



# Innovative Finance Inclusion

## When public protesting enforces change: The case of a sharing economy platform that got the message!

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**Date: Dec. 2021**

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## Abstract

This mini-case study reviews the case of “Airbnb”, the online platform and marketplace for lodging and their “Project Lighthouse”. Project Lighthouse was launched 2016 in the United States, with objective to detect cases of discrimination when booking or hosting on Airbnb and in turn, fight and limit such cases (Airbnb, 2021a).

## Keywords

Innovation, Discrimination, sharing economy, Airbnb



# 1 Growth

Airbnb was founded in 2008 in San Francisco, United States, where the headquarters are still based. By 2019, 11 years after it was founded, Airbnb lists more than 6 million lodgings across 81.000 cities around the globe. On average, 2 million people stay at an Airbnb every night (Sherwood, 2019).

Airbnb’s first funding was \$20 million in 2009 from Y Combinator. Within less than a decade, large investment companies invested more than \$400 million. TPG Capital invested \$450 million in 2014 and Google Capital and Technology Crossover Ventures invested a total of \$555.5 million in 2016. By 2018, Airbnb’s growth rate was 40%, when they also decided to go public. As of 2019, the number of Airbnb hosts, meaning individuals who rent out their property through Airbnb, was 2.9 million (Deane, 2021).

Airbnb’s core revenue comes from the fee that a host pays to the company every time that their property is rented through the Airbnb platform. The factors that affect Airbnb’s value include; the average number of guests per listing each year, the number of listings, the average rent per guest and Airbnb’s share of the profit (Deane, 2021).

## 2 Airbnb and the Sharing Economy Model

Airbnb has been characterised a pioneer of the “sharing economy” (Griffith, 2020).

“Sharing economy is an economic model defined as a peer-to-peer based activity of acquiring, providing, or sharing access to goods and services that is often facilitated by a community-based online platform” (Investopedia, 2020).

In this economic model, the needs of one consumer can be met by another consumer’s offer, while both parties save money and profit respectively due to the elimination of intermediates. For the case of Airbnb, the seller profits by renting out property that is not used or underused. The buyer has then access to more affordable and often less commercial holidays.

In this sense, Airbnb offers important benefits to hosts and renters. Property owners can diversify their revenue in short or long term just by owning their home. At the same time, there is increased supply of short-term affordable rentals for travelers. Finally, it has also been proven that Airbnb benefits some of the less touristic cities by attracting visitors and even eventually help create new jobs (Bivens, 2019).



This more participatory, democratized and sustainable approach to the exchange of goods is expected to be beneficial for social groups that have not been “treated fairly” by the existing economic models, such as the black community.

## 2.1 Airbnb, Sharing Economy, and Equity

Nevertheless, Airbnb has faced criticism regarding the true benefits that it offers to individuals and disadvantaged communities, as the sharing economy platforms traditionally claim to do.

In recent years, several studies have documented cases of discrimination within the sharing economy model and Airbnb in particular, that are very often not acknowledged or addressed by the companies (Guyader, 2018).

With regards to the benefits presented for black individuals who rent through Airbnb, a research experiment designed by Harvard Business School in 2015, showed that requests from guests with African-American sounding names were 16% less likely to be accepted than identical guests with white-sounding names. For a 2016 social experiment in Sweden, a black person’s guest account sent 200 requests to hosts in different cities, from which 42% were rejected for availability reasons. However, when the same hosts were re-contacted from a white person's account, a third of these listings became suddenly available and the requests accepted (Guyader, 2018).

Regarding benefits for the black property owners, another experiment from Harvard Business School in 2012, showed that black hosts in New York have a harder time finding guests resulting to pricing their rentals 12% cheaper than hosts who were not black. The analysis of Airbnb listings in the U.S. and Europe (2014-2015) showed that hosts from minority groups charged 3.2% less (Guyader, 2018).

In addition, studies have documented the increasing professionalization of the listing process in Airbnb and the swift to professional suppliers rather than small property owners. This makes Airbnb characterised by many as a lodging corporation rather than a sharing economy company (Demir & Emekli, 2020). The large availability of such options, limits even more the possibilities for the hosts, particularly those from minority groups.

It goes without saying that racism and discrimination are structural and systemic issues and are expressed within a sharing economy platform like Airbnb, because they pre-exist and are not addressed in society in general. However, Airbnb is in the position to create mechanisms that can prevent such behaviors and deflect that way the criticism that these



companies and “their venture capitalist backers are taking advantage of the positive symbolic meaning of “sharing”, while siphoning off too much value” (Smith, 2016).

### 3 Project Lighthouse

The “Black Lives Matter” movement as well as earlier initiatives such as #AirBnBWhileBlack, a social media hashtag created by a young African-American woman to bring attention to discrimination taking place in the platform, put pressure to Airbnb.

The company responded by designing “The Project Lighthouse”. They launched a large data collection process in collaboration with prestigious academics and civil rights groups in order to detect and measure the problem (The Airbnb anti-discrimination team, 2020). With Airbnb’s research confirming that discrimination indeed takes place through the platform against the black community, Airbnb responded with a series of actions to limit the possibility that someone will face such a behavior.

More specifically, Airbnb established different options and steps which help a renter maintain their perceived race and identity undetected hence, preventing that they can be discriminated against. These options include: a more elaborate “Community Commitment” and “Non-discrimination Policy” to which the hosts must agree before start collaborating with the platform; the concealing of the guests’ profile photos until after a booking is confirmed, the possibility for “instant booking” allowing a listing to be booked immediately ensuring the process is objective”; and finally, the establishment of a specialized team dedicated to researching and developing solutions that can address this kind of issues in Airbnb (Airbnb, 2021-b).

According to Airbnb website and the report that includes research approach, analysis and results, this is just the beginning of Airbnb efforts to address the problem (The Airbnb anti-discrimination team, 2020).

#### 3.1 Critic

Sharing economy companies are facing different kinds of criticisms, beyond just the discrimination issues. This case study focuses however on this problem. As mentioned earlier, with the increasing professionalization of the listing process, the glaring financial involvement of venture capitalists and under the pressure of major social movements, Airbnb seems to be intensifying their efforts to prove that they stay true to their sharing economy ethos.



But even this reaction from Airbnb’s side and the solutions they proposed was not welcomed by everyone. While Airbnb was focused in addressing the issue related to discrimination against the black community, new research found evidence of continued discrimination against same-sex couples, guests with Arabic-sounding names or guests with disabilities (Luca & Bazerman, 2020). This brought to the surface a problematic use of data from this type of companies in order to inform their decisions. Their decisions turn out to be very limited in scope, addressing a very specific problem and emphasizing growth and short run profit first. Instead, such research and data collection should be able to provide space for broader discussions around such topics and a company’s objectives and goals (Luca & Bazerman, 2020).

### 3.2 Public Visibility

Airbnb has been promoting a lot their work in addressing discrimination with extensive campaigns, info-commercials, interviews. They also promote systematically the collaborations they did in order to conduct their research. Collaborations with prestigious academics and civil society organisations (Airbnb, 2021-c). The Project Lighthouse was recently recognized by the Tech Spotlight of the Harvard Kennedy School’s Belfer Center as an initiative that demonstrates a commitment to tech and public purpose (Airbnb, 2021-d).

All the material related to their research, actions, and collaborations can be found on the resource center (<https://www.airbnb.com/resources/hosting-homes/a/a-new-way-were-fighting-discrimination-on-airbnb-201>) together with other infiltration related to upcoming initiatives. The report on the research methodology and results is available for free online ([https://news.airbnb.com/wp-content/uploads/sites/4/2020/06/Project-Lighthouse-Airbnb-2020-06-12.pdf?\\_ga=2.61741224.561645211.1633424738-685870944.1633424738](https://news.airbnb.com/wp-content/uploads/sites/4/2020/06/Project-Lighthouse-Airbnb-2020-06-12.pdf?_ga=2.61741224.561645211.1633424738-685870944.1633424738)).

## 4 Key Learning Points

- Sharing economy should guarantee by vocation a system more participatory and sustainable, but the companies economy models often don’t take into account the social sphere and some structural problems who affect their system, like racism.
- Professionalization is taking over the sharing economies models and services like Airbnb, the effect is pushing back the social sphere and priorities.





- Public demands can actually engage corporate responsibility, most of the times the mechanisms are efficient when massive protests take place, like Black Lives Matters, or via a prolonged internet effort creating echoes, like #AirBnBWhileBlack, but changes are very far from being sufficient and the follow up is difficult, due to the fluidity of these popular movements.



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