



AIRBNB: GOING FOR GOLD—TOKYO 2020*

INTRODUCTION

2015 San Francisco Headquarters, Airbnb Cofounders CEO Brian Chesky & CPO Joe Gebbia:

Joe. Brian, can you believe it... did you see the *New York Times* article this morning—“Meet the Unlikely Airbnb Hosts of Japan”? I think we have a big concern here. Wait... listen to this: “relative to other major cities in the world, Tokyo, with its population of 13.4 million, has been slow to embrace Airbnb, with fewer hosts signing on to open their doors to strangers... there are currently only 2,500 listings in the city, less than half of what can be found in Madrid, less than one-fifteenth of what can be found in Paris and about the same as what’s available in Edinburgh, a city of half a million people” (*New York Times*).

Brian. Yep, read the article this morning at the Starbucks on Townsend... This is so confusing... why are we (Airbnb) “Lost in Translation” in Japan? I feel like we as a company have been making significant strides globally to connect the Airbnb brand with our communities. Wow... I mean... look at our successes in Europe, and more recently in Brazil—where for the first time *EVER* in history we’ve won the Olympic bid as the secondary accommodations provider worldwide for the games! I’m ecstatic about our Rio Olympics 2016 accomplishment Joe... but what do we need to do to ensure our viability as a service for Tokyo 2020?

Joe. Well... on a positive note we’ve got 5 years to figure this one out... but we are going to have to make some serious changes in our approach to the Asian expansion effort. The region is very culturally diverse and equally so, are the myriad of laws and regulations concerning the hospitality business. It’s going to take some detailed analysis and tough decision making... but capturing the Japanese market for tourism ahead of the Olympic Games will be well worth it. Ha! Hold on a second... listen to this: “The Japanese government predicts that there will be eight million or so eager visitors on a trip-of-a-lifetime binge, all needing places to stay” (*New York Times*). Nice... “trip of a lifetime”... that’s what Airbnb is all about—an amazing experience! BRIAN... we have to get things RIGHT in Japan... this will be an incredible opportunity for our company.

Brian. Joe, I’ve had our eyes set on Asian expansion... the significant growth of the middle class now able to travel globally, the culturally enriching experience that this part of

the world has to offer, and the enormous population that can be positively affected socioeconomically by our Airbnb platform—all motivates me to be focused on growth in the region. With respect to Japan, its ranking as one of the world’s safest places to live with two major cities in the top five globally definitely makes this destination a promising market to not only develop but also become a top performing location for Airbnb. In addition, I think that there are some solutions that our company could provide to the community to include assistance with habiting excess private real estate in Tokyo & Osaka that is underutilized or vacant due to the forecasted population decline in the near future. I think this time... let’s think BIG... and shoot for “official primary” provider of accommodations in Japan for the Olympics. Here’s my vision: Tokyo 2020 Olympic sponsorship for Airbnb... the moment that the door opens for us as a company into the Asian market.

Joe. Got it Brian... and I agree, let’s go for the win in Japan. I’m thinking that this is what we need to do, and please tell me if you think *I’m over the top?*... Let’s: leverage our Airbnb hosts/guests already in Japan to gain their insights on improvements there, we also need to make connections with regulators, politicians, and officials in Tokyo... and finally hire a research team to examine the marketing and social infrastructure implications prevalent in preparation for the games. I’m inspired by the information we will attain in this effort, and if we could couple it with the learned successes of our experiences in Western markets... I know that we can design a winning plan for Japan.

TABLE 1
JAPAN RANKED AS WORLD’S SAFEST CITY

Safe Cities Index 2015	
Top 10 cities	
Rank	City
1	Tokyo
2	Singapore
3	Osaka
4	Stockholm
5	Amsterdam
6	Sydney
7	Zurich
8	Toronto
9	Melbourne
10	New York

Source: <http://www.economistinsights.com/infrastructure-cities/analysis/safe-cities-index-2015>.

*This case was prepared by Janeth Espinoza, Ako Haneda, and Sharon Rohde of the Fox School of Business at Temple University Japan under the supervision of Masaaki Kotabe of Temple University for class discussion rather than to illustrate either effective or ineffective management of a situation described (2016).

