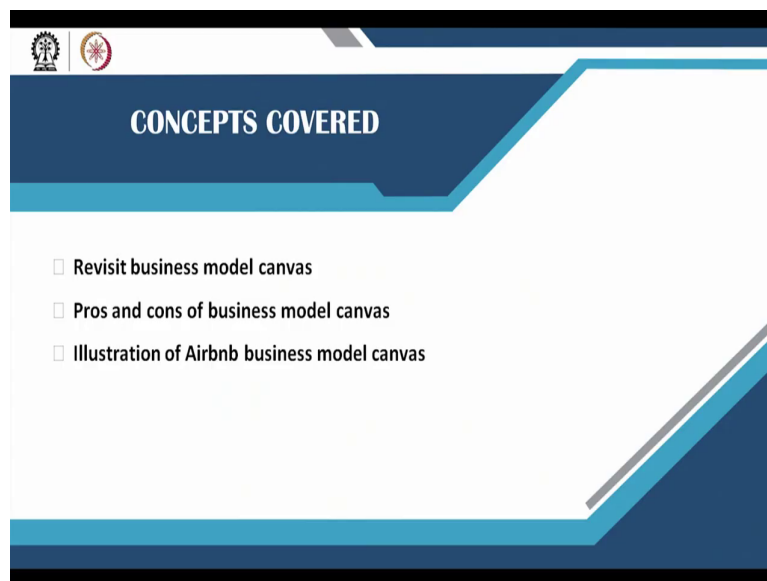


**Entrepreneurship Essentials**  
**Prof. Manoj Kumar Mandal**  
**Rajendra Mishra School of Engineering Entrepreneurship**  
**Indian Institute of Technology, Kharagpur**

**Module - 04**  
**Lecture – 18**  
**Illustration of Business Model Canvas**

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Hello and welcome, we will continue our discussion on Business Model Canvas. We will start talking about the Business Model Canvas per se. And then discuss the pros and cons of the model and then, we will end the discussion with an illustration of the business model of Airbnb.

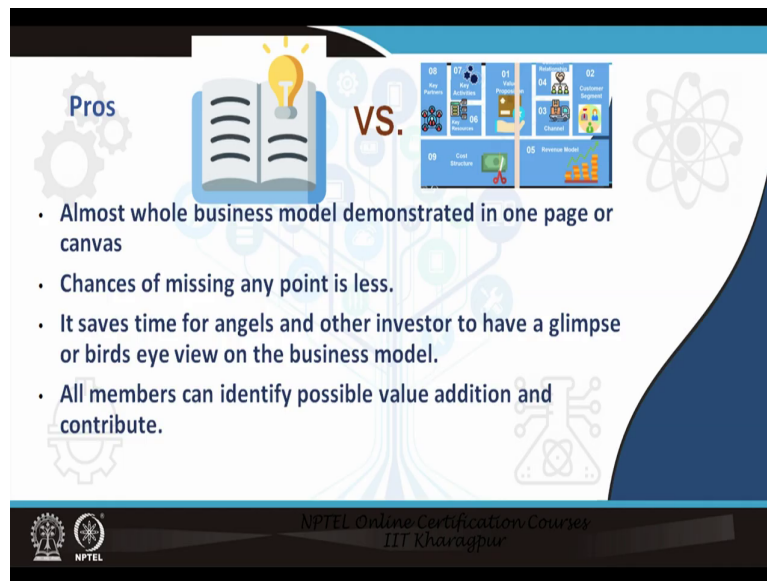
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So, as we discussed, the business model canvas can be thought of as two sections; on the left are the blocks through which we create the value, on the right there are items where we deliver the value. How we deliver, whom we deliver and then in the process we create, revenue meaning; we get the revenue and the revenue should be more than the cost that we incur.

So, the canvas in a nutshell provides a birds eye view about the total activities of the business, through which we create a competitive value proposition to our customers. We define our customers and we have an idea to what our cost structure is and how the revenue model is. Eventually, we try to project what kind of profitability the business is going to provide and whether investors are going to get back their money in the process.

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**Pros**

- Almost whole business model demonstrated in one page or canvas
- Chances of missing any point is less.
- It saves time for angels and other investor to have a glimpse or birds eye view on the business model.
- All members can identify possible value addition and contribute.

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Now, while discussing the pros and cons, we have to really make a comparison between the traditional business model, which is which consists of number of pages of document. We say we, we have the single page Business Model Canvas or BMC. The number of pages of a business model can run into maybe 20, 25, 30 or 100 whereas, BMC is always single page. BMC provides a holistic picture about a business.

So, one can get a birds eye view about or about all the aspects of the business and form an early opinion. Whereas, for anybody like an investor have to has to really go through a number of pages maybe 100 number 100 pages to really get a grip on the total business model.

In an in a world where angels or any other investors are flooded with business plans submitting a bulky business model is really not wise because, nobody will find the time to sift

through those pages and come up with a with a conclusion what whether to fund or not to fund. Whereas, the business model canvas gives a holistic view in front of the investors in one single piece. And they can get some idea, not complete idea, but some idea whether a business model deserve deserves further attention.

So, once that is done your business plan is selected and then they will go for further evaluation. So, almost whole business model is on page and angels or any other can identify value in the business and the people can actually members; like, team members can identify possible value addition and contribution. They can they can look at it whether it is regarding value proposition, customer relation or cost structure or revenue model anything that comes to this comes to their mind they can come and update.

So, it can actually be made a dynamic document from a single kind of a snapshot or a static document. It can actually be made a dynamic document meaning that you can continue to modify and as the as the business model emerges through various activities early stage activities.



