



# **airbnb in Cuba**

**Second Group Case Analysis**

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**Client: Airbnb**

### **Environmental Scanning**

According to Airbnb's "About Us" page, the company started in August 2008 and allows people to rent unique lodging accommodations all over the world. This service enables people anywhere to make money by renting out small or large unused space in their homes. It also gives buyers a way to immerse themselves in new cultures. The company has expanded from renting three mattresses to renting rooms, houses, and castles worldwide to over 60 million guests.

Since the United States reestablished diplomatic ties with the country of Cuba last year on July 1st, there has been a substantial increase in tourism to the island. Prior to last year, the island had been closed off to American travelers since 1961. However, there is still distrust among the two countries regarding the opening of the border, particularly trade issues. Thus, free trade between the two nations has not been fully established.

The geographic location that we have decided to target with our campaign for Airbnb is South Florida, particularly Miami, as well as the southern region of California. Demographically, these areas contain a high population of Cuban-Americans. About seventy percent of the Miami city population is categorized as Hispanic/Latino and fifty-four percent of that demographic recognizes themselves as Cuban. Airbnb is very prominent in Miami; the company reports it as being one of the two most profitable cities in terms of profits generated from hosts. The other most profitable city is San Diego, California. In southern California, Latinos outnumber whites and make up fifty-seven percent of the population there. Also, the state of California is second only to Florida in terms of the highest number of Cuban households.

### **Statement of Problems and Opportunities**

Several problems need to be considered when understanding the barriers to growth for Airbnb. The awareness of Airbnb as a lodging option in Cuba is not very high; more people need to find out about Airbnb's offerings in the country. Another existing issue that needs to be improved upon is Airbnb's online reputation system. People see the review feature as unsophisticated and in need of an upgrade to be similar to those of Yelp, TripAdvisor, and Ebay. Currently in the low-cost communication matching system, participants on both the buying and selling side of the property lack information that they feel they need in order to make a well-informed decision. Buyers feel that reviews and descriptions currently found on the site are not informative enough about the location, while hosts are provided little to no information about the person who is interested in using their property since most users' profiles are incomplete. Additionally, there is little to no accountability of the buyer to respect the belongings of the property owner nor is there an insurance option for hosts' homes and property. Airbnb currently

implements a policy that penalizes hosts for rejecting reservation requests, which includes lowering the host's standings on the search list each time they reject a reservation. Owners of the property should be able to reject and accept certain potential customers without losing opportunities in the future to rent to others they feel more comfortable with. If users have complete profiles, hosts may have more control over who they allow to use their property and ensure that their personal items are not damaged.

Our primary opportunity for the growth of Airbnb lies in targeting Californians and South Floridians and introducing them to the tourism industry in Cuba. Since Cuba recently established new diplomatic ties with the United States, there has been a very high demand to travel to the island. Hotels are currently around \$350 per night and often sold out around the countryside of the capital. Hence, the fastest growing demand for Airbnb rooms is found in Cuba since it is inexpensive and readily available. One opportunity presented in the case was to include an external pre-screening process for hosts and guests to create a more trustworthy commerce environment for Airbnb as a service.

### **Critical Factors**

Several factors influence the direction of our client's strategy when considering the market we are entering. Do these people feel comfortable enough to travel to a country that has newly established relations with the United States, despite continued restrictions on tourism and trade? This factor is the most important because it affects Airbnb's profitability in Cuba. Another important critical factor is the willingness for Americans to travel to Cuba and stay within a native Cuban's home. This is an important factor to consider when targeting demographics in specific geographical areas. We must also be mindful of the capability aspect of travel; traveling to Cuba is relatively expensive and we need to be sure we target consumers who can afford that luxury. Another critical factor to consider is the usage of Airbnb's services versus the usage of hotels and resorts in Cuba. There is a need to differentiate Airbnb's services from the common hotel experience in order to create preference for a bed-and-breakfast experience over that of a common resort or hotel. The influx of tourism in Cuba is an additional factor to consider, as it provides many opportunities for Airbnb to flourish. Further action needs to be taken in order to take advantage of increased need for lodging for the tourists, and this is the perfect opportunity for Airbnb. Another critical factor to consider is international reputation of Airbnb, especially in a country that has just re-established relations with the United States since there is a big point of tension. Cuban residents may be hesitant to rent to people they do not know, and Americans may be hesitant to rent from Cuban natives.

