they are not company forecasts. Photographs are documentary context, with dates and licenses on the cover.

Original Principled Business teaching material. No company approval or affiliation with Harvard Business School is implied. No private interviews or unpublished company records were used. Public sources checked 1 November 2026.

TEACHING NOTES • READ AFTER COMPLETING THE DECISION

Worked analysis

Bookings and contribution

Result	A	B
Completed bookings / month	400	480
Expected incidents / month	8	4.8
Contribution per booking	$21	$20
Month-one contribution	$8,400	$6,000
Three-month contribution	$25,200	$25,200

A has 1,000 × 20 × 2% = 400 bookings. B has 600 × 20 × 4% = 480. Incident cost per booking is $4 for A and $2 for B. B's recurring monthly contribution is $9,600, less a one-time $3,600 verification bill. Its three-month result equals A; it overtakes A after three months.

The result is sensitive to persistence

B's advantage depends on its conversion and incident assumptions persisting, while verification remains useful without repeated cost. If listings churn or verification must be refreshed, the comparison changes. A fractional expected incident is an average across repeated pilots, not a claim that a particular month can contain part of an incident.

A recommendation beyond the arithmetic

A focused verified pilot can be justified by learning and service quality even when its first month contributes less. The financial model does not measure all effects on guests, hosts or neighbors. Define minimum acceptable safeguards before comparing the remaining alternatives on cost and growth.

> **What to watch for**
> Do not equate verified with risk-free, platform incident cost with total harm, or a larger listing count with a stronger market.

TEACHING NOTES • READ AFTER COMPLETING THE DECISION

Outcome and teaching plan

What happened next

Airbnb's timeline records the March 2009 change from AirBed & Breakfast to Airbnb and expansion beyond airbeds to apartments, whole homes and vacation rentals. The chronology establishes the direction chosen; it does not validate the fictional funnel or identify which early policy caused later growth. [B1]

A 75-minute discussion

Minutes	Facilitation plan
0-10	Choose the scope and define a successful exchange.
10-25	Map host, guest and nonparticipant interests.
25-40	Calculate bookings, incidents and the three-month comparison.
40-55	Design verification, support and expansion gates.
55-65	Reveal the March 2009 expansion; separate chronology from causation.
65-75	Apply the marketplace test to another platform or network.

> **Closing question**
> What must be true before encouraging more people to depend on an opportunity your business makes possible?

Assess the decision at its stated boundary. Later success cannot prove the original choice was sound; later failure cannot, by itself, prove it was unreasonable.