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**Pros**

**VS.**

- Easy to maneuver. Shift sticky notes here and there instead of a document of many pages.
- It helps focusing on core business areas.
- The canvas encourages experimentation, so you're not stuck with first available plan.

08 Key Partners  
07 Key Activities  
06 Key Resources  
01 Value Proposition  
04 Channels  
03 Customer Segments  
05 Revenue Model  
09 Cost Structure

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So, first point is that it can it is easily maneuverable because it is a single page. Then rather than putting a static page you can also make you can also put sticky notes and in different blocks. Suppose, it is kind of a large canvas and then it is pasted on a board or something. So that, everybody in the team can do brainstorming themselves and then whatever ideas they may come up with they can remove the sticky note from there and put another sticky note.

So, it becomes a dynamic document it continues to change. Suppose, you build a minimum viable product which is kind of a very simple product with key features that define your value proposition. So, you take it to the customer some early customers, early adopters and then they say that this product is good and it can be made even better and you can get you can provide more value eventually.

So, you can come back and revise your value proposition depending on the feedback that you receive or may be different depending on the suggestions. Customers actually may come up with better suggestion than the product originally was conceived as. So, the product may emerge actually better. So, continuously you can keep on updating the canvas depending on your understanding about the whole business model.

So, it becomes a dynamic document. It helps focusing on core business areas. Wherever you want to focus, you can actually focus like at the canvas encourages experimentation. So, you are not start with first available plan. So, business model normally is a static document like if like a book or something whereas, canvas is a dynamic document. You can you can continue to modify.

So, people will do experiment they will come up with some idea and then put a sticky note or some point in writing, then other team members can evaluate them or do brainstorming and then eventually modify that. So, it becomes a floor for experimentation rather than a static canvas.

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**Limitations**

- Absent: Economic, social and environmental values.
- The risk associated with a business is not well articulated.
- Does not include broader perspective on business competition.
- Lacks scenario analysis – alternative possible outcomes.
- Tracking validation on the way moving forward.

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Limitation or say cons; normally, people say that economic social and environmental values are not presented in the canvas. So, some people actually have come up with the idea of a 11 block canvas in 1 block they talk about economic benefits that in the in another block they talk about social and environmental values. The risk associated with the business is not well articulated. Like, say competition for example, say porter porters 5 forces analysis gives a holistic idea about the whole competitive landscape which is missing here.

Normally, in business model canvas what we try to focus on is a value proposition, the positive ones. What customer relationships we are going to build, what kind of customers we are going to target through, what channels we are going to give convenience to the customer to access our service to know get to know and then take our service. So, we focus on all these points which are normally positive.

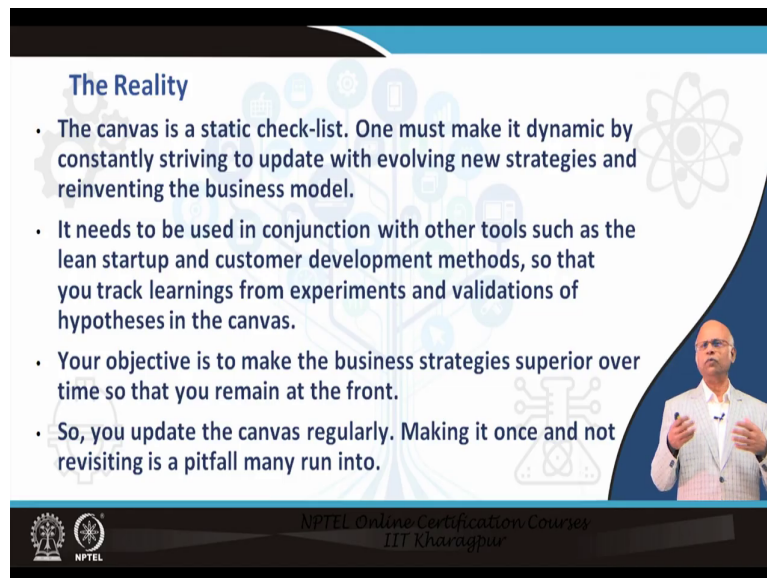
So, normally we do not talk about competition and then risk associated etcetera. So, that is another part of the cons. It lacks scenario analysis, like say what if scenario or alternative business possibilities. Like say you have decided about a product and a particular market segment. Say for example, you want to manufacture cell phone. Now say smartphones; now you may actually target the top end of the market or say the bottom above end of the market or middle segment of the market.

So, if you want to make a comparative analysis about your value proposition to the top and middle or bottom and then, what kind of money you are going to make or what kind of customer relationship sustainability of a business or sustainability of the relationship. What kind of story you are going to tell do you have, a story that will resonate with customers; etcetera.

Depending on situation you cannot actually modify the canvas that is what people say. But then as I said earlier that canvas can actually made dynamic; meaning that you can have three alternative canvases and then then deliberate on all the three and then discard 1 or discard 2 and then retain one. So, anything is everything is possible.

Tracking validation on the way moving forward so, while you do all that you can actually track whether customers are validating your hypothesis. If not; you can always modify your canvas; meaning that if you are putting some piece of paper that can be removed and repasted or whatever way you can actually modify. So, it can you can track the validation by customers.

(Refer Slide Time: 09:43)



**The Reality**

- The canvas is a static check-list. One must make it dynamic by constantly striving to update with evolving new strategies and reinventing the business model.
- It needs to be used in conjunction with other tools such as the lean startup and customer development methods, so that you track learnings from experiments and validations of hypotheses in the canvas.
- Your objective is to make the business strategies superior over time so that you remain at the front.
- So, you update the canvas regularly. Making it once and not revisiting is a pitfall many run into.

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These are pros and cons. Now what the reality actually is, meaning the middle path. There will always be some criticism and there will always be some exaggeration about the pros. But then the reality is that the canvas may be a static checklist, but one must make it dynamic by constantly striving to update with evolving new strategies and reinventing the business model, that is what I have been telling so far, that it can be made a dynamic document, dynamic canvas and whatever insights you get while moving forward you can always update.

So, eventually you always have an updated canvas. So, it need not be, it should not be a canvas met for good and then you just revisit that not revisit; meaning, you do not change it. Just look at it once in a while that serves no purpose. That is not what the business model canvas is supposed to be. Business model canvas is a dynamic one and you should continuously modify as you move forward.

It needs to be used in conjunction with other tools such as say lean startup philosophy or lean product development philosophy. That means, you continuously get customer validation and if you decide that customers are not with some features eliminate that and you revised the same thing in your business model canvas. Like say, customers are not interested in some features they are interested in something else.

Now, your cost structure may modify, your revenue structure may modify. Because, you may have more value less value or whatever. Suppose, you reduce the cost and your revenue model also is kind of means your selling price also is reduced that may be another model. So, your canvas will be updated accordingly. Your objective is to make the business strategies superior over time so, that you remain at the front. So, accordingly you should modify the business model. So, you update the canvas regularly making it making it once and not revisiting is a pitfall that many people are subjected to. So, we should be carefully about that.

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**The Reality**

- Use the canvas to know your weaknesses first.
- Gradually build the model to strengthen your value proposition.
- You can use it to identify the opportunities, then pick up the most promising ones and Validate step by step.
- Many companies actually became successful by inventing the business model rather than the product! BMC helps inventing new business model.

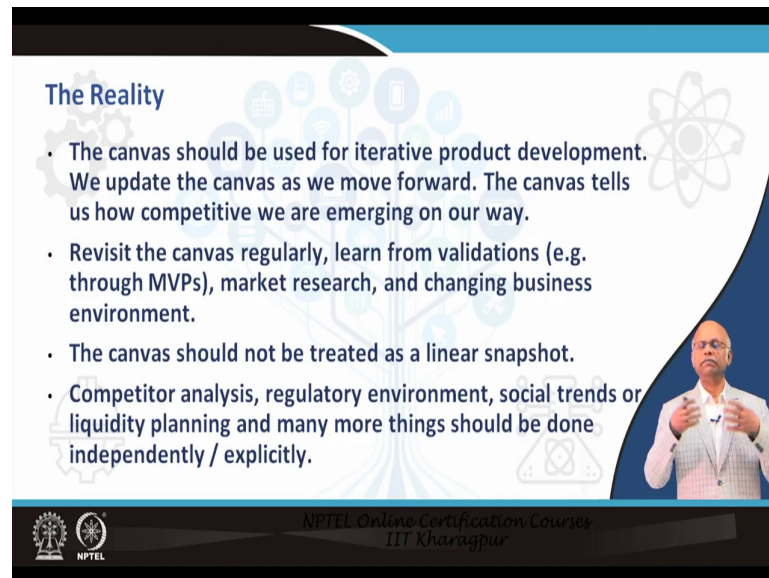
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Use the canvas to know your weaknesses first. So, so, that you can identify where you need to focus. You eliminate the weaknesses and you have a better business model. So, gradually build the model to strengthen your value proposition. You can use it to identify the opportunities, maybe a number of opportunities and then pick up the ones which is most promising maybe you have 5 business model canvases. And continuously is a continuously try to evaluate which one is better and then take the most promising one. And then as you validate step by step you can also discard some and keep some.

Many companies actually became successful by inventing the business model, rather than producing rather than producing some new product. So, business model canvas helps you to invent new business model because, it provides your weaknesses it provides your strengths

and then it helps you to identify the winning business model. So, that you can you can constantly continuously strive to remain ahead of competition, preempt the competition.

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The slide is titled "The Reality" and features a list of four bullet points. The background is white with a blue header and footer. On the right side, there is a small inset image of a man in a white shirt speaking. The slide is decorated with various icons related to business and technology, such as gears, a smartphone, a bar chart, and a network diagram.

- The canvas should be used for iterative product development. We update the canvas as we move forward. The canvas tells us how competitive we are emerging on our way.
- Revisit the canvas regularly, learn from validations (e.g. through MVPs), market research, and changing business environment.
- The canvas should not be treated as a linear snapshot.
- Competitor analysis, regulatory environment, social trends or liquidity planning and many more things should be done independently / explicitly.

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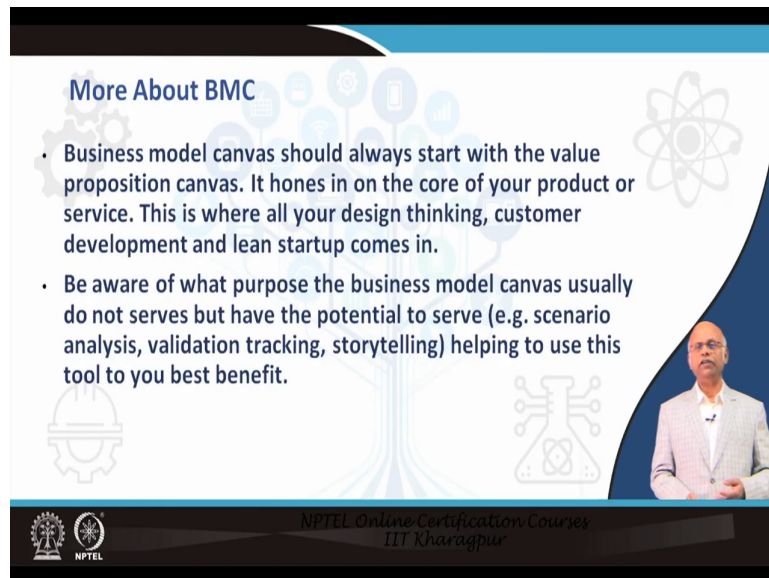
The canvas should be used for iterative product development. We update the canvas as we move forward the canvas tells us; how competitive we are emerging on our way. Revisit the canvas regularly learn from validation as for example, minimum viable products then market resist from market research you may get new data. That data may indicate that your business is much better than you thought or worse than you thought.

So, depending on that the changing business environment you can modify. The canvas should not be treated as a linear snapshot. Competitor analysis, regulatory environment, social trains or liquidity planning and many more may not be there in the business model, but you should



incorporate that. So that, the model per se the BMC per se is in is in holistic document and it independently talks about all that.

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**More About BMC**

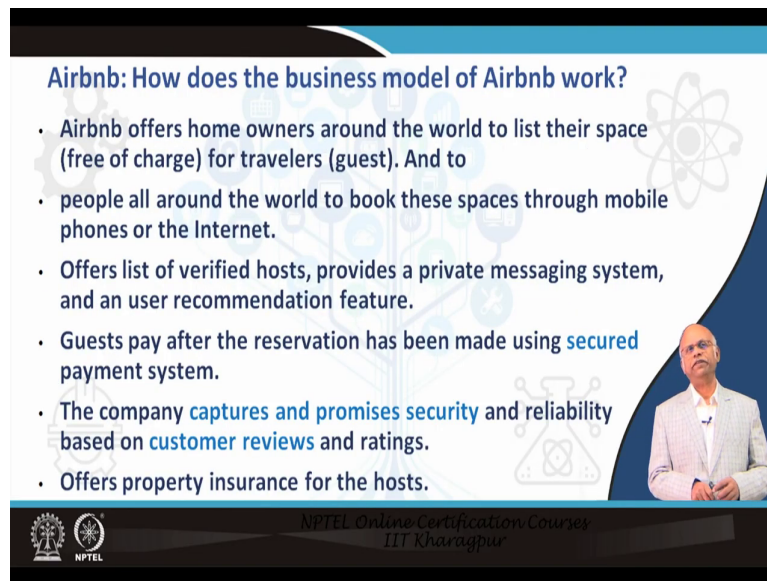
- Business model canvas should always start with the value proposition canvas. It hones in on the core of your product or service. This is where all your design thinking, customer development and lean startup comes in.
- Be aware of what purpose the business model canvas usually do not serves but have the potential to serve (e.g. scenario analysis, validation tracking, storytelling) helping to use this tool to you best benefit.

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Business model canvas should always start with a value proposition canvas; because that is a central deliverable of your business and that will define the sustainability of your business. It hones in on core of your product or service this is where all your design thinking customer development and lean startup comes in be aware of what purpose the business model canvas usually do not serve, but have the potential to serve.

So, we incorporate that it is not necessary whatever has been recommended we just follow that blindly, like scenario analysis is not there, but you can incorporate. We can incorporate validated tracking, validation tracking or a storytelling that will help us to use this tool for the best benefit.

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**Airbnb: How does the business model of Airbnb work?**

- Airbnb offers home owners around the world to list their space (free of charge) for travelers (guest). And to
- people all around the world to book these spaces through mobile phones or the Internet.
- Offers list of verified hosts, provides a private messaging system, and an user recommendation feature.
- Guests pay after the reservation has been made using **secured** payment system.
- The company **captures and promises security** and reliability based on **customer reviews** and ratings.
- Offers property insurance for the hosts.

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Now coming to Airbnb; Airbnb a pioneer in collaborative consumption, facilitating collaborative consumption. Because, here people collaborate like, homeowners, different homeowners and the company and the customer, they are in a collaborative relationship. Customers or guest or travelers, they get a cheaper stay and a wonderful experience almost like they belong to this place it is almost like their own house.

So, through this process, everybody is benefited like it is almost like the philosophy of lean startup that you cut unwanted expenses. So, you can distribute that savings to everybody to customers, to the company, to the employees you can give more salary you can give cheaper product to the customer and you can have more profit through that saving.

Here it is almost like aggregation, but then it depends on the collaborative philosophy of the whole business model. So, Airbnb offers homeowners around the world to list their space for

travelers. So, travelers can see what properties are available at what rate wherever they can go and stay at what rate.

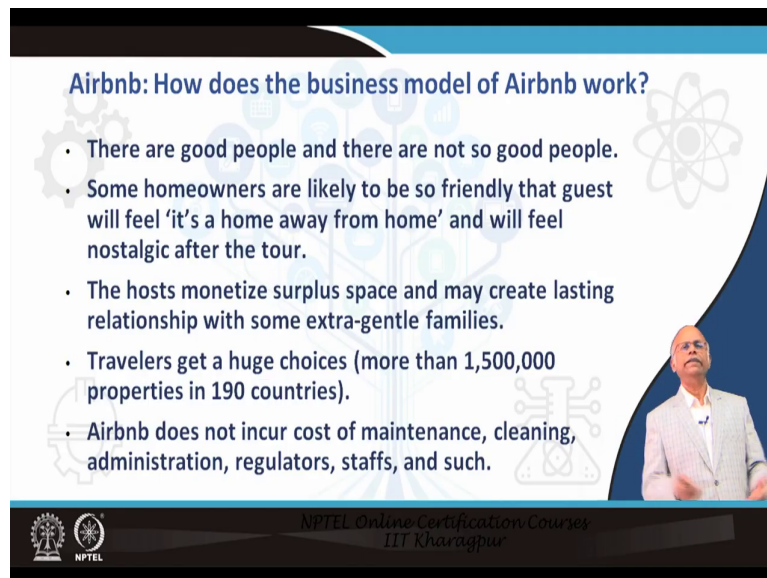
Airbnb also gives people all around the world to book these spaces through mobile phones or the internet. It offers list of verified hosts who are good who are not so good. Then, provides a private messaging system and an user recommendation feature. So, that automatically the homeowners guests get listed, they get evaluated as regards to their behavior to their kind of hospitality level of hospitality that they are providing.