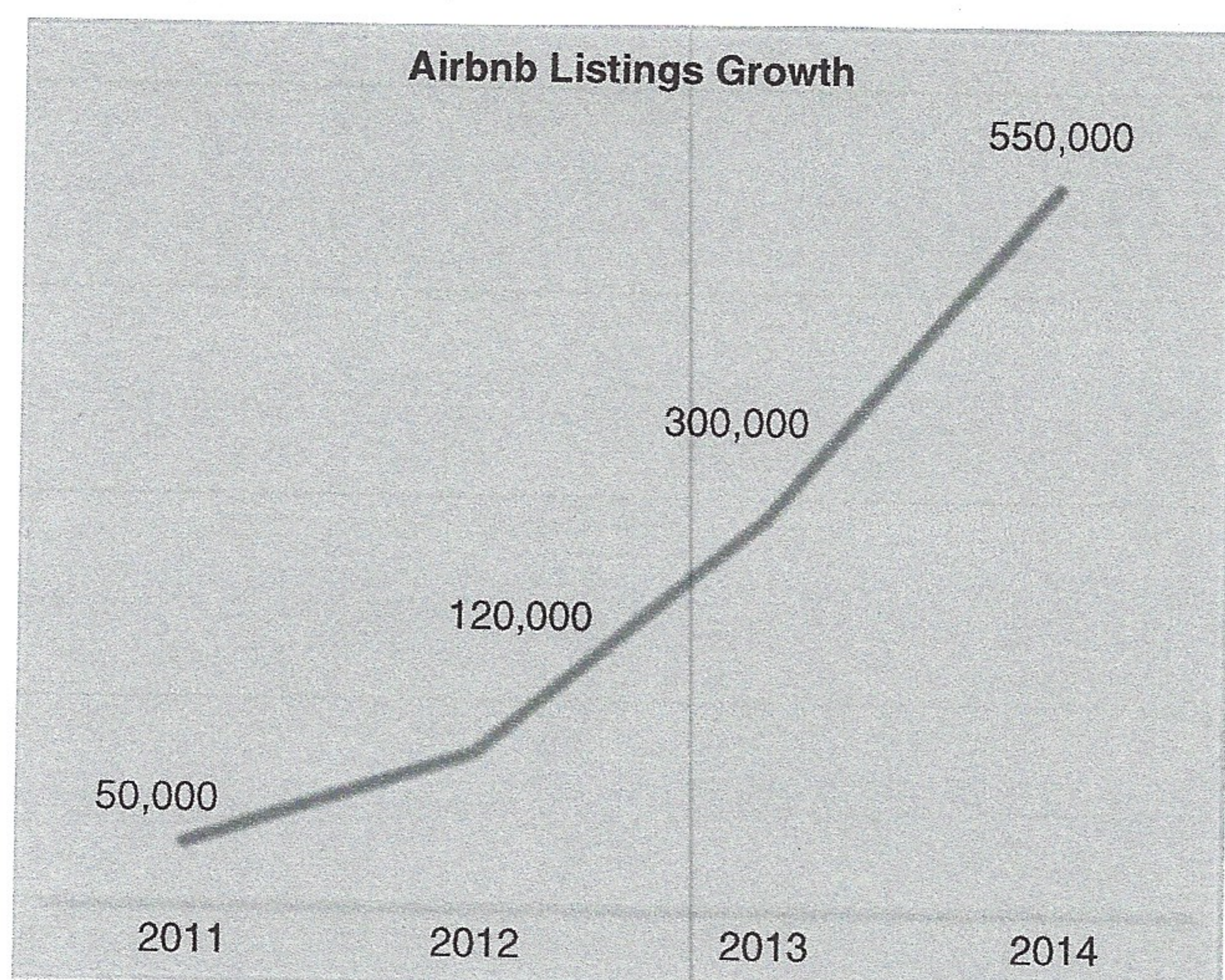
Brian. Awesome Joe...and NO, you are not over the top! The only other consideration that I think is necessary to emphasize is that of culture. We all come from a distinct way of living, no matter where we are in the world... which is important to us, in our life story... and this concept is a cornerstone of our company which is: “simply a shared way of doing something with passion”... standing by, ready for Eastern expansion, and a “Gold” in Tokyo, Japan!

A couple of weeks later, Joe is back in his office and looking over the research team’s report. It contains a lot of useful information but it seems there are many obstacles to tackle. What should they concentrate on first? He looks outside his window and ponders....

WORLDWIDE IMPACT

Airbnb is one of the largest online community hospitality platforms in the world, connecting hosts and travelers while enabling transactions for accommodation rentals without owning any rooms itself. Currently, the company has aimed to implement a “Belong Anywhere” community marketing strategy, whose mission is to connect people globally through promoting trust—enabling the opportunity for a traveler to connect with local culture during a visit or stay. Launched in 2008, Airbnb has experienced exponential growth, and in 2015, it maintains an impressive status with over \$10 billion in valuation and 1.5 million room rental listings in almost 200 countries globally. Airbnb has become a strong competitor among the hospitality industry, with its current growth rate of listings doubling each year and domination of similar online service competitors with their unique services/experiences. The development of Airbnb as a service has been disruptive not only to the hotel industry but also toward corporate approaches to marketing strategy in an increasingly socially connected, collaborative online landscape. Airbnb is part of a sharing economy, which efficiently utilizes the Peer-to-Peer

FIGURE 2-1
AIRBNB GROWTH IN LISTINGS WORLDWIDE



(P2P) business model allowing individuals to share resources and participate in collaborative consumption of goods & services. Airbnb values and masters the digital/social media experience in order to attract customers and provides an established marketplace platform where both hosts and travelers can interact. Recently, the company has revamped its logo in order to boost its marketing campaign of human connectedness: “belonging has always been a fundamental driver of humankind, so to represent that feeling we’ve created a symbol for us as a community: “Belo”—an iconic mark for our windows, doors, and shared values...the universal symbol of belonging” (Brian Chesky CEO) (Figure 2-1).

EXPANSION CHALLENGES & LESSONS LEARNED

Despite the seemingly successful initiatives of Airbnb to remain competitive, it has experienced some difficulties throughout its evolution as a company. A significant implication for Airbnb’s marketing strategy is that of regulation. Some countries are in the process of implementing regulations in favor of Airbnb, while other countries are reacting negatively to the presence of Airbnb due to cultural, legal, economic, or governmental concerns. Airbnb has had to revise its terms of service continually in order to comply with and adapt to changes as it has entered the global realm. In addition, there are ongoing risks in conducting business for both hosts and guests. One of the most significant challenges for Airbnb’s marketing strategy is the establishment of trust within the community which it attempts to control through online mediums such as YouTube, Facebook, and its website. Airbnb relies heavily upon leveraging social media and big data analytics to validate the reputation and trustworthiness of its customers and clients. Currently, to be a provider or user of Airbnb services a government issued ID card/passport & social media verification is required. Airbnb does not routinely perform background checks on its users, but it reserves the right to do so. Another risk for hosts is that of property damage. In order to address this, Airbnb offers liability insurance up to \$1 million through its Host Guarantee coverage and recommends that hosts carry additional insurance to cover personal items. Concerns for guests involve situations where the property does not match the description or the host is unresponsive to guest needs. Airbnb now offers a 24-hour customer service and safety team for guests to address any concerns during their stay. The company will continue to face challenges as it expands globally; however, these difficulties can be overcome with a proactive marketing strategy that both emphasizes and enforces a responsible Airbnb community.

SUCCESSFUL MARKET ENTRY

United States. The main factors that created a market that was ready for Airbnb in the United States were as follows:

- Shifting social landscape: cost-conscious consumers with a relaxed idea of privacy

- Increased sharing of intimate thoughts, moments, and photos via social media
- Ramp up of online shopping (E-commerce)
- End of U.S. recession

In the U.S. market, Airbnb started its growth in 2009 from an unknown startup to Inc. Magazine's Company of the Year by 2014. In the early years, getting traction to Airbnb's website and its service was slow. Founders Joe Gebbia, Brian Chesky, and Nathan Blecharczyk were hands-on and invested in perfecting the Airbnb experience from posting a listing by a host, booking by the guest, to final review postings by both host and guest. In order to gather information in the summer of 2009, they flew out to New York City and booked spaces with 24 Airbnb hosts. From their stays, they found problems with the way people were presenting their listings and found the pictures to be of bad quality. Their fix was to rent a professional camera and go around New York City taking high-quality photos of listings. This led to the Airbnb photography program that lets hosts make appointments with professional photographers, free of charge, to take pictures of their listings. By 2010, Airbnb had made it easy for people to become hosts. The service platform made it very simple for hosts and guests to connect, collect payment, and review each other in order to establish future trust. During 2010, growth was exponentially driven by the founders' focus on the user experience. In June 2010, Chesky started living in Airbnb rentals full time to gather insights. Through its founders' efforts and continuous improvement of services, Airbnb acquired "an aura of style, respectability, safety, and trustworthiness."

Paris. Paris is currently Airbnb's number one destination. In 2015, it boasts 50,000 listings with 517,000 people staying last summer with Airbnb hosts. The French were early adopters of the sharing economy. Local rentals appeared a few months after the company opened for business in 2008. The rapid adoption to Airbnb by Parisians can be summarized in three main points: (1) hotels are very expensive and choice is limited, (2) the French are open to discovering new people and foreigners, and (3) France is advanced in collaborative consumption. In 2012, Airbnb opened its Paris office with the mission to expand its growth in France, Belgium, and Morocco. Airbnb initially tried online advertising to promote its presence in France but its reach was low. The approach changed in February 2012 to hosting face-to-face meetups. Airbnb employees physically visited Airbnb users in France to get an idea on how they could make them comfortable on the idea of becoming hosts. They threw parties and info sessions, set up booths around town, posted flyers, and sponsored events throughout France. This personal approach has resulted in Airbnb leading the market on P2P rentals in this high-context society. In addition, as soon as listings started to grow exponentially in France, Airbnb started contacting local authorities regularly in order to reach legislation that would be beneficial to both. Airbnb in France (and Europe) seeks to find partners within the government that understand the sharing economy and are willing to regulate it. By early 2016, the company started collecting a tourist tax from its users

on behalf of Paris authorities, making the French capital the second city in Europe after Amsterdam to offer that service. Airbnb's second annual hosts' convention took place in Paris on November 2015.

Australia. As of early 2015, Airbnb had 30,000 listings in Sydney and 75,000 listings countrywide. Since 2012, Australians had proven to be a huge market for Airbnb and accounted for 1 million guest nights booked on Airbnb worldwide. In November 2012, the company opened its Australian office in Sydney in order to promote the brand locally and provide support in one of its biggest markets. The main goal was to increase the number of hosts in Australia since up to that time listings were only at 5,000; with Australians only renting their places out occasionally. In addition, Australia was becoming a popular destination for foreign users of Airbnb. As in previous expansion efforts, founder Brian Chesky took a trip to learn about Australian culture and explore the Sydney local experience through Airbnb host stays. By 2014, Australians were among the most prolific users of Airbnb site on a per capita basis. The high adoption rate of Australians could be attributed to being global leaders in travel and ahead of the curve in adopting the sharing economy... "[Australians] are some of the most connected, well-travelled, open-minded people in the world," said Airbnb CTO, Nathan Blecharczyk in an interview with Techworld Australia. Currently, Airbnb is working closely with regulators to promote "fair and progressive rules around home sharing in Australia."

BIG SPORTING EVENTS: COLLABORATION

2012 Olympics: London, United Kingdom (Unofficial Sponsorship). The 2012 Olympics was the first time Airbnb had made the decision to utilize the games as a promotion platform to gain brand awareness globally. While not officially sponsored by the government, right before the Olympics arrived in the United Kingdom—Airbnb organized an event to connect local hosts with Olympic authorities to learn how to best prepare for the event. Airbnb's hosts were recognized as unofficial ambassadors of London & neighborhood concierges and welcomed thousands of travelers to their homes and neighborhoods during the games. Airbnb partnered with representatives from the Cultural Office of the Mayor of London, Transport for London, and the London Legacy Team to ensure that hosts had information to pass along to guests about: venues in neighborhoods throughout the city, cultural events occurring during the games, transportation options for locals/visitors, and areas to avoid for safety reasons. Hosts also obtained useful information from the presenters and learned the skill of customizing neighborhood guidebooks and transit maps which turned out to be instrumental for foreign guests in the facilitation of their stay in London.

At the time, the London Olympics was the biggest event the Airbnb community had ever collectively helped to host. Local residents opened their homes throughout all of London's boroughs, most notably in the redevelopment priority area of East London near the Olympic venues, where very few

hotels were located. In summary, over 1,800 hosts welcomed more than 9,700 guests from over 100 countries during the London Summer Olympics. On average, 86 percent of Airbnb guests traveled from outside of Great Britain, with the standard guest staying in London for over a week. All of this translated into over \$4 million of income for London residents. Furthermore, in late March of 2015, the Queen of England signed new rules permitting London residents to share their homes using Airbnb, updating more restrictive and antiquated laws.