### **Definition and Formulation of Alternatives**

For our first choice of action in marketing Airbnb, we formulated a marketing campaign that consists of TV advertisements, social media marketing, and contextual advertising. The ads would target both older age groups and younger generation Cubans to convince them to travel to

the country for the first time or return to their homeland, whichever is applicable. For older generations who have lived in Cuba in years prior or had family, we could feature ads that center around the idea of “returning home to your heritage,” and feature a storyline about an elderly person booking a trip to Cuba, and then staying in a Airbnb accommodation on the island. For the younger generation, we could feature a younger person seeking to “discover his or her roots,” which can be fulfilled by traveling to Cuba and experiencing the cultural environment of staying in someone’s home and befriending them. Ideally in this campaign we would use Facebook and Instagram to target people in our key segment of Miami, Florida and the southern region of the state of California in particular. These ads would be mostly image based showing sites in Cuba and different Airbnb options from colonial mansions to apartment rooms. Some ads will also emphasize the importance of renter/rentee security and promote Airbnb’s concern for other’s well-being, as well as the importance of transparency with profiles. We also plan to create banner and sidebar ads and publish them on platforms like Google AdSense that utilizes a contextual advertising method. Our ads will appear on websites and blogs that specifically focus on consumers looking to travel with affordability and practicality in mind. The ads would point to a link for a webpage within Airbnb’s website that highlights the different neighborhoods within the main cities in Cuba. After booking a place to stay in Cuba using Airbnb, consumers will also be provided with a digital badge version of the Airbnb logo to post with their pictures on social media that will serve as a link to Airbnb’s website from, primarily Facebook and Instagram. This will essentially allow users to brag about their travels to their friends, which promotes awareness but also creates the opportunity for more people to visit the Airbnb website.

For our second choice of action in marketing Airbnb, we plan to host an event in both of our target geographic locations. The event will take place on the anniversary of Cuba’s border opening back up to Americans. The event would have a giant tent for Airbnb with kiosks where people could make profiles and possibly book stays. Everyone will have easy access to explore Airbnb options and make an account profile for themselves. There would be friendly Airbnb representatives present at the event to assist attendees looking to inquire more about Airbnb’s offerings. Also, at the event there would be Cuban food served all-day and ethnic dance shows performed every hour. At this event there could be travel agents from different companies to help people plan trips too. The goal for this strategy is to make traveling to Cuba more accessible while also increasing brand awareness around Airbnb and its services. For those that attend the event, they can be entered into a raffle to win a trip to Cuba for a week and spend their nights in a luxury option provided by Airbnb. We can also develop a reward system based on points for repeat-users of Airbnb, similar to the reward system many airline companies currently promote. Once a person has completed their profile, they can get half off their first stay and continue on in a similar fashion by accumulating points that act as discounts towards their Airbnb stays. This event would be free and could be promoted on social media platforms, billboards, and local newspapers. To increase transparency and trust between potential renters and hosts, Airbnb could provide a virtual tour on some of the renting options by displaying them on a big screen. Upon

choosing a place to stay, the renter can communicate with the host via Skype or Facetime at a designated kiosk at the event. While this event takes place, we will also continue our advertising efforts on social media platforms like Facebook, Instagram, and Twitter by promoting the event itself and providing discounts or incentives to people that sign up using a certain promo code or link.