Guests pay after the reservation has been made using secured payment system. The company captures and promises security and reliability based on customers review and rating. So, when you as a traveler, you are acquire you are booking and temporary accommodation in any of the Airbnb property, two things you are guaranteed; one is security, that is based on customers review, you know that this this guest is trustable and they are nice people to be with number 1. Number 2; your payment also is secured and you get a competitive rate.

It is highly cheaper compared to similar quality hotels maybe star hotels. So, you get means, everybody is been get benefited. It is value for your money, you saved money. And then, homeowners have some free space they do not use that space ordinarily or they use it for a non economic renting purposes maybe they rent it out to some people on a permanent basis, but that rent may be smaller. Airbnb they connect this people and give this benefit the whole cost structure comes down and all the three people share that saving.

So, suppose you your cost was 5000 rupees a night that comes down to maybe 2000 rupees that is shared between and so, you get profit, the homeowners perhaps you used to earn maybe 500 rupees a night. Now they earn 2000 rupees and there is the company. So, this 1500 rupees is shared between many people.

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**Airbnb: How does the business model of Airbnb work?**

- There are good people and there are not so good people.
- Some homeowners are likely to be so friendly that guest will feel 'it's a home away from home' and will feel nostalgic after the tour.
- The hosts monetize surplus space and may create lasting relationship with some extra-gentle families.
- Travelers get a huge choices (more than 1,500,000 properties in 190 countries).
- Airbnb does not incur cost of maintenance, cleaning, administration, regulators, staffs, and such.

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It offers additionally insurance of the host, so that home is ensured. So, that some customers that some mistake or something it is saved it is insured. Now, how the business model is continuing the business model? There are good people and there are bad not so good people. So, some people may actually behave rudely with either the host or some host may be rude to the guests.

So, there is always a chance. So, that is why there is this rating and you may avoid rude people, you may actually get access to nice people through the rating system, through peer to peer review. So, a customer one travelers gives a review another traveler gets that review so, they get to help each other. Some home owners are likely to be so friendly that guests will feel it is a home away from home and will feel nostalgic after the tour they will come back

and they will think they will think that there was a wonderful family to spend time with we would like to go again.

So, in the process Airbnb actually gets a loyal customer base and their brand creates increasing amount of value for the company. The hosts monetize surplus a space and may create lasting relationship with some extra gentle families means if there are more gentle families more friendly families, then the host actually can create a long term relationship. Travelers gets the huge choices Airbnb has more than 1.5 million properties in 34000 cities and in 190 countries.

So, imagine if you want some accommodation somewhere Airbnb is the answer. Airbnb does not incur cost of maintenance. They do not have to really create any property, acquire any property, maintain that or clean or renovate or whatever. They do not have to really go to regulators for each and every asset. They have to they do have to go for their own business purposes, but not for individual properties staffs. And cleaning; particularly cleaning is a is a hell of a business for a hotel industry or for hospitality industries that Airbnb avoids because the homeowner takes the responsibility.

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**Airbnb: How does the business model of Airbnb work?**

- including apartments, castles or villas bookable for whichever period desired.
- Further, Airbnb is piloting a new dinner program letting hosts invite strangers for dinner parties. The idea of sharing something in-home remains the same.
- In this program, interested hosts share their dining table and give detailed information regarding the meal, the price, and the approximate length of the event.
- Airbnb retains a share of the receipts.

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Including apartment castles means; Airbnb actually gives variety of properties to customers to book from. Even there are some castles that that are available or villas or maybe some [FL] kind of buildings some classical building. So, any kind of any kind of experience that travelers can actually get through inclusion of this this different kind through listing of different kinds of properties.

Furthermore Airbnb is piloting a new dinner program, that let us any host not necessarily the existing homeowners, any host to invite a strangers for dinner parties. Suppose you as a just individual you are not connected to Airbnb at this point of time. Suppose some of you can cook wonderful dish dishes.

Now you can register in Airbnb that you want to offer dinner to some stranger. So, some stranger will identify you through Airbnb portal and then book dinner on certain day and you

can prepare the dinner payment will be made ahead of time. So, Airbnb ensures that this people are coming for dinner. So, you whatever you cook is going to be consumed and paid for. And then eventually you have a wonderful relationship with those guys, if the guys are good both parties have the same kind of frequency. So, this is another business that Airbnb is piloting.

In this program interested host share their dining table and give detailed information regarding the meal, the price and the approximate length of the event. How long the visitors and come and stay, Airbnb retains a share of the receipts; obviously,

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**New Diversification**

- It's a seamless product extension.
- The new business model is likely to create more value for hosts without requiring much investment in infrastructure.
- Thus, it will strengthen the foundation.
- Earn more revenue exploiting the same infrastructure, manpower, payment system, and with a huge ready customer base.
- Self-facilitating

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Now, this new diversification is a seamless product extension this is what we need to know what are the takeaways from this business? One is they have the existing registered customer base. So, they do not have to really acquire customers. They can reach out to the whole list of

15 million homeowners number 1 and then. So, many 1.5 million and so many customers were already listed. They can definitely acquire through word of mouth many other people will also come to know, but then they have existing people to come and then dinner and home they are kind of so much highly related.