2014 World Cup: Brazil (Setting the Conditions for Future Olympic Bid). Since early 2011, Airbnb had set its sights on Brazil. In an interview in July 2012, founder Brian Chesky, said that he expects “Brazil will be one of the biggest markets for Airbnb in the world.” Brazil is an ideal place for Airbnb since the shortage of accommodations for major events has driven Brazilians to open up their homes and take part in the benefits of the shared economy. In addition, Brazilian officials, facing shortages of hotel rooms, have welcomed Airbnb with open arms as an alternative for their country’s lack of infrastructure.

In April 2012, Airbnb opened its offices in Brazil with a mission to serve as the hub for all of Latin America and continues to work on customer engagement in Brazil and throughout. As in other international markets, Airbnb has focused on providing value and unique experiences for users at several price points.

Thanks to Airbnb’s work in developing its brand and positioning in Brazil, as an alternative to over-priced hotels with a standardized experience, it was able to rapidly increase the number of listings available by the time the World Cup arrived in 2014. During this time, Airbnb saw a high demand for renters, acceptance from the government, and limited push-back from the hotel industry. Final data released after the event revealed that: 40 percent of users used Airbnb to search a place to stay in Brazil and over 20 percent of FIFA World Cup attendees (120,000 guests) stayed in the 18,000 Airbnb Brazil listings; making the company the largest hospitality company in Brazil.

2016 Olympics: Rio, Brazil (Official Sponsorship). Airbnb recently announced that it signed an agreement with the Brazilian government and the Olympic Committee to be the official alternative accommodation services supplier for the Rio 2016 Olympic Games. This is the first time the Olympic Committee has ever designated an alternative accommodations sponsor and the largest worldwide venue that Airbnb has signed on as an official partner. An estimated 38,000 spectators, in addition to Brazilians, will need accommodations and the selection of Airbnb’s platform services at the games is a wonderful choice to increase the supply of rooms in the city. The 2016 Rio Olympic website will have a link to Airbnb connecting spectators to make reservations and stay in areas closer to the venue, bringing economic prosperity to local communities. The new official partnership is an example of how Airbnb is able to help cities where adding capacity will help boost tourism while putting the spotlight on the city’s best asset—its people. Airbnb clearly realizes the value of working together with governments to offer affordable accommodations for all visitors to the games.

AIRBNB JAPAN DILEMMA

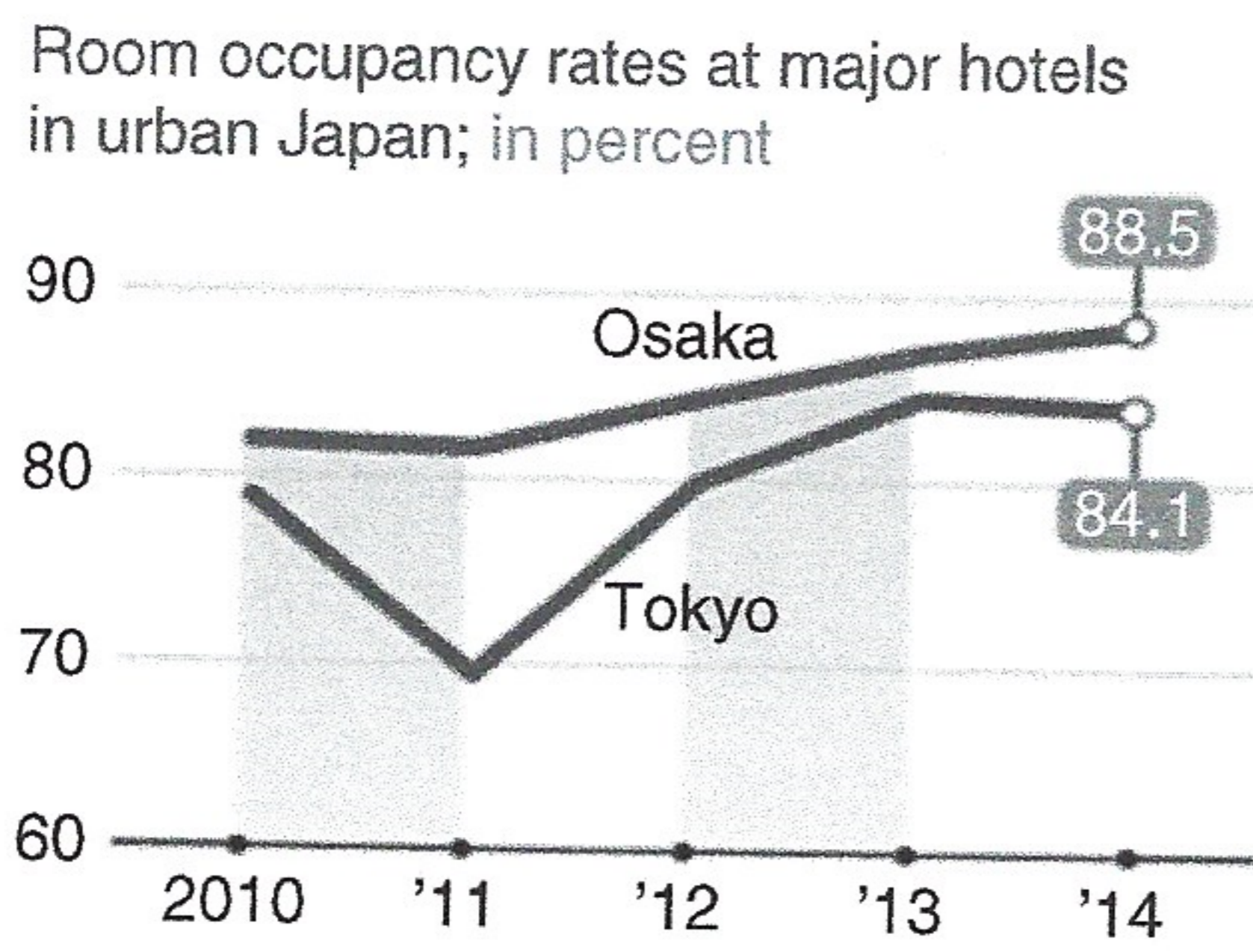
Asian Expansion. Shortly after its success in the United States and Europe, Airbnb decided to expand its business in Asia. They initially concentrated on expansion into cosmopolitan cities in China such as Shanghai and Beijing. Once settled, the company localized the site for other urban centers. Their initial target was the expat population since the initially launched sites were only in English and the concept of Airbnb was very new to Asian customers. In 2010, the corporation started focusing on other Asian cities such as Hong Kong, Bangkok, Tokyo, Seoul, Kuala Lumpur, Singapore, and Mumbai as growth markets. In 2012, right before actor/investor Ashton Kutcher and Airbnb CEO Brian Chesky made a trip to meet the growing Airbnb community in Tokyo, the Airbnb Japanese site was launched. As a means to meet expanding demand, in 2013, Airbnb set up its Asian regional hub in Singapore which handles everything from online marketing and business development to partnerships and support services.

Situation in Japan: Pro Airbnb Aspects. Due to a long recession, the gross government debt reached 226 percent of Japan’s GDP in 2014, which is the highest level ever recorded in an Organization for Economic Co-operation and Development (OECD) country. Japan’s debt ratio is set to rise further and it is crucial for the cabinet to revitalize the economy. After taking office in 2012, Prime Minister Shinzo Abe released his “three arrow” policy, which includes bold monetary policy, flexible fiscal policy, and a growth strategy, to tackle deflation. Having released the first and second arrows, the cabinet is now focusing on its third arrow, which is to encourage investments and raise productivity by structural reforms.

As a part of this growth strategy, the country has been successful in attracting more tourists globally. In addition to the weaker yen, and Tokyo winning the bid for 2020 Olympics, the country is further taking some measures to increase tourism, such as easier visa procedures and the broad enhancement of tax-free shopping for tourists. In 2014, Japan welcomed 13.4 million guests from around the world and the country is targeting to welcome 20 million foreign tourists by 2020, with 8.5 million in Tokyo alone. In connection to the increase of visitors, hotel occupancy rate is rising. During 2014, 473 million people stayed overnight at hotels in Japan. As a whole, the growth rate was 1.6 percent in comparison to 2013, but among them, foreign tourists had increased 33.8 percent (45 million people). The occupancy rate of Tokyo city hotels in 2014 was 84.1 percent and that of Osaka was 88.5 percent. Average price per room increased around 8–12 percent compared to the prior year. Occupancy rate of 80 percent is almost equal to no availability of hotel rooms as such the lack of accommodations is taking away business opportunities for Japan’s economy to grow. Some studies predict a deficiency of hotel rooms to support the 2020 Tokyo Olympics (Figure 2-2).

There are other social problems that could be resolved by Japan welcoming Airbnb. The rapid aging society has weakened the economy and rural areas are suffering from debts. The increase in empty houses has also been a significant issue. As of 2013, 13.5 percent of houses in Japan were empty with most of them concentrated in large cities such as Tokyo and Osaka. There are strong needs to efficiently use these properties for economical and public safety perspectives (Figures 2-3 and 2-4).