### **Positives and Negatives of Alternatives**

There are several positive attributes of the first alternative. First, an online marketing campaign has the benefit of reaching many people without having to pay a lot of money. It's very appropriate for targeting millennials who are highly engaged on social media. A digital marketing campaign is good for targeting specific demographics as well as consumers in two geographical locations. Advertising banner ads on travel sites eliminates having to search for people who want to travel, even more specifically to Cuba, since they're clearly already interested, and a noteworthy banner ad could attract them to our website. The ads will be relevant to the viewers since they'll only be displayed to those who have already been to traveling websites or wanted to inquire more information about visiting the country. The Cuban-inspired Airbnb logo that will be shared by users on social media will serve to increase interest around the brand; the link to the website can directly connect anyone who is interested in perusing the website before their interest fades. The sharable logo badge connects a person's stay, the brand, and those that saw they went that may want to go themselves. The short spotlight videos on TV and social media will be centered around the Cuban heritage and culture in order to make people interested in reconnecting to their past or start to connect with the history of the country. A few cons of the first alternative need to be considered. While millennials are prevalent on social media, not every person is engaged, meaning a campaign mostly digital-focused may miss some target consumers. The Cuban-themed badge that is shared on Facebook Walls and Instagram has the potential to be overlooked by consumers scrolling through their timelines if the badge doesn't grab people's attention. Many people tend to skip advertising messages so that could prove to be a major issue. TV advertising can also prove to be an issue since many individuals tend to change channels or fast forward through advertisements when using that medium. People also may not be familiar with Airbnb, so seeing the banner ads on travel websites may not grab the interest of those who are unfamiliar with the brand or concept, or just prefer hotels for lodging as they travel. This also plays into the lack of awareness factor that we're trying to overcome with our online advertising strategy.

When examining the second alternative, there are also a few pros and cons. One pro is that it is an event geared toward our target audience, as well as those interested in becoming more familiar with the country and its culture. Other pros include that it addresses awareness and the issue of safety through the event's promotion itself, as well as with the presence of different tables, booths and activities within the actual event. At the event, Airbnb will be able to address any concerns on people's minds since attendees will have a chance to speak to representatives

that are present to help them book stays, answer any questions or concerns, and share all the positives associated with Airbnb. This will put a personality to the name Airbnb and give people the opportunity to try out the website and create detailed profiles. This event provides people the chance to have face-to-face communication and problem-solving which is more personal compared to social media advertising. However, some social media will be used to keep the brand at the forefront of people's minds. At the event, social media will be utilized by giving attendees the option of virtually talking face-to-face with their respective host, fostering a positive environment before you arrive. The second alternative also provides people the opportunity to be rewarded for continual use on the platform, as well as a chance for select winners who promote the event via social media to enter a raffle. One con of this alternative is that attendance may be an issue if we put all our efforts into targeting only the geographic locations. Also, since the event is in two cities on opposite sides of the US, it may not be possible for some folks to attend if they are far from the city or reside in another state. Other issues with the event include gaining secondary sponsors or vendor participation, as well as gaining trust of consumers that don't know about Airbnb and persuading them to commit to booking a trip to Cuba and staying with Airbnb, nonetheless.

### **Final Recommendation**

We have decided to choose our second alternative for our Airbnb campaign for the upcoming year. This alternative provides the best solution to address our main problems. In terms of raising awareness, our social media promotion will get Airbnb's name out into the digital world, as well as influence people to go to the event and become even more interested in the services Airbnb has to offer. In order to address issues pertaining to Airbnb's reputation, booths at the event will allow people to become more aware of the company's efforts to keep everyone safe and satisfied during their travels, further improving trust with the brand. The event is also more personal than simply advertising on social media to garner attention. With this, people are able to get a feel for Cuban culture and become excited about actually booking a trip with Airbnb. The event will be a fun, interactive way to bring people closer together and inform them on an opportunity that wasn't possible just over a year ago. The interactivity between renters and hosts can help build trust between the consumer and the brand. The event also has the potential to increase awareness among other demographics living in the target area as well. Promotion of this cultural event would likely be inexpensive as social media targeting often presents information to desired target audiences at a relatively low cost to companies. Costs for the event are all worth it for the benefit of having more people knowing about the brand and its existence in Cuba.

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