So, this is a seamless product extension. They do not have to really come for a new branding, new customer acquisition new kind of advertisement; nothing is almost like amazon coming away from book selling online to other and including other products. Thus, it will strengthen their foundation maybe more and more people will register for the dinner and some of them will eventually book some accommodations.

So, for Airbnb it is a multiplication of revenue stream; earn more revenue exploiting the same infrastructure manpower payment system, because payment gateway it they do not have to change the payment gateway. And with the huge ready customer base. It is kind of a self facilitating business, they are trying to promote themselves through the business because it is the business itself will take care Airbnb brand value will play and other natural other infrastructure is a natural advantage.



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The Socio – Economic Dimension

- The dinner program can have far reaching social consequences.
- Through the hosts of Airbnb, guests can connect with local community to have deeper understanding, possibility of networking, identify like-minded persons, and can eventually play role for a true global community.

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The slide features a background with a stylized tree of icons representing various fields like technology, education, and science. A presenter is visible in the bottom right corner of the slide frame.

It will have another enormous socio economic consequences. Suppose, some suppose you base it save some other country or some other city and then suppose you are there for 5 days. You may have the option to have dinner with some other guys. So, eventually you network with many people with some of these families, your you will have some kind of your philosophy, your frequency will resonate with some families and then you can create a lasting relationship with them.

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**1. Value Propositions**

<https://businessmodelgallery.com/models/airbnb/>

- Trustful & reliable platform
- Cheaper option compared to hotels.
- Free membership of homeowners – no registration or A/C maintenance fee.
- 24/7 support team – for both hosts and guests
- Easy to use – mobile phone or internet.
- Exotic locations
- Rental of unique spaces
- Use of unused value
- Property insurance coverage – for homeowners against damage

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So, let us visit the Airbnb business model canvas, how we represent it here. First is value proposition; what value proposition that they provide? They are trustful, the most important part is you belong anywhere. Wherever you go you will feel like you belong to this place, you belong to that home the home is your home something like that. So, you have so much of trust, so much reliable platform. Cheaper option compared to hotels, because it is kind of an aggregation it is a collaborative consumption.

So, everybody consume that kind of inflate the consumption big way. So, it becomes economic when the consumption when anything is in volume you can actually afford to cut cost and offer it at a lower price. Free membership; they do not charge any money for membership, either for guests or for hosts. There is no account maintenance fee. The host, the

homeowner never pays some money because they are registered with them. 24 by 7 support, easy to use.

So, you can book from your mobile phone or through internet from anywhere. And you can have exotic location; suppose you are in any city for that matter Bombay, Delhi, Kolkata or anywhere else you can from there you can actually identify properties which is away from the main city and you can stay there and spend time. Because, you are on a tour maybe so, you do not want the hurry burry of the cities big cities, but you want to spend some quality time and often on you can visit the city and enjoy that as well.

Rental of unique spaces; unique spaces being means there may be something like say classical building some architectural marvel or something of that kind some villas or something. So, that is also possible use of unused value. So, for hosts perspective they may have some unused space lying idle or partially commercialized. Now, they can use it for creating more value. So, money flow to these people actually increases.

So, overall you are giving a enormous value proposition to homeowners. Because everybody almost everybody wants to earn some extra money, particularly there are down ups and downs all the time. So, you are going to earn some extra money. So, eventually it adds to the increase in GDP as well it adds to consumption it adds to GDP, growth, etcetera property insurance covers they give property insurance to the homeowners.

So, this whole thing is either addressed to the guest or addressed to the host. Uniquely Airbnb for Airbnb there are two sets of customers; one is the homeowners they are also customer because they are paying revenue to Airbnb the guest who are also paying to Airbnb something like 6 to 12 percent of the booking fee so, they are also customer. And the homeowners is paying something like three percent of the booking fees. So, both are customer from both they are getting revenue who are the customer segment.

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**2. Customer Segments**

- Individual travelers – frequent travelers
- People who want to rent out their place

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Normally, it is referred to as desegmented customer; because anybody and everybody who is traveling particularly those who are frequent travelers, they are the individuals who are their customer segment. So, the whole world in 190 countries there is no geographical boundary for Airbnb this is very unique for them, otherwise having this kind of a open geographic area for segmentation is very difficult to get.

Then, people who want to rent out their space. So, that is the other side of this customer. One is the traveler, another is the customer whosoever have some space. That apart suppose, you are a businessman looking for an opportunity you do not have a house to rent. Now you have money in your on your disposal.

So, you can buy or innovate an existing space or you can buy some new flat and then start a business. You do not have to advertise, advertise you do not have to build brand or anything

you do not have to build trust also. It will you will create that within no time because customers will come and then they will write a wonderful review, if your behavior is good, if your hospitality is good quality. So, you get everything done without much effort.

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**3. Customer Relationships**

- Trust through service and brand.
- Storytelling that resonates with customers.
- Training homeowners to create best customers experiences.
- Support team
- Online & mobile applications.
- After hurricane Sandy, offered free accommodation to displaced people.

The slide features a background with a stylized tree and various icons representing technology and service. The footer includes the NPTEL logo and the text 'NPTEL Online Certification Courses IIT Kharagpur'.

So, that may be another customer segment for means; not necessary the homeowners, but if some businessman wants to buy a property and not necessarily businessman somebody, some individuals who has money. Customer relationship; how do they maintain the customer relationship. They build customer relationship based on trust belong anywhere is a slogan so, they give that sense of trust that you can go anywhere and get a sense as sense as if you belong there, that is the amount of trust storytelling that resonate with the customer.

Training homeowners to create best customer experiences many times a little bit of training actually will make the host a nice host from a not so nice host. They will know the dos and do

nots and then they will not do whatever or they will recruit people who are who are kind of with customers, friendly with customers, even though from inside they may not feel that way, but still they will behave nicely. So, that customers will have a better feeling.

Then the support team is another who will build the relationship by quick response to the to the troubles that customer may have. Online and mobile application; so, it is easy to access both for registering new property or for booking and then there may be many other things that Airbnb actually are doing. For example, after a hurricane sandy they offered free accommodation to displace displaced people. So, in the process they create so much trust, so much sense of belongingness this is another story like Huggies.

So, it is almost like Airbnb is always there for everybody. So, if you are in trouble Airbnb is there, something like that kind of a message they have sent across. So, in the way it is not just the only a story. So, they keep on keep on looking for this kind of value creation or this kind of emotion that they can give to the customers. It is not only to the people who were displaced and they were accommodated, but everybody reads this story and they feel enamored about Airbnb the brand.

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**4. Channels**

- Website
- Mobile app
- Social media
- Blog
- PR
- Word of mouth

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So, the brand gets inflated value moving forward. What is the channel? It is very clear because you have mobile app, you have website, you have the social media, there is blogs through which people get to know a public relations that Airbnb always come up with a most importantly. Airbnb encourages their visitors to write their experiences on the site and then other people come to know about it.

Of course, Airbnb will try to show the better ones. So, that most people will read them and then they will fill enamored about it through word of mouth also they create awareness and people come to know.

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The slide features a central graphic of a tree with various technology icons (gears, Wi-Fi, smartphone, mail, etc.) as leaves. The title '5. Revenue Streams' is at the top left. A list of charges is in the center. A presenter is visible in the bottom right corner. The footer includes the NPTEL logo and text: 'NPTEL Online Certification Courses IIT Kharagpur'.

### 5. Revenue Streams

- Booking fees charges the guests 6-12% of booking fee.
- Commission home/ apartments owners: 3% of each booked place

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Revenue is very simple for Airbnb. So, for guests, when you are booking some accommodation depending on the location of demand they will charge something like 6 to 12 percent booking fee as commission. Similarly, for from the homeowners there are another 3 percent. So, 6 to 12 plus 3 percent; that means, 9 to 15 percent of revenue that they earn through this process.



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**6. Key Resources**

- Brand and the associated trust
- Community of home providers & travelers
- Data base of accommodations
- Database of registered customers (guests)
- Relationship with governments across the world

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Key resources; ok, the brand is the most important resource because without the brand there is nothing, the name Airbnb itself sales. So, brand is one of the key resources and the associated trust. Community of home providers and travelers are definitely resources; because these are the assets which they are exploiting to give to offer the customers or the travelers to a stay. Both are customers, but at the same time whom providers are definitely resource more homes they have more sales they can make they can give more options to the existing customers as well.

Database of accommodation; this database actually helps them to understand the how they can create more value connect them, connect with them then send across words when they are coming up with a new offerings. And if they have new if they have new products like this dining thing. So, it is very easy for them because they have the database they can they can

broadcast, the new product launching through that and everything is automatic, they do not have to spend a penny for that.

Relationship with government across the world is very important and Airbnb actually is fighting to maintain good relations with government. Because, there are conflict like hotel industry will always complain, because it is a it is a kind of a cannibalizing their customer base. So, they will always complain that in the same city, we are offering at 5000 rupees; whereas, Airbnb with the same facility are offering at a lower price. So, our customers is going away there we have so much of overhead expenses fixed cost and whatnot.

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The slide is titled "7. Key Activities" and features a list of nine bullet points. The background is white with a blue header and footer. On the right side, there is a small inset image of a man in a suit. The slide is decorated with various icons related to technology and business, such as gears, a lightbulb, a smartphone, and a network diagram. The text is in a clean, sans-serif font.

- Maintaining service quality, trust, and good experience
- Creating technological infrastructure & design
- Community management
- Database management
- Customer service
- Marketing to connect more properties and more guests
- Product development
- Management of international payment system

New product such as the New Dinner Program

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So, they may go out of business that is that is the fair. So, they have to Airbnb has to continuously talk to the government that we are actually not cannibalizing. We are offering a wider customer base we are actually creating new customers. So, we are not catering to their

customer per se. We are creating new customers in fact, some of the customers will go to them as well when they will not find any accommodation with us.

We are actually enlarging or broadening the customer we are empowering customers to dream to come and visit. They will come they will visit they will also sometimes they stay in 5 star hotels. Key activities; they maintain the service quality in the homeowners in the homes and then they maintain that trust and they do the troubleshooting; in case there is some problem, so that the trust is not broken. Just imagine that somebody is say murdered in some property and becomes the headlines, the brand actually will be getting a hit on valuation.

So, Airbnb has to be very careful about maintaining the trust and maintaining everything else. So, and at the end the customer must have good experience when they go out, out of the house, experience is all that. Creating technological infrastructure and design. Continuously they have to strive to remain ahead and give a wonderful experience even for visiting their website. Visiting website, making payment, everything should be seamless then only people will think that this is a site I would like to come back again and again.

Community management; community management means, managing the homeowners managing on the other side the customers database management data is the most valuable assets for asset for Airbnb. So, database management is very important part; both for existing customers for coming up with new strategies.

Customer service that is another key activities they have to do meaning; they have to give customer service. Marketing to connect more properties and more guests is a continuous process that is one of their key activities. In fact, if they can really connect with more properties and more guests, that directly translates into revenue. Activities are directly related to revenues and it gives revenue.

Management of international payment system goes without saying that is how the money comes to their pocket and that is how international customers are feeling secure that my bank account will not be robbed by anybody. So, whatever I pay only that much money will go.

