

THE AIRBNB STORY

How Three Ordinary Guys Disrupted an Industry, Made Billions . . . and Created Plenty of Controversy

LEIGH GALLAGHER

LEIGH GALLAGHER is an assistant managing editor at *Fortune* where she writes and edits feature stories. She is also the host of *Fortune Live*, *Fortune.com*'s weekly video show. Leigh Gallagher is a co-chair of the *Fortune Most Powerful Women Summit* and also oversees *Fortune's 40 Under 40* multi-platform editorial franchise. She appears regularly as a business news commentator on many TV shows including CBS's *This Morning* and *Face the Nation*, public radio's *Marketplace*, MSNBC's *Morning Joe*, CNBC and CNN. She is the author of two books including *The End of the Suburbs* and is a visiting scholar at New York University. She is a graduate of Cornell University.

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Looking for the next big thing

The Airbnb story began in Providence, Rhode Island in the summer of 2004. Brian Chesky had just graduated from the Rhode Island School of Design and his friend Joe Gebbia was in the fourth year of a five-year dual degree in industrial and graphic design at the same school. Chesky and Gebbia teamed up to work on a six-week project competition to design potential new products for the Conair Corporation.

While most of the student teams came up with new designs for hair dryers, Chesky and Gebbia pitched a shirt which was made of soap that washed off and other outside-the-square products. The Conair executives were not impressed but Brian Chesky and Joe Gebbia realized they liked working together and enjoyed building on each other's ideas. They joked that one day they would start a company together.

Brian Chesky moved to Los Angeles and worked for a year at industrial-design firm 3DID. When he graduated, Joe Gebbia moved to San Francisco where he got a job working as a graphic designer for Chronicle Books. They still kept in touch and in early 2007 Chesky decided to leave Los Angeles to link up with Joe Gebbia in San Francisco to see if they could come up with some sort of idea they could use to start a company together.

When Chesky arrived in San Francisco and moved into Gebbia's 3-bedroom apartment on Rausch Street, Joe informed him he was on the brink of losing the place because he didn't have the \$1,150 needed to pay the rent for the next month. The two friends brain-stormed how to make enough money to pay the rent and they came up with the idea of creating their own bed-and-breakfast for designers who would be attending the industrial designer's world congress which was just about to be held in San Francisco. They knew hotels would be full that week and hoped someone would be looking for cheaper alternatives.

"Gebbia happened to have three air mattresses in his closet from a camping trip he'd taken. The place was a spacious three-bedroom, so there would be the living room, kitchen, and a full bedroom all for the taking. They could sell a cheap place to stay, and even offer breakfast—and they could advertise their place on the

design blogs they knew all the attendees would be reading. They refined this idea for weeks, and the more they talked about it, the more they realized it was so weird that it just might work—and with a looming deadline to pay the rent, they had little to lose. They started drawing wireframes, or skeleton outlines, and mock-ups for the website that would advertise their concept. Once Chesky moved in, they hired a freelancer who knew HTML to put together a rudimentary website using their designs, calling the service AirBed & Breakfast. The final product featured a robust website announcing the service ("Two designers create a new way to connect at this year's IDSA conference"), an explanation of how it worked, and included a listing for three airbeds in their apartment for eighty dollars apiece (amenities listed included a roof deck, a "design library," "motivational posters," and 3-D typography). "It's like Craigslist & Couchsurfing.com, but classier," proclaimed one "endorsement."

– Leigh Gallagher

Within a few days of launching their website, Gebbia and Chesky had three guests who booked – a designer from Boston, another from Utah and a third designer who had just graduated from Arizona State University. All were attending the congress and Chesky and Gebbia happily showed them around San Francisco. They served their guests untoasted Pop-Tarts and orange juice for breakfast and all told ended up making about \$1,000 from the weekend.

Totally energized by their initial success, Joe Gebbia introduced Brian Chesky to Nathan Blecharczyk, a Harvard computer science graduate who had previously been one of his roommates. Blecharczyk had taught himself how to code at age twelve and by the time he finished high school had made almost \$1 million building and selling marketing software. He used that money to pay for his Harvard computer science degree and on graduation had moved to San Francisco to try and find a good start-up to work for. Blecharczyk agreed to work on something with Gebbia and Chesky if they could come up with an interesting idea.

The three friends thought about some other ideas but kept coming back to the concept of AirBed & Breakfast. They envisaged their service as becoming a resource for finding rooms during sold-out conferences around the United States. They were working on the

assumption these conferences could easily max out a hotel's supply of rooms and they decided the perfect place to launch would be for the upcoming South by Southwest conference in Austin, Texas.

Brian Chesky and Joe Gebbia were enthusiastic to launch AirBed & Breakfast then but Nathan Blecharczyk was a bit overawed by the amount of coding which would need to be done in just a few weeks to be up and running in time. They decided instead to launch AirBed & Breakfast Lite with fewer features and therefore fewer technical hurdles.

"They decided that at South by Southwest, they would introduce Airbedandbreakfast.com as an entirely new site, to try to get another round of press. (It's a tactic Chesky has since advised to other entrepreneurs: "If you launch and no one notices, you can keep launching. We kept launching, and people kept writing about it. We thought we'd just keep launching until we got customers.") They spruced up the site, billing it as lodging for sold-out conferences ("Finally, an alternative to expensive hotels," the site read), and notified some tech blogs. But almost nothing happened. "It wasn't really a big moment for traction," Blecharczyk says. That was an understatement: They got only two paying customers—one of whom was Chesky."

– Leigh Gallagher

Despite the lack of uptake at South by Southwest, the launch served a few purposes. Chesky forgot to go to the ATM to get cash so for the first few days he was staying in the home of a stranger who had no idea whether he would actually pay. His host also found after a few days of becoming friends, it was awkward to ask for the money. Chesky convinced his co-founders the website had to have a more sophisticated payment system to handle that side of the transaction. They also heard from a few potential customers who said they were traveling to other places, not for conferences. They asked whether AirBed & Breakfast could be used for those situations and the co-founders said no.

Chesky and Gebbia did however make one interesting contact at South by Southwest. They were introduced to Michael Siebel, the twenty-five-year-old founder of Justin.tv who had just gone through the prestigious Y Combinator program run by legendary venture capitalist