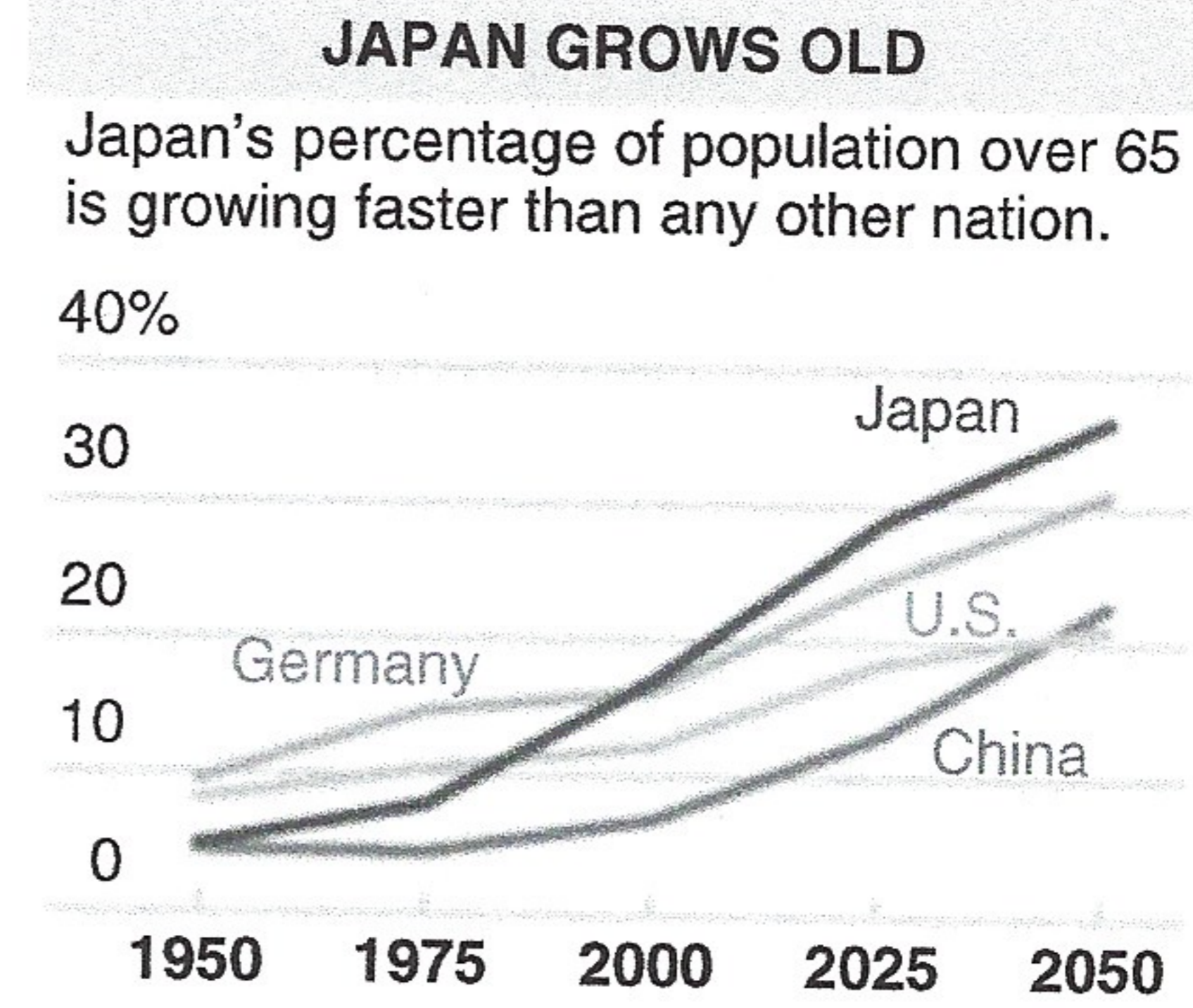
FIGURE 2-2
ROOM OCCUPANCY RATES AT MAJOR HOTELS
IN URBAN JAPAN



Source: STR Global.

Situation in Japan: Regulation. In Japan, hotel businesses are regulated by the Hotel Business Law of 1948, *Ryokan Gyo Hou*. According to this law, a hotel business is defined as “a business of providing an accommodation in return of an accommodation fee.” When running a hotel business, it is a requirement to obtain a hotel license from the governor of the prefecture. Some of the requirements to receive permits include meeting safety and facility requirements, such as number and area of rooms and preparing evacuation routes. According to this 70-year-old regulation, what Airbnb is doing, which is to connect hosts with guests, is out of the scope of the regulation since they are not running a hotel business. But for

