



## Competition Commission

Online Market Inquiry

DTI Campus

Mulayo (Block C)

77 Meintjies Street

Sunnyside, Pretoria

23 June 2021

Attention: James Hodge, Chairperson of the Online Market Inquiry  
Per email: [ojpmi@compcom.co.za](mailto:ojpmi@compcom.co.za)

Dear Mr Hodge and Ms Jokazi

### RE: AIRBNB SUBMISSIONS ON THE STATEMENT OF ISSUES

#### 1. INTRODUCTION

- 1.1 We refer to the online market inquiry which commenced on 10 May 2021 and launched by the Competition Commission (the “**Commission**”) on 19 May 2021 (the “**Market Inquiry**”) and in particular with regards to the Statement of Issues (“**SOI**”) published by the Commission on the same date.
- 1.2 We note that Airbnb has also prepared and submitted a response to the Commission’s request for information dated 19 May 2021 (the “**RFI Response**”). We have as much as possible avoided duplication across the two submissions and therefore this submission and the RFI Response should be read in parallel.
- 1.3 We note that this submission does not address every theme or topic raised in the SOI, nor does it answer all of the questions set out in the SOI, some of which are not relevant to Airbnb while for others there is an absence of data. Airbnb has therefore focused on those topics and themes where it considers that it can add the most value to the Commission’s Market Inquiry. We set out Airbnb’s submissions below. For ease of reference, we have aligned Airbnb’s submissions with the inquiry scope and issues for submission identified by the Commission in the SOI.

#### 2. STAKEHOLDER IDENTITY

- 2.1 This submission is being made by Airbnb Ireland UC, a subsidiary of Airbnb, Inc., a company listed on the NASDAQ stock exchange. For any queries in relation to this submission [or in relation to Airbnb more broadly,] please contact [REDACTED] [REDACTED]  
[REDACTED]

- 2.2 [REDACTED]

### Description of Airbnb's activities

- 2.3. The Commission may be broadly familiar with the Airbnb story, but it is worth briefly restating as it provides valuable context to understanding Airbnb's activities. Airbnb started with two designers trying to solve a problem: how to pay their rent. In 2007, Brian Chesky and Joe Gebbia - two of Airbnb's founders and friends from design school - were looking for a way to cover the cost of their San Francisco apartment. That week, they saw an opportunity. An international design conference was coming to town, and every hotel was sold out. They quickly created a website, AirBedandBreakfast.com, with the hope of renting airbeds in their apartment to attendees of the conference. Three designers, Michael, Kat, and Amol, took them up on their offer and became the first guests of Brian and Joe, Airbnb's first hosts.
- 2.4. In its present form, Airbnb in its essence remains the same, it operates an online marketplace, also described as a platform, where travellers ("**guests**"), and providers of accommodation and/or experiences<sup>1</sup>("hosts") can meet, connect and transact directly with one another (the "**Airbnb platform**"). The Airbnb platform also allows for the placing of consumer reviews from both sides (hosts and guests) which together with the ability to provide secure payments, unlocks trust among strangers. Access to the Airbnb platform is made available to users (hosts and potential guests) free of charge and Airbnb only charges fees (a percentage of the price set by hosts) to guests and/or hosts when a booking is made.
- 2.5. Hosts on Airbnb are the foundation of its community and business. Airbnb is proud to support a wide range of hosts - families wanting to earn an income by sharing their homes or their passions; or artists, teachers, public servants, bankers - anyone that has a space or a passion that they wish to share - all the way through to professional hosts such as boutique hotels and experience providers, affluent people looking to rent out investment properties or professional trainers providing yoga classes to active travellers. The benefits for these hosts are real and direct. Up to 97% of the accommodation charge and 80% of what guests pay for an experience remains in the hands of hosts. Hosts remain fully in control of how and when they provide experiences and accommodation. This ultimately translates to significant economic benefits for hosts. In South Africa, 46% of hosts use Airbnb earnings to help make ends meet, and 50% of hosts use Airbnb to help afford staying in their homes. Moreover, approximately 65% of hosts are women, thereby promoting female economic empowerment – a key objective of the South African government.<sup>2</sup>
- 2.6. Even in popular destinations, at least two-thirds of guest arrivals take place outside of traditional tourist districts. The same applies to South Africa. Survey data indicates<sup>3</sup> that guests specifically choose listings on Airbnb to explore local neighbourhoods. These guests also spend their tourism dollars in these neighbourhoods. The Airbnb platform naturally enables tourism outside of the traditional tourism districts, ensuring local businesses and residents directly benefit from increased travel.
- 2.7. Listing a space through the Airbnb platform, even if only done on an occasional basis, brings huge benefits to South African families, local communities and businesses. To that end, Airbnb makes an important economic contribution, attracts investment, spreads economic benefits and

<sup>1</sup> Experiences on Airbnb are activities led by local people, where hosts share with their guests special knowledge, unique skills, and inside access to local places and communities. Experiences help locals turn their passions into economic opportunities. For example, hosts that share their cooking skills in Bo-Kaap or take guests for a walk in Khayelitsha, provide rich and authentic local travel experiences for guests. 'Social Impact Experiences' listed on the platform provide non-profits a platform to fundraise and promote their mission while inspiring users of the platform to engage in social causes around the globe. Airbnb waives its service fees for these experiences so that 100% of the proceeds go directly to the non-profit.

