

<u>Team Member Names</u>	<u>Year</u>	<u>Major</u>
<b>Member 1: Tatiana Maher</b>	<b>Graduate</b>	<b>Economics (BA), Management (MS)</b>
<b>Member 2: Gabriella Puig</b>	<b>3rd</b>	<b>Management</b>
<b>Member 3: Dhruvi Patel</b>	<b>3rd</b>	<b>Statistics (BA), Management (MS)</b>
<b>Member 4: Carolyn Padfield</b>	<b>3rd</b>	<b>Business Administration</b>

**Advisor: Dr. Brian Ray**

**Topic Title: “Bidding Wars & Open Doors: The Ethics of Airbnb in Big Cities”**

**Audience: Board of Directors and Executive Suite of Airbnb**

City-by-city, local governments are cracking down on rental markets, creating increasingly strict regulations that are handcuffing Airbnb’s ability to conduct business. This regulatory shift aims to combat long-term rental price increases and exacerbated housing shortages directly caused by short-term rental companies. Wharton Marketing has discovered that “...a 1% increase in Airbnb listings leads to a 0.018% increase in rents and a 0.026% increase in house prices.” Airbnb, as the industry leader in short-term rentals, has both an ethical obligation and strong impetus to mitigate its negative effects on housing within urban areas. If Airbnb fails to act, it will be at the mercy of strict government regulation, limiting its flexibility and growth. If Airbnb wants to stay in charge of its own home, it needs to take accountability and action now before regulators completely take over.

B2B Consulting proposes a two-pronged initiative that serves to increase the availability of affordable housing while also regulating Airbnb’s rental properties to reduce their overall negative impact on the housing market as well as the price and amount of short-term rental properties. The first solution can be applied in any city where Airbnb functions, whereas the second solution focuses on the most negatively-impacted cities, starting with San Francisco.

1. By developing a comprehensive AI-driven statistical model to replace their pre-existing “Smart Pricing Model,” Airbnb can establish a fair pricing framework for property owners while also setting market caps to prevent oversaturation in cities. In addition to mitigating the negative impact of listings in urban markets, this widespread and adaptable plan also adds transparency and accountability to the Airbnb site, ultimately boosting consumer satisfaction.

2. Airbnb is advantageously positioned, with strong positive cash flows and an over 80-billion-dollar valuation, to make an investment that will positively impact the company and local communities. B2B Consulting recommends Airbnb expand into the long-term rental market by purchasing real estate to function as affordable rentals for urban residents. Through this initiative, Airbnb is diversifying its investment portfolio with a stable asset in a volatile economy, while also alleviating the strain of housing scarcity within cities.

In its current state, Airbnb’s success is correlated with strife for the cities it inhabits. As local governments attempt to intervene, Airbnb is paying the price. However, by reimagining its current pricing model and investing in purposeful real estate, Airbnb can create a positive, virtuous cycle that benefits the company and local communities.