FIGURE 2-4
JAPAN’S AGING POPULATION

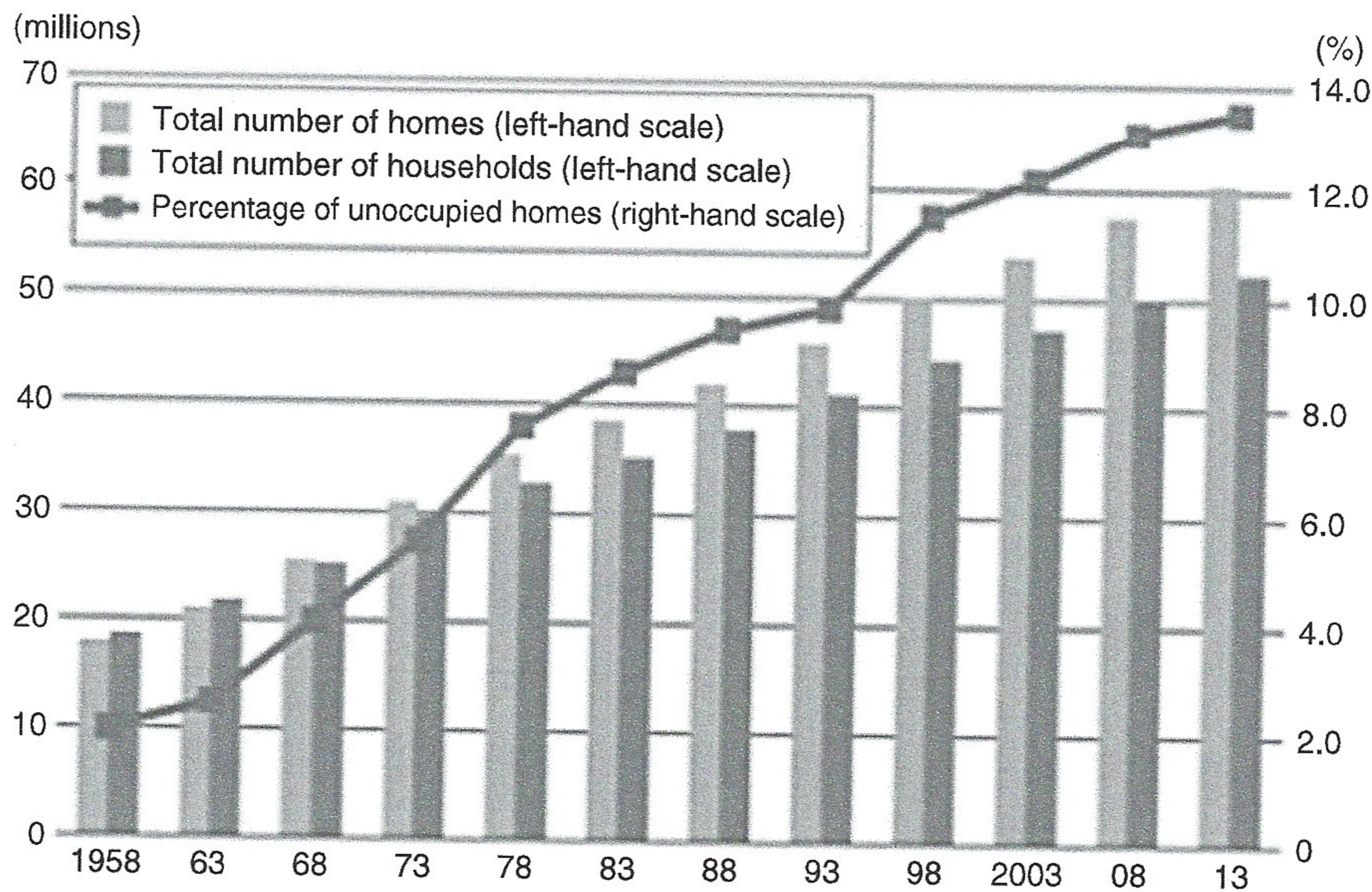


Source: Population Division, DESA, United Nations

the hosts in Japan, the regulations have been unclear in determining if Airbnb hosts in Japan are running a hotel “business.” If hosts are considered to be running a hotel business, then this would mean that hosts are breaking the law since “business” is defined as social, continuous and repeated activities. Traditionally, the issue has been only raised when owners without a hotel license continuously made money by providing accommodations. On May 2014, an English man got arrested for running an unlicensed hotel in Adachi Ward, Tokyo, even after receiving several warnings from the authorities. Two months later, he paid a 30,000 yen (\$250) fine as regulated under the Hotel Business Law. Although this case was not an Airbnb

FIGURE 2-3
EMPTY HOMES IN JAPAN

Numbers of Homes and Households and Percentage of Unoccupied Homes



Source: Housing and Land Survey (Ministry of Internal Affairs and Communications). ● nippon.com

listing, some Airbnb hosts may be wary because of the current vague regulatory situation.

On a positive note, Abe introduced the National Strategic Special Zone Law, *Kokka Senryaku Tokubetsu Kuiki Hou*, in December 2013. As part of his “third arrow,” the purpose of this law is to boost international competition in designated areas of Japan through deregulation. The scope of the law includes deregulation of the hotel business.

On May 1, 2014, Ministry of Health, Labor, and Welfare of Japan released a statement that if a business obtains a permit as an accommodations provider for foreign visitors only within the National Strategic Special Zone, it will be exempted from hotel permission requirement of the Hotel Business Law. A business still needs to meet certain requirements such as the length of the stay needing to be 7 to 10 days or more and the area of rooms to be 25 square meters or more. This new ruling will ease individual Airbnb hosts from having to get hotel business permits. In 2014, a company named Tomareru, Inc. obtained a permit as an accommodation provider for foreign guests and launched its website. However, as of September 2015, the site is not yet active as the company is still waiting for municipal governments to further develop this legislation for each prefecture. The reasons for the delay are unknown; it could be that lobbyists from the hotel industry opposed it or the notoriously slow decision-making process of Japanese organizations. On June 30, 2015, the cabinet approved the regulation reform plan, which included the policy of government making certain decision on Airbnb-like services by 2016. The time before this decision is of critical importance for Airbnb to influence legislation to its favor.

Airbnb Marketing Mix in Japan. Airbnb points out that they never actively promoted the service in the United States; rather it was word of mouth that expanded its business. However, since Airbnb is introducing a very new idea to a market very different from the U.S. culturally, the company is using several marketing strategies to penetrate its service in Japan.

PRICE. Currently, hotels in Japan charge their nightly rates on a per person basis; however, Airbnb pricing is based on per room basis. In early 2015, the average price of Tokyo listings in Airbnb was 11,000 JPY per room, while that of Tokyo hotels were 14,000 JPY per person. Airbnb lets hosts pick their own price and recommends to price according to comparable rentals in the area. It also suggests prices depending on the amenities that are offered. In addition, several start-ups now offer tools that bring “dynamic pricing” to Airbnb worldwide rentals. Companies such as Beyond Pricing and Price-Labs automatically adjust prices according to supply, demand, and other market variables by using algorithms that are predictive and reactive.

PROMOTION. Airbnb has been holding several community events in Tokyo to connect hosts and guests. As a high-context culture, the Japanese prefer face-to-face communications. These events help educate early adopters who can spread the word about Airbnb. In May 2014, Airbnb partnered with Culture Convenience Club (CCC), a company running bookstores, a database marketing business, travel agency, and several other new-platform services, both online and offline. CCC proposes new lifestyles through its business and emphasizes itself as “The Culture infrastructure Company.” From May to

September 2014, the travel agency of CCC, T-Travel, provided package plans using Airbnb, titled “*ie-tabi*,” home travel. In August 11, 2015, CCC and Airbnb hosted 1-day sleepover plan at the Shonan T-site, a bookstore run by CCC, for 1 family (up to 2 adults and 2 kids).

Airbnb also partnered with service provider, Zens Inc. Zens’ services include Airbnb page creation, guests screening, communicating, meeting and helping guests, optimizing daily price for maximum revenue, cleaning rooms after checkout, creating monthly income reports, and reporting problems to Airbnb. Although Zens Inc. charges 20 percent of monthly booking revenues, it is an attractive option to non-English-speaking hosts or those too busy to run Airbnb service by themselves.

PRODUCT. Products of Airbnb include listings, online platform, and communication services between hosts and guests. Having had major success in other parts of the world, Airbnb has the dominant design for peer-to-peer renting service. On top of the platform, what it needs is to increase the number of hosts and to make Japanese listings attractive to tourists. With vague regulations and cultural implications, educating potential hosts is very important. Although the idea of inviting someone to stay over is culturally well established as “*minshuku*,” having a complete stranger to your house can be difficult for some Japanese. What Airbnb is trying to do is to identify and encourage outliers who would be interested in being hosts. Just like those who prefer adopting new technologies, Airbnb is trying to identify the risk-takers who will adopt the service. In this way, the company has been successful in normalizing the service in other countries. The company has been sending researchers to interview current hosts in Japan, to understand what drives them to become hosts. So far, Airbnb research points out that most of the people who are hosts have traveled abroad or have had some type of foreign exposure.