<sup>2</sup> See 'Airbnb in South Africa: The Positive Impact of Healthy Tourism' (the "**Economic Impact Study**"), (available at:

<https://press.airbnb.com/wp-content/uploads/sites/4/2018/09/Airbnb-in-South-Africa-Positive-Impact-of-Healthy-Tourism.pdf>). <sup>3</sup> See the Economic Impact Study.

increases work opportunities. Moreover, the positive economic impact brought by Airbnb is being distributed across a wide range of hosts in South Africa.

- 2.8. Most guests discover Airbnb organically, with approximately 91% of all traffic to Airbnb coming through direct or unpaid channels during the nine months ended 30 September 2020.<sup>4</sup>
- 2.9. Having regard to the above, Airbnb can therefore be categorised as a platform which provides consumers with access to different accommodation and experiences offerings, and if they find a value proposition(s) listed on the platform acceptable (with reference to other offerings on the platform, offerings on other platforms, offerings on other online distribution channels, and/or off platform offerings), they can transact directly with the host for the purchase of the offering via Airbnb's safe and trusted platform. Airbnb considers itself to be primarily a consumer to consumer ("C2C") platform (rather than a business to consumer ("B2C") platform), in light of the fact that almost all of its guests and the majority of its hosts are individuals. In 2020, just [REDACTED] of Airbnb's active hosts in South Africa were defined by Airbnb as being 'professional hosts' (or "prohosts"), representing [REDACTED] of the total properties listed.
- 2.10. Although there are many similarities and the participants are acting on the same markets, as will be explained in more detail below, Airbnb's platform can be differentiated from travel aggregators and online travel agencies ("OTA"). Travel aggregators, as the Commission points out in the SOI, typically do not have the capability to allow customers to complete the booking on their website but simply advertise available offerings of various suppliers. To complete the booking and make the payment, aggregator sites may direct customers to the website of suppliers (such as airlines) or OTAs which have booking capabilities. While guests can use the Airbnb platform and OTAs to make bookings, Airbnb's service should nonetheless be differentiated from the broader services offered by OTAs which typically also include a wider range of travel related services such as flight bookings, car hire or other transport related bookings.

3. **SCOPE ITEM 1: EVALUATE TRENDS IN ADOPTION AND USE OF THE DIFFERENT ONLINE INTERMEDIATION PLATFORM MARKETS, INCLUDING THE IDENTIFICATION OF LEADING PLATFORMS ACROSS EACH MARKET**

*Extent of adoption and use of online channels*

- 3.1. Although the Airbnb platform has technically been available to South Africans since its launch in 2007 (both for guests and hosts), it only started to actively develop its presence in South Africa and to grow its South African operations by appointing South African focused personnel in July 2015. Since then, Airbnb has seen an increase in bookings in line with the trend of the broader tourism sector. [REDACTED]
- 3.2. Similarly, the number of active hosts in South Africa has also grown rapidly since 2016. [REDACTED]
- 3.3. On the guest side, Airbnb has also experienced growth. The number of nights booked through the Airbnb platform has increased for domestic bookings and for international bookings since 2016. [REDACTED]

<sup>4</sup> See Airbnb Inc. Form S-1 (available at: <https://www.sec.gov/Archives/edgar/data/1559720/000119312520294801/d81668ds1.htm>) ("S-1") filed in connection with its initial public offering for listing on the NASDAQ stock exchange ("Airbnb IPO").

- 3.4. Prior to the Covid-19 global pandemic, travel represented approximately 10% of the global economy (and growing). Once things start to return to normal, it is hoped that these levels of economic contribution will be seen again.<sup>5</sup> Even at the currently reduced level of contribution (owing to the on-going pandemic), Airbnb is bringing healthy tourism to Africa, including South Africa, enabling guests to discover new destinations and seeing growth in emerging travel markets across the continent.
- 3.5. The increasing adoption of online channels in South Africa has been driven by a range of different factors, including –
- 3.5.1. Improved and wider internet access – As the number of internet users has increased in South Africa, the number of potential users of online channels has increased.
  - 3.5.2. Greater confidence and trust in online channels – Historically, some users of online services have been hesitant to transact online due concerns around safety and security. Over time, people have generally become more comfortable transacting online. Certain websites have also developed reputations as being trustworthy and secure. There are also third party services and consumer review websites which can provide users with the reassurance required when using new online services (e.g. Hello Peter or Trustpilot). Looking at Airbnb specifically, it has developed a number of trust and safety tools such as identity verification, transparent online reviews, secure payments processing, and financial protections for hosts.
  - 3.5.3. Lower risk for consumers – Linked to the above, as online channels have improved, users are able to gain access to far more information than they may have historically, leading to lower purchasing risk. For example, in the travel sector, most online accommodation listings come with multiple pictures of the accommodation, detailed write-ups of the facilities available, and maps showing the location of the accommodation. This allows a customer to make a purchase or booking with confidence.
  - 3.5.4. Greater range of options when compared to traditional channels – Online channels typically allow users to search for and compare a myriad of options far more easily and efficiently than they could have historically using offline channels. This is particularly so in the travel sector where there are a wide range of travel aggregators, OTAs and powerful search engines that can guide users to the online offerings of hotels and other types of accommodation.

**Competitive landscape – the relative importance of online intermediation platforms as compared to offline channels and leading market participants**

- 3.6. Platforms operate in a wide range of sectors, each with distinct competitive dynamics. Many platforms also operate in highly competitive sectors, competing with non-platform companies that operate both online and offline. Airbnb is such a platform – operating in the highly competitive travel sector – competing with online and offline providers and distributors, including other platforms (including travel aggregators and OTAs), hotel websites, offline travel agencies and many others. There is strong competition between platforms in these sectors as well competition between platforms and enterprises that are not platforms. In relation to non-platform competitors (for example, travel agencies or hotel and travel groups which may traditionally be thought of as

<sup>5</sup> See the Economic Impact Study.

'offline' competitors), many of these businesses have very strong consumer brands (including a well-developed online presence) and pose a substantial competitive constraint on the Airbnb platform. All of these businesses are also able to harness the power of large search engines to direct traffic to their websites. The existence of these channels also provides a competitive benefit for hosts, who have access to more distribution channels for their listings, which also contributes to a benefit for consumers having more choices at their disposal.

- 3.7. Airbnb considers the industry in which it participates as highly competitive and it faces significant competition in attracting both hosts and guests. Hosts have a range of options for listing their spaces and experiences, both online and offline. Many hosts also cross-list their offerings on different distribution channels. Airbnb competes for hosts based on many factors, including the volume of bookings generated by guests; ease of use of the Airbnb platform (including onboarding, community support, and payments); service fees; host guarantee;<sup>6</sup> and the Airbnb brand. Guests have a range of options to find and book spaces, hotel rooms, serviced apartments, and other accommodations and experiences, both online and offline. Airbnb competes for guests based on many factors, including unique inventory and availability of listings, the value and all-in cost of offerings relative to other options, the Airbnb brand, ease of use of the platform, the relevance of search results, the trust and safety of the platform, and community support. Throughout the Covid-19 pandemic, Airbnb has also competed based on the availability of inventory close to where guests live and in non-urban locations, as well as the perceived safety and cleanliness of listings.
- 3.8. Strong competition in the accommodation sector has brought significant benefits to consumers in terms of choice, access and lower prices, as well as continued innovation in this sector that consumers can benefit from. In addition, the transient and transactional nature of the interaction between booking channel and guest, and the limited amount of information that needs to be provided by the guest to search for and make bookings, makes it simple for consumers to switch easily between multiple distribution channels. The limited amount of information required to create a listing means that it is easy for hosts to create listings on multiple platforms, and channel and property management software provided by third parties further facilitates cross listing (for example, hosts that use channel management software only need to create one listing, that they can then publish to multiple platforms). Multi-homing is also facilitated by the absence of switching costs for hosts and guests alike. It is free to publish a listing on Airbnb (and many other distribution channels), and free for guests to search on platforms.
- 3.9. Guests and hosts alike are therefore able to easily, and without cost, switch between different travel providers including many platforms, and non-platform options. Indeed, Airbnb's internal data indicates that the vast majority of guests use more than one channel to search for and book accommodation, and that many hosts on Airbnb use several channels to distribute their inventory, primarily to get more bookings and increase their revenues, but also to benefit from the range of different fee structures, policies, and customer service offerings available on different channels. This dynamic gives consumers access to a wide range of inventory across multiple channels, at competitive prices.
- 3.10. As described at page 35 of the S-1, some of Airbnb's competitors globally include:
- 3.10.1. OTAs, such as Booking Holdings (including the brands Booking.com, KAYAK, Priceline.com, and Agoda.com); Expedia Group (including the brands Expedia, Vrbo, HomeAway, Hotels.com, Orbitz, and Travelocity); Trip.com Group (including the brands Ctrip.com, Trip.com, Qunar, Tongcheng-eLong, and

<sup>6</sup> <https://www.airbnb.com/help/article/279/what-is-the-airbnb-host-guarantee> .

- SkyScanner); Meituan Dianping; Fliggy (a subsidiary of Alibaba); Despegar; MakeMyTrip and other regional OTAs;
- 3.10.2. Internet search engines, such as Google, including its travel search products; Baidu; and other regional search engines;
  - 3.10.3. Listing and meta search websites, such as TripAdvisor, Trivago, Mafengwo, AllTheRooms.com, and Craigslist;
  - 3.10.4. Hotel chains, such as Marriott, Hilton, Accor, Wyndham, InterContinental, OYO and Huazhu, as well as boutique hotel chains and independent hotels ;
  - 3.10.5. Chinese short-term rental competitors, such as Tujia, Meituan B&B, and Xiaozhu; and
  - 3.10.6. Online platforms offering experiences, such as Viator, GetYourGuide, Klook, Traveloka and KKDay.
- 3.11. In addition to many of the competitors listed above, some of Airbnb's local competitors in South Africa include:
- 3.11.1. South African OTAs and travel aggregator websites such as Travelstart, TravelCheck, FlightSite and NightsBridge;
  - 3.11.2. Listing and meta search websites, such as Property24, Gumtree, SafariNow, LekkeSlaap and government or city tourism websites such as Cape Town Tourism; and
  - 3.11.3. Hotel chains with a strong presence in South Africa, such as Protea Hotels (owned by Marriott), Hyatt, Holiday Inn, Sun International and City Lodge Hotel Group, as well as boutique hotel chains and independent hotels.
- 3.12. Airbnb also faces competition from offline channels such as brick and mortar travel agencies and listings in travel magazines and newspapers. Similarly, hotels and guest houses also typically readily accept walk-in business and therefore operate in both online and offline spaces.
- 3.13. As described at page 35 of S-1, a number of Airbnb's competitors (for example Expedia and Booking.com) have similar business models, affecting Airbnb's ability to differentiate its competitive offerings. Other current or potential competitors have historical links and access to larger user bases through search engines or otherwise and/or inventory for accommodations, and may provide multiple travel products, including flights. These competitors' abilities to influence the results of online searches, access more consumers, provide consumers with a more complete product experience and respond more quickly and effectively to new or changing opportunities, technologies, standards, or host and guest requirements or preferences, affect the competitiveness of Airbnb's offerings.
- 3.14. In the S-1, Airbnb also listed a number of core strengths. The S-1 goes on to elaborate how Airbnb continues to invest in these strengths to ensure long term growth. Airbnb has worked hard to develop these strengths but without continued investment it will invariably fall behind competitors who can (and have) duplicated these features in their own offerings.
- 3.15. As described in the S-1, Airbnb does not have an entrenched position in any market or market segment. It continues to face strong competition from long-established market participants, those

that have duplicated Airbnb's business model or aspects thereof, and new innovators. Airbnb must continuously invest in its existing operations to remain competitive and become competitive in new geographies. Its customers (hosts and guests) have access to numerous alternative competitive offerings and can easily switch to them. It is thus clear that Airbnb cannot be said to be a 'must have' channel for online sales. As noted above, multi-homing is the norm, with the vast majority of guests using multiple channels to conduct their searches, and a sizable number of hosts listing their space on multiple platforms.

4. **SCOPE ITEM 2: EVALUATE WHETHER ANY MARKET FEATURES, PLATFORM CONDUCT AND/OR CONTRACTS AND TERMS OF USE WITH BUSINESS USERS AND CONSUMERS ARE LIKELY TO HAVE THE EFFECT OF RAISING BARRIERS TO ENTRY AND REDUCING COMPETITION AMONGST PLATFORMS DOMESTICALLY. THESE INCLUDE, BUT ARE NOT LIMITED TO, MFN OR PRICE PARITY CLAUSES, EXCLUSIVE CONTRACTING, LOYALTY INCENTIVES, CONGLOMERATE LEVERAGING (INCL. DATA AND ADVERTISING) AND PREDATION**

**SCOPE ITEM 3: EVALUATE OTHER BARRIERS TO ENTRY AND EXPANSION BY RIVAL PLATFORMS, INCLUDING BUT NOT LIMITED TO NETWORK EFFECTS, CAPITAL COSTS AND CONSUMER MARKETING COSTS<sup>7</sup>**

Platform conduct and terms of use

- 4.1. As noted above, platforms operate in a wide range of sectors, each with distinct competitive dynamics. Many platforms operate in highly competitive sectors, competing with non-platform companies that operate both online and offline. Whilst Airbnb recognises that there are certain sectors where regulation may be required to protect competition for the market and to control the behaviour of dominant operators, it is important that any new policies or regulation recognise the significant differences between the platforms operated by a very small number of large digital players that may create competitive concerns and all other platform businesses.<sup>8</sup> Whilst these concerns are well-documented in activities such as online search, they do not apply to all platforms or all areas of the economy, many of which are characterised by robust competition. Given these differences, any new policies or regulation should be carefully targeted to prevent specific identified competitive harms, without unintentionally distorting the competitive playing field by capturing businesses that do not pose the same competitive concerns.
- 4.2. The SOI indicates that the Market Inquiry would like to understand business models for the different types of online intermediation platforms. The Market Inquiry is also interested in understanding the barriers faced by later platform entrants in the presence of earlier and more scaled platforms, both for entry and expansion. In this respect, the Market Inquiry is particularly interested in consumer and business behaviour around the use of one or multiple platforms.
- 4.3. The SOI goes on to identify a number of specific types of conduct by leading platforms which have been identified by other regulators as potentially raising barriers to entry or expansion. These are (i) more favourable treatment by suppliers; (ii) Most Favoured Nation ("MFN") clauses; (iii) exclusive contracts/loyalty incentives; (iv) conglomerate leveraging; and (v) predation.

<sup>7</sup> As the Commission has done in the SOI, Airbnb will address its comments in relation to Scope Items 2 and 3 collectively.

<sup>8</sup> See for example the European Commission's Report on "Competition Policy for the Digital Era" by Professors Crémer, de Montjoye and Schweitzer. (Available online <https://ec.europa.eu/competition/publications/reports/kd0419345enn.pdf>).

4.4. In the paragraphs below we provide additional detail regarding the Airbnb business model, but in short, none of the concerns regarding the raising of barriers mentioned in the SOI apply to the Airbnb business model in South Africa.

4.4.1. More favourable treatment by suppliers: All South African individual users of the Airbnb platform, hosts and guests, are subject to the same standard Terms of Service.<sup>9</sup>

4.4.2.

4.4.3.

4.4.4. Conglomerate leveraging: Airbnb does not operate an ecosystem of connected services. It only operates the platform and provides ancillary payments processing services. Users have a choice of using Airbnb's login service or third party log in services to access the platform.

4.4.5. Predation: The Airbnb platform is made available to users free of charge, however, Airbnb charges fees to guests and/or hosts when a booking is made. Airbnb does not set or control the price set by hosts - hosts have complete freedom to price their inventory.<sup>10</sup> Airbnb does not earn any revenue from selling online advertising. Airbnb therefore generates revenue through service fees charged to guests and/or hosts. With the exception of Application Programming Interface ("API") connected hosts (who are on the host fee only model), hosts choose whether to pay the entire service fee, or split it between the host and the guest.<sup>11, 12</sup> In relation to data and advertising, Airbnb's business is not advertising or personal data monetisation. Airbnb does not "collect" consumer personal data to use such data as a source of revenue, either by selling advertising on the Airbnb platform (hosts list their accommodation and experiences for free) or selling data to hosts or third parties. Airbnb also does not have access to data of a type or scale that is unique and cannot be replicated by its online and offline competitors, who also obtain information relating to proposed trips in order to service their customers. Indeed, offline competitors may have access to similar (sometimes richer) data through various loyalty initiatives. The data that Airbnb obtains, and how it uses that data, is fundamentally different to how the "Big Data" companies collect and use data.

4.4.6. Having regard to the above, Airbnb does not believe that there are any inherent features of its platform or its conduct that raise barriers to entry for new entrants as barriers to entry and expansion are low. Furthermore, the Airbnb story is a good example of how new entrants can innovate the sector. Airbnb started in 2007 with

<sup>9</sup> Please note that there are some slight variations to the Airbnb Terms of Service depending on the country of residence of the user. For example, users in the USA or China are subject to slightly different terms of service in order to comply with local laws. A copy of the Terms of Service that would apply to all South African users has been provided as part of the RFI Response.

<sup>10</sup> Please refer to the RFI Response for more information on Airbnb's fee structure.

<sup>11</sup> In South Africa, API connected hosts are on Airbnb's 'Host Only Fee Model'. An API connectivity partner is a host that has multiple properties to list and therefore utilises the Airbnb API solution to connect their own booking software to the Airbnb platform. This way, hosts with multiple properties can easily import their data to Airbnb, display their listings, and receive bookings via the Airbnb platform. In South Africa, [REDACTED]

<sup>12</sup> For more information of the Airbnb service fees, please see <https://www.airbnb.co.za/help/article/1857/what-are-airbnb-service-fees>.

three friends and one apartment. Since then it has grown to be a strong competitor to other well established participants in the travel sector, for example Booking and Expedia, both founded in 1996. As indicated above, the Airbnb model is also replicable, and a number of new competitors have duplicated the Airbnb model or existing participants expanded their offerings to include a home share type offering. As set out in paragraph 3.11 above, the sheer number of active participants, both globally and locally, is indicative of the low barriers to entry in this space. Indeed, of the South African competitors listed above, TravelCheck entered the market as recently as June 2019.

- 4.5. In addition, a potential new entrant or existing participant looking to expand will be able to take advantage of the absence of switching costs for consumers. Guests and hosts on the Airbnb platforms are able to easily, and without cost, switch between different travel providers, including many platforms and non-platform options. Strong competition in the sector has led to a wide range of options for consumers looking to list and book accommodation and experiences. Hosts and guests in South Africa can and do “multi-home” by taking advantage of the wide range of choices available to them.
- 4.6. Therefore, concerns about “single-homing”, lack of alternative options, and consumer “lock-in” do not arise in the travel sector. Indeed, Airbnb facilitates this multi-channel ecosystem through partnerships with travel meta search engines (where inventory from the Airbnb platform is displayed in search results alongside inventory from competitor websites) and by offering an API connection that allows accommodation providers and software providers to list and manage their inventory on Airbnb (which in turn enables those providers to more easily list and manage their inventory across multiple distribution channels). (See for example NightsBridge, a South African travel website aggregator which will display results for multiple travel and accommodation websites, including Booking, Airbnb, Tripadvisor and Expedia.) This diverse ecosystem means that accommodation providers increase their chance of inventory being booked, and consumers have a broad choice of channels through which to book their accommodation (and in turn access the different consumer benefits that each channel offers).

#### Network effects

- 4.7. In relation to network effects, the Market Inquiry must avoid falling into the trap of a “network” (and as an extension, “network effects”) becoming shorthand for distinguishing companies which should be subject to regulation from those which should not.
- 4.8. Although the availability of accommodation and experiences on Airbnb impacts the number of potential guests on Airbnb (and *vice versa*) this is not an indication by itself of any “lack of competition”. Indeed, since guests use multiple channels to book accommodation and experiences, hosts list accommodation and experiences on different channels, and there is robust competition from a range of platform and non-platform businesses, the existence of healthy two sided marketplaces actually leads to pro-competitive and efficiency enhancing effects - a wider range of accommodation options, at competitive prices for guests, and more bookings and revenue for accommodation providers.
- 4.9. It is only in combination with single-homing and a lack of competition that “network effects” potentially leads to “tipping”; this concern does not arise in the travel sector, which is highly competitive and characterised by multi-homing. As noted above, guests and hosts alike are also able to easily and without cost switch between different platforms, or move off-platform (for example, Booking.com allows hosts to “copy-and-paste” their listings on other platforms directly onto the Booking.com website).

- 4.10. Similarly, the concern regarding winner-takes-all / winner-takes-most, which is closely linked with those of network effects and “tipping” markets, does not arise without the combination of single homing and a lack of competition. This concern therefore does not arise in the accommodation sector, which is highly competitive and characterised by multi-homing and robust competition.

Capital costs

- 4.11. A potential new entrant need not incur significant capital expenditure to effectively enter this space. The primary capital costs would likely relate to the development of a website. Potential entrants have a myriad of low cost options available to them on this front, including local web site building firms and free online website creation tools such as SquareSpace, Website Builder, Domains.co.za, etc. The most important aspect will be to ensure that the website has booking and payments functionality, but again, there are numerous online tools that can be cost effectively relied upon.

Consumer marketing costs

- 4.12. In relation to South Africa specifically, Airbnb [REDACTED] has sent emails to professional hosts (as defined in the RFI response) to share best practices and to provide suggestions on how to optimise the performance of the listings on Airbnb. Examples of these marketing activities have been provided as part of the RFI Response. In addition, non-professional hosts also have the chance to attend online webinars and workshops in which Airbnb shares best practices to improve their hosting journey.
- 4.13. Although the vast majority of guests discover Airbnb organically, with approximately 91% of all traffic to Airbnb during the nine months ended 30 September 2020 coming through direct or unpaid channels (which include brand marketing and search engine optimization (“SEO”)), Airbnb does also use performance marketing products offered by search engines and social media platforms to distribute paid advertisements that drive traffic to its platform.<sup>13</sup>
- 4.14. There is nothing unique about these marketing channels and a potential new entrant or an existing participant in the travel sector looking to expand its share of supply could easily use the same channels.

**5. SCOPE ITEM 4: EVALUATE WHETHER PLATFORM CONDUCT, CONTRACTS, PRICES AND TERMS OF USE WITH BUSINESS USERS ARE DISCRIMINATORY OR UNFAIR, AND THE LIKELY EFFECT THEREOF ON CONSUMER CHOICE, COMPETITION AMONGST BUSINESS USERS AND THE PARTICIPATION OF SMES AND HDP OWNED FIRMS. THIS INCLUDES, BUT IS NOT LIMITED TO, THE EXISTENCE OF SELF-PREFERENCING CONDUCT, DISCRIMINATORY PRICING, PROMOTIONAL OR PRICING RESTRICTIONS, INFLATED ACCESS PRICING AND ACCESS TO / USE THEREOF OF BUSINESS USER TRANSACTION DATA**

- 5.1. As noted above, Airbnb considers itself to be primarily a C2C platform in light of the fact that almost all of its guests and the majority of its hosts are individuals. [REDACTED]

[REDACTED] Notwithstanding the foregoing, individual hosts and professional hosts are treated the same and are both subject to the same Terms of Service. Accordingly the comments

<sup>13</sup>

See the Airbnb Inc. Form S-1 filed in connection with its initial public offering (“Airbnb IPO”) (available at: <https://www.sec.gov/Archives/edgar/data/1559720/000119312520294801/d81668ds1.htm>).

made regarding platform conduct, contracts, prices etc. in paragraph 4 above apply equally to business users.

- 5.2. One additional point to note in relation to the potential for self-preferencing conduct, globally Airbnb has very limited vertical integration - in addition to its core platform business, Airbnb provides property management services under the “Luckey” brand and luxury property marketing services under the “Luxe” brand. These areas make up a very small fraction of Airbnb’s overall business and neither is available in South Africa, so there is no incentive for self-preferencing conduct.

**6. SCOPE ITEM 5: EVALUATE WHETHER THE RANKING ALGORITHMS USED BY PLATFORMS, INCLUDING ANY PAY FOR POSITION OR PROMOTIONAL OPPORTUNITIES, NEGATIVELY IMPACT COMPETITION ON THE MERITS, CONSUMER CHOICE AND/OR THE PARTICIPATION OF SMES AND HDP OWNED BUSINESS USERS**

- 6.1. The goal of the Airbnb search ranking algorithm is to help guests find the perfect listing for their trip - and to help hosts find guests who are a great fit for their space. The Airbnb algorithm takes into account nearly 100 different factors for every listing in every search (although it is not necessary for hosts to perform perfectly on everything to rank well).
- 6.2. The basic categories that impact the search results are as follows:
- 6.2.1. Guest search parameters / trip details: The algorithm factors in how many guests will be traveling, how long the trip will be, how far in the future the trip is, if they have set a minimum or a maximum price, and a variety of other factors.
- 6.2.2. Guest needs / preferences: The algorithm factors in characteristics related to the guest, including where they are searching from, their previous trips, which listings they have added to their Wish List or clicked on, and more.
- 6.2.3. Listing characteristics / details: The algorithm factors in things like the number of five-star reviews, price, location of the listing, if Instant Book is turned on, how quickly the host of the listing responds to requests, calendar availability, number and quality of images, type of host service, host status, age of the listing, average guest popularity, and many other factors.
- 6.3. Airbnb does not sell advertising or paid placements on the platform, or otherwise allow users to pay for preferential treatment.
- 6.4. Airbnb is transparent about the factors that impact the search results. For more information, please refer to Section 6.3 of the Airbnb Terms of Service and check the ‘what factors determine how my listing shows in search results’ page on the Airbnb website.<sup>14</sup>

<sup>14</sup> Available at: [https://www.airbnb.co.za/help/article/39/what-factors-determine-how-my-listing-shows-in-search-results?locale=en&set\\_beve\\_on\\_new\\_domain=1622105403\\_MDVjMjQ4YWNhZDEw](https://www.airbnb.co.za/help/article/39/what-factors-determine-how-my-listing-shows-in-search-results?locale=en&set_beve_on_new_domain=1622105403_MDVjMjQ4YWNhZDEw)

**7. SCOPE ITEM 6: EVALUATE ANY OTHER BARRIERS TO ENTRY INTO ONLINE COMMERCE FOR SMES AND HDP OWNED FIRMS, INCLUDING BUT NOT LIMITED TO MARKETING COSTS, TECHNOLOGICAL AND PRODUCT CHALLENGES**

- 7.1. As explained in paragraph 4 above, we do not believe that there are material barriers that would impede the entry or expansion of a participant in this sector. This applies equally to SMEs and HDP owned firms. In fact, it is submitted that the Airbnb platform has assisted entry into the accommodation and experiences sector by SMEs and HDPs.
- 7.2. Airbnb is helping to develop a growing community of new entrepreneurs across South Africa. With dramatic growth taking place across South Africa, the Airbnb platform is enabling a wide range of hosts to directly benefit from these new economic opportunities. For example:
- 7.2.1. Following the launch of Experiences in Johannesburg in 2018, Victoria Adasonia took the opportunity to launch a Social Impact Experience in support of her NGO, Woman with a Mission, which creates opportunities for women to become entrepreneurs and offers mentorship and guidance. Victoria started hosting her “Explore local shops with a stylist” Experience on Airbnb in June 2018, and takes guests on a journey to better understand fashion and the role it plays in building self confidence while discovering local shops. A highlight of the tour, she says, is meeting one of Nelson Mandela’s personal tailors. With money raised through her Experience, Victoria is able to help more women build their confidence through workshops, seminars, life coaching and more. She also has encouraged other women from her foundation to sign up on Airbnb as hosts for a new source of extra income.
- 7.2.2. In the Bo-Kaap, Fayruza opens her home for a Cape Malay cooking experience incorporating food, history, culture, great company and a lot of laughs. Her Experience is so popular that it has earned over 100 five-star reviews on Airbnb, and now she is printing her own cookbook. “My Experience is about showcasing community, and sharing food and culture in my bustling family home,” Fayruza says. “People love that it’s about the food, but they also love that my family come and join us and help fold samosas and make curry. And for me, I feel like I’m travelling without leaving home.” Formerly an airline steward before a career in senior management for a security company, Fayruza took ill a couple of years ago and decided to scale back her career in favour of a less stressed lifestyle. “Becoming an Experience host on Airbnb has been a personal journey for me,” she says. “I made a conscious decision to change my life and pursue what I love, which has always been food. But I’m a single mom, so I needed to work. My niece suggested I rent out my spare room on Airbnb and that’s when I discovered the Experiences platform. My family home is big and I love entertaining and love having people around my table so I thought ‘I can do this.’”
- 7.2.3. Maria is a host on Airbnb in Khayelitsha, Western Cape. Maria has been a host on Airbnb since 2017, when she graduated from the Airbnb Academy. She describes the “homey atmosphere, African warmth and the safety and security,” as what draws guests to stay with her in her Khayelitsha home. “Being a host has [had] a lot of impact in my life because with the money I receive, I feed my family, buy electricity, pay for my granddaughter’s studies.” The thing Maria loves most about hosting is welcoming guests from all over the world into her home so she can learn from them and they from her.

- 7.3. For more examples of the positive impact that Airbnb has had in bringing economic opportunities to HDPs and other people in South Africa, please visit the Airbnb website.<sup>15</sup>
- 7.4. As is apparent from the above examples, Airbnb supports economic empowerment in local communities. In addition to these specific examples, we have set out below some of the broader initiatives undertaken by Airbnb which can be found in the Economic Impact Study, including the following:<sup>16</sup>
- 7.4.1. According to an independent analysis by Genesis Analytics, from 1 June 2017 through 31 May 2018, host and guest activity on Airbnb generated an estimated R8.7 billion (roughly US\$678 million) in economic impact in South Africa. This economic impact corresponds to a total of over 22,000 jobs supported across the broader South Africa economy.
- 7.4.2. Since 2017, Airbnb has also invested millions of Rand to promote and support community-led tourism projects in Africa. In partnership with local organisations, Airbnb established the Airbnb Africa Academy (“AAA”), providing information, training and tools to support aspiring entrepreneurs from rural and under-resourced communities (typically historically disadvantaged persons or “HDPs”) across South Africa to list their own offerings on Airbnb (either Experiences or hosting). After an initial test phase in eight South African communities in 2018, the AAA is focused on further building out its impact model in partnership with grassroots tourism organisations. The AAA model has a dual approach: (i) building out training and curriculum materials addressing the unique challenges of under-resourced communities in Africa; and (ii) empowering partner organisations embedded in high tourism communities to train and support emerging entrepreneurs to succeed on Airbnb.<sup>17</sup>
- 7.5. Additionally, according to the Economic Impact Study, 95 percent of hosts recommend local businesses to their guests, and according to a study of South African guests, 52 percent of guests’ spending in Africa occurs within the neighbourhoods where they stay. For example, through the Jozi/Shop Local initiative to support local businesses during COVID-19 and beyond, hosts on Airbnb have recommended much-loved hidden gems in their neighbourhoods - from coffee shops and cinemas, to book stores and boutiques. To make it a little easier to support these small businesses, in 2020, Airbnb partnered with the mobile payment app, SnapScan on a rewards campaign which allows hosts and guests on Airbnb, as well as the broader Johannesburg public, to earn vouchers called ‘Jozibucks’ (paid for by Airbnb) and spend them at any business featured in the Support Jozi, Shop Local map. Given that Airbnb provides offerings outside of traditional tourist districts, the financial impact of hosting can be significant for these emerging travel destinations.
- 7.6. More recently, Airbnb has proposed that South Africa implement clear and sensible rules to apply to short-term rentals as this will help boost tourism. More specifically, Airbnb has proposed the implementation of a simple, smart online national registration system that would enable hosts to share their registration number on the Airbnb platform for full transparency to all stakeholders. This would give government data to help enforce regulation, give communities access to information they need, and empower entrepreneurs to grow their businesses. Similar approaches are already being followed in cities like Amsterdam and San Francisco. It is Airbnb’s view that

