

The Business Model Canvas as a strategic tool for designing innovative business models – the case of Airbnb Inc.



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Introduction

Although there is no universal definition of business model innovation, almost all researchers and practitioners agree that the focus on business model innovation has increased dramatically over the last couple of years. A unique business model is nowadays a source of a sustainable competitive advantage and companies that aim to monopolize their industries should place a premium on finding a novel way of conducting a business – sometimes by simply changing one of the components of traditional business model. This is the first step in the disruption process.

The definition and importance of a business model

The term 'business model' has become prominent in recent years and led to a lot of publications. Many authors try to understand this concept by defining two underlying terms: 'business' and 'model'. Business can be described as a set of activities performed by an entity in order to deliver value to customers – they all involve financial, commercial and industrial aspects and the main goal of any business is to make a profit. Model, on the other hand, is a systematic description of an object or a process that shares its important characteristics. Therefore, by putting these elements together, business model can be defined as 'a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm' (Osterwalder, Pigneur & Tucci, 2005, p. 3). Today's global business environment has created a dynamic business context, where most businesses are compelled to learn how to use their business models as a tool to gain competitive advantage over international competitors. Therefore, discussing capabilities and strategies through business model is necessary for value creation and can help to reduce complexity of business processes to an understandable level and improve performance in a long term.

An overview of Airbnb

Airbnb describes itself as 'a trusted community marketplace for people to list, discover and book unique accommodations around the world' (Gerwe & Frojan, 2017, p. 3). It is an American home rental company based in 2008 in San Francisco that allows ordinary people to list their private accommodation spaces for the widest audience of tourists through its platform. Initially the idea was to create a website to provide airbeds for special events all across the United States and give travelers a chance to network with hosts and other people participating in an event. Now, the website offers a wide range of accommodation, from a shared room to a luxury villa, giving an opportunity to making some extra money from renting out private spaces and meeting interesting people.

Conclusions

- The platform takes full advantage of its market potential and owes its great success to its innovative business model
- capturing value through open innovation practices has a huge impact on the company's performance
- Business Model Canvas can be a great tool used to assess different aspects of operations and implement a successful strategy.

The concept of Business Model Canvas

Business models in global competition must be focused not only on processes inside the firm. Companies should look outside their boundaries for concepts and ideas to bring in or needs for internal solutions to be licensed. There have been many concepts and classifications of business models but the first one to characterize the open business paradigm was Business Model Canvas (BMC) developed by Osterwalder and Pigneur in 2010 (Bonazzi & Zilber, 2014, p. 622). BMC was defined as a model used by companies to create, deliver and capture value from the processes that may occur as both 'outside in', i.e. bringing in external ideas, technologies and intellectual property, or 'inside out', i.e. selling or licensing them outside of a firm. In this context, The Business Model Canvas consists of nine building blocks that easily define and communicate a business idea of a company and describe the rationale of how an organization works. The segments of BMC are presented in the table below.

Segment	Definition
Key Partners	The network of suppliers and partners that makes the business model work
Key Activities	The most important actions a company must take to make its business model work
Key Resources	The most important assets required to make the business model work.
Value Proposition	Packages of products and services that create values for specific Customer Segments.
Customer Relationships	Types of relationships the company establishes with a specific Customer Segment.
Channels	How company communicates with and reaches its Customer Segments to deliver a Value Proposition.
Customer Segments	Different groups of people or organizations the company aims to reach or to serve.
Cost Structure	Costs incurred to operate the company's business model
Revenue Streams	Money a company generates from each Customer Segment.

Source: adapted from Bonazzi, F., & Zilber, M. (2014) Innovation and Business Model: a case study about integration of Innovation Funnel and Business Model Canvas, Review Business Management, 16 (53).

Canvas Model for Airbnb

BMC is a great tool to have a holistic view of business structure of Airbnb. It provides a full insight on how the platform generates income and helps to understand the importance of implementing the crucial tactic – providing home listings at a global scale. The segments of Airbnb's business model are depicted in a visual chart below.

Key Partners Hosts Investors Corporate Travel Partners and Managers Photographers Insurance companies	Key Activities - platform development and maintenance - refining Value Proposition - marketing & promotion - protecting sensitive information - maintaining customer service	Value Proposition For the guests: - low cost accommodation (low cost strategy) - access to ratings - variety of accommodation types/activities - ease of transactions	Customer Relationships - CRM software: mobile app, website, social media - real-time communication - personal assistance - contact via mail/SMS	Customer Segments Segmented market
Key Resources - platform (website and mobile app) - strong brand reputation - highly skilled employees		Channels Virtual channels * awareness: digital ads, social media platforms, word of mouth, referral program * evaluation, purchase, delivery, and after sales: website, mobile app	Criteria: * demographics * geography * income bracket * needs	
Cost Structure Marketing/customer acquisition costs Employees'/freelance photographers' salaries Platform development and maintenance costs Transaction costs Legal and administrative costs Insurance			Revenue Streams Fee-for-service model - hosts: 3-5% of the total transaction amount - guests: 6-12% of the transaction amount every time a reservation is made, depending on the length of stay Events: only hosts	

Source: own work based on Gerwe, O., & Frojan, M. (2017). Airbnb: Disrupting the Hotel Industry? IE Business School, 317-0270.

References

1. Osterwalder, A., Pigneur, Y., & Tucci, C.L. (2005) Clarifying business models: origins, present, and futures of the concept, Communications of the Association for Information Systems, Volume 16, 1-25.
2. Bonazzi, F., & Zilber, M. (2014) Innovation and Business Model: a case study about integration of Innovation Funnel and Business Model Canvas, Review Business Management, 16 (53).
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