PLACE. In line with other cities, Airbnb has also created a website called “Neighborhoods” for Japan. The website is a city guide with real pictures of the area. This is very different from ordinary travel guides that show only highlights of an area. With key words, pictures, and must-sees of each district well summarized, it gives guests a good understanding of the region. Once they like the district, all they need to do is to click the “see places to stay” button to find rooms in that area. Currently, Airbnb puts no limitation on where listings are located. Some listings outside of the National Strategic Special Zone can be found.

CURRENT SITUATION

As of August 2015, Airbnb had 13,000 listings in Japan. This figure has tripled from that of 2014. Tourists increased almost 400 percent over the last year and this is not only in Tokyo but also includes other cities such as Osaka and Kyoto. According to April 7, 2015 article of *Nikkei Shimbun*, Airbnb revealed its plan to increase listings to 40,000 within the next 5 years. Cofounder and CTO, Nathan Blecharczyk, told Nikkei that “qualities of Japanese hosts are very high and Japan is one of the most promising markets in the world.” For 2015, Airbnb forecasts users in Japan will triple to approximately 1,000,000 users.

Competitors. In May 2014, Japanese real estate giant Able Inc. announced its partnership with vacation home rental service Tomareru. Able will propose to homeowners to utilize Tomareru service for properties located in the National Strategic Special Zone, which are nine wards in Tokyo (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, Bunkyo-ku, Koto-Ku, Shinagawa-ku, Ota-ku, and Shibuya-ku), City of Narita in Chiba and some cities in Kanagawa, Kyoto, Osaka, and Hyogo prefectures. Although the service has not yet taken off, Tomareru has the possibility to take the lead in 2020 since regulation for its services have already been established; unlike current vague regulations for Airbnb hosts. With the strong intention of the government to boost Japan's economy and its local companies, it could be likely that regulators may favor Japanese company, Tomareru.

In addition to the aforementioned Tomareru, it has been rumored that Japan's biggest e-retailer, Rakuten, is considering providing an Airbnb-like service soon. Rakuten's CEO, Hiroshi Mikitani, a Harvard business school graduate, has strong connections to the Japanese government. Mikitani, the third richest man in Japan, is currently the member of Council for Industrial Competitiveness which is a council directly under Japan Economy Revitalization Head Office set up by his Cabinet. Having direct contact with Abe and massive funding from Rakuten, Mikitani has the chance to be a direct threat to Airbnb efforts in Japan.

Cultural Implications. According to anthropologist Edward Hall, Japan is classified as very high context culture. Characteristics of a high-context culture include collectivism, valuing interpersonal relationships, and looking after group members. Traditionally, Japanese are open to sharing things such as *Sentou*, communal bathhouse, or *minsuku* opening your house to guests. But, these services are for those within their circle, neighbors, or relatives. Sharing your house with complete strangers is a whole new idea to the Japanese. Moreover, many Japanese are not yet used to interacting with non-Japanese.

According to Geert Hofstede's cultural dimension theory, one of the strongest features of Japanese society is uncertainty avoidance. Many public servants are reluctant to do things without precedence and companies spend a lot of time doing feasibility studies to address possible risks before any project can start. This characteristic in combination with extremely high masculinity drives many Japanese for perfection and intermediate power balance, which leads all decisions to be confirmed by each hierarchical layer. Thus, the Japanese appear to be a change-adverse, slow decision-making culture. In winter of 2014, Airbnb conducted focus groups in Tokyo, gathering people who knew nothing about the service and

showing them the Japanese-language version of the Airbnb website on smartphones. Many had difficulty understanding the concept and many also asked what-if questions to confirm ways to avoid possible risks.

CONCLUSION

As shown, based on the cultural and regulatory background, making successful entry to the Japanese market is not easy. Yet, Airbnb's rich experience in Brazil and London, together with the right marketing and regulatory approach can make Airbnb the front-runner for the 2020 Tokyo Olympics. A major force behind Airbnb's success lies in its realization of the human desire for community. Airbnb is exploiting technology to create and confirm reliability in order to enable a marketplace for travel which consumers never had before. Collaborative consumption is becoming the new norm creating relationships between strangers, empowering meaningful connections between humans, and linking wants with haves in the marketplace. Airbnb recognizes the value of honesty and reveals that people are more important than places: "at the end of the day what we are trying to do is bring the world together... you are not just getting a room, you're getting a sense of belonging" (Brian Chesky CEO). For Airbnb, hospitality is personal and they are committed to bringing the world together #OneLessStranger at a time.

THE FUTURE

Tokyo Olympics 2020 is only a few years away and Airbnb still has to figure out the best way to drive its growth in Japan in order to capture the thousands of tourists who will be visiting for the games and to position its brand favorable in this appealing market. Airbnb's growth strategy internationally has been to increase its number of listings by localizing its strategy to each market it enters. After its rapid growth in those markets, it has faced regulation battles with local governments. In a multitude of those markets, it is currently working with them in order to come to favorable regulations for both parties. Japan, though, has more challenges both culturally and regulatory. What should Airbnb's strategy be for Japan?

1. Should Airbnb partner with the government to be regulated?
 2. Should Airbnb partner with its competitors?
 3. How should Airbnb brand itself in Japan?
 4. How can Airbnb educate the Japanese about its services and increase its listings?
-