<sup>15</sup> See <https://news.airbnb.com/meet-the-airbnb-academy-graduates-from-south-africa/>.

<sup>16</sup> See the Economic Impact Study..

<sup>17</sup> For more information regarding the AAA please see: <https://www.airbnbcitizen.com/airbnb-africa-academy>.

progressive rules will help rebuild South Africa following the pandemic and promote an inclusive and sustainable future for tourism.<sup>18</sup>

**8. SCOPE ITEM 7: EVALUATE THE EXTENT TO WHICH THE FINDINGS AND ANY IDENTIFIED REMEDIES IN RESPECT OF CORE PLATFORMS ARE GENERALISABLE ACROSS ONLINE INTERMEDIATION PLATFORMS**

**SCOPE ITEM 8: DETERMINE APPROPRIATE REMEDIES WHERE AN ADVERSE EFFECT ON COMPETITION OR THE PURPOSES OF THE ACT ARE FOUND AS SET OUT IN SECTION 43C(3) OF THE ACT<sup>19</sup>**

- 8.1. As is apparent from Airbnb's submissions above, there are no inherent features of the Airbnb platform, and no conduct by Airbnb that results in anti-competitive outcomes and therefore warrants intervention by the Commission. While some digital platforms may have certain common features, many of the concerns that are identified in relation to particular platforms will not apply across the board. Moreover, platforms operate in a wide range of sectors and with different business models, each with unique competitive dynamics.
- 8.2. Having regard to the identified differences between platforms, it is likely to be difficult to develop remedies that will be generalizable without also unduly burdening or prejudicing platforms or firms which do not cause any competition law concerns. An actual and pervasive anticompetitive harm should be identified before wide-reaching policy changes are implemented. It is therefore imperative that any remedies are carefully targeted to prevent specific identified competitive harms.
- 8.3. Remedies, particularly in the form of counterproductive policies which actually have the opposite of their intended effect – i.e. policies which risk stifling competition and innovation – must be avoided.
- 8.4. As previously noted, Airbnb supports fair and proportionate regulation. Airbnb also supports the Commission's previously communicated stance that it and other regulators should adopt a technology-neutral approach. Most importantly, regulation should be fair and equitable and refrain from a one-size-fits-all-approach.

**9. CONCLUSION**

- 9.1. Since its founding in 2007, Airbnb has been responsible for innovation in the travel sector, thereby bringing significant benefits to consumers through increased choice and competitive prices. However, Airbnb faces staunch competition from other online platforms and businesses as well as offline providers such as brick and mortar travel agents, hotel chains, etc. Airbnb's non exclusive platform, which has no switching costs for either guests or hosts, facilitates competition, allowing consumers to 'shop around' to explore various accommodation options and select the best deal according to their needs.
- 9.2. Whilst Airbnb recognises that there are certain sectors where regulation may be required to protect competition for the market and to control the behaviour of dominant operators, it is

<sup>18</sup> See "Airbnb wants national short-term rental register", available online at: [Airbnb wants national short-term rental register | Fin24 \(news24.com\)](https://www.news24.com/airbnb-wants-national-short-term-rental-register-1-fin24).

<sup>19</sup> As the Commission has done in the SOI, Airbnb will address its comments in relation to Scope Items 7 and 8 collectively.

important that any new policies or regulation recognise the significant differences between the platforms operated by a very small number of large digital players that may create competitive concerns and all other platform businesses. Whilst these concerns are well-documented in activities such as online search, they do not apply to all platforms or all areas of the economy, many of which are characterised by robust competition. Airbnb does not believe that the concerns regarding the raising of barriers or the potential for the distortion of search results mentioned in the SOI apply to the Airbnb business model in South Africa. The Airbnb terms of service are fair, equitably applied and open and transparent.

- 9.3. Moreover, the Airbnb platform has in fact assisted entry into the accommodation and experiences sector by SMEs and HDPs. Airbnb has provided a number of examples in this submission of how it is helping to develop a growing community of new entrepreneurs across South Africa, enabling them to directly benefit from these new economic opportunities.
  - 9.4. Having regard to the above, it is submitted that any remedies, in particular those that set out new policies or regulation should be carefully targeted to prevent specific identified competitive harms, without unintentionally distorting the competitive playing field by capturing businesses that do not pose any competitive concerns.
10. We trust that the above is of assistance to the Commission in its Online Market Inquiry. Please do not hesitate to let us know if you have any additional queries or would like to discuss any aspect of the above.

*[Transmitted electronically without signature]*