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**8. Key Partners**

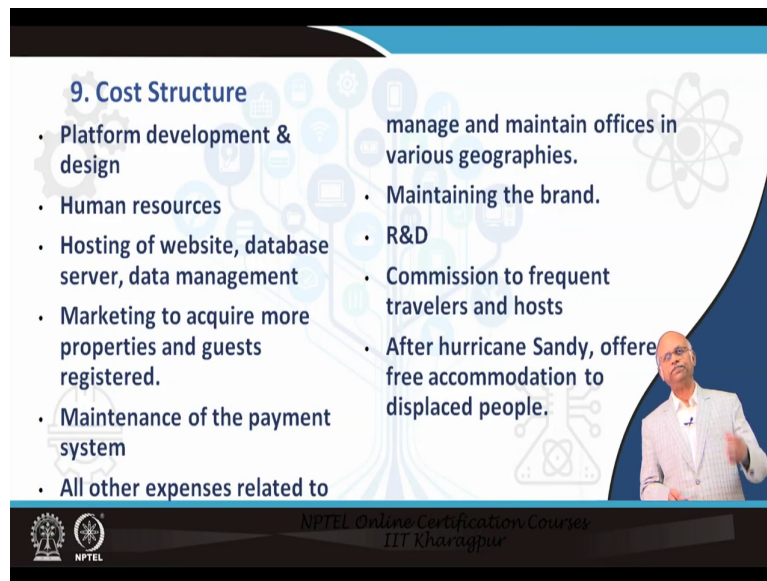
- Home owners
- Travel community operators
- Bloggers
- Legal institutions
- Investors
- Insurance companies
- Governments across the world

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Key partners; homeowners are the key one of the key partners, even though their customers they are also key partners. There is no home, there is no business. Travel community operators; meaning, those people who are diverting customer and who are diverting to Airbnb customers to Airbnb and then they are managing some tours travels. So, eventually travelers will be encouraged to come to some city and then occupy Airbnb accommodation. And then the travelers can charge money to them for sightseeing as well as they can pay they can earn some money through commission by book bulk booking Airbnb accommodation.

Then key partners are bloggers who write wonderful comments for Airbnb, legal institutions; where they are fighting cases, investors who are funding them. Insurance companies who are insuring the properties that that are part of Airbnb, then government across the world are key partners.

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**9. Cost Structure**

- Platform development & design
- Human resources
- Hosting of website, database server, data management
- Marketing to acquire more properties and guests registered.
- Maintenance of the payment system
- All other expenses related to

manage and maintain offices in various geographies.

- Maintaining the brand.
- R&D
- Commission to frequent travelers and hosts
- After hurricane Sandy, offered free accommodation to displaced people.

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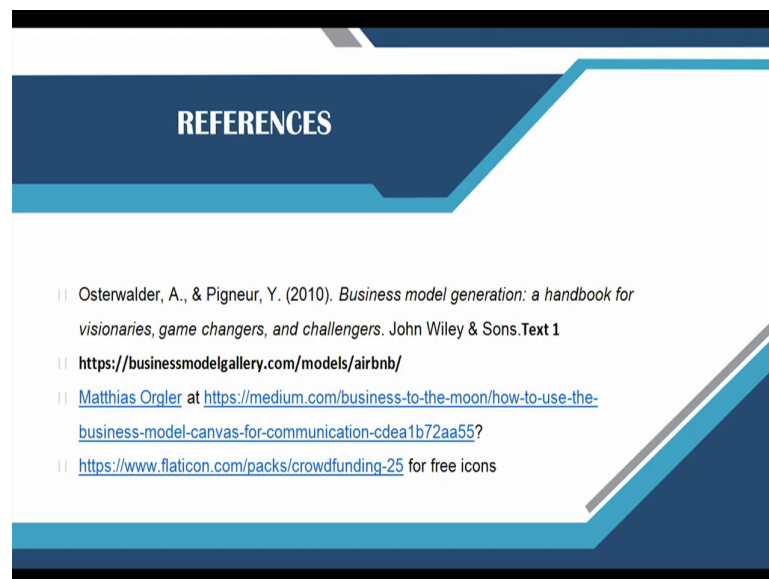
Cost structure is kind of huge, but then it is not so, huge in terms of total cost. Platform developed development and design so, that is a continuous process. So, that they can evolve better and better human resources their manpower. Hosting of website or database server data management as I said data is the most important asset. So, they have to maintain data it is secrecy it is it is security. So, there has to be multiple databases maybe three four images of the data bases will be maintained across the world. So, that if one database crashes, there is there are other databases to bank on.

So, there is there has to be again block chains and all that to protect customer data. So, that it is not stolen if somebody steal the data, then a competitive advantage is lost customers will complain that our private data are getting stolen. So, all that security has to be maintained marketing to acquire more properties that is that is a continuous cost for them.

Maintenance of the payment system, for every payment there is a cost involved a transaction cost. All other expenses related to manage and maintain the offices in various geographies Airbnb has offices in many countries. Maintaining the brand itself require money whether it is public relation or anything else there is requirement of money.

And they have to do R and D to come up with new business model or innovate existing business model. So, that the they preempt any competition. Commission of frequent travelers and host. So, they have to pay a commission, normally they pay they do not have to, but they come up with some package that if you are a frequent traveler you will be given a commission. So, that is sacrifice for Airbnb; so, consider that as a cost. After hurricane sandy, they offered this free accommodation that is also a cost.

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So mean, so building that trust, Airbnb has to incur some cost. So, out everything together this this gives a total cost estimation or understanding. This presentation particularly the Airbnb and other things were in major part influenced by or inspired by the business model gallery dot com. So, I have given that reference the beginning, but here also it is given we should acknowledge that because, major part has been taken from there.

No conclusion.

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Thank you very much.