The Economic Club of New York

462nd Meeting
110th Year

Brian Chesky, CEO
Airbnb, Inc.

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Questioner: Leigh Gallagher
Assistant Managing Editor
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Welcome
Thomas W. Farley
President, NYSE Group
New York Stock Exchange

I just want to, I want to thank the Economic Club of New York for hosting this fabulous event here at the New York Stock Exchange – Barb and her team – all the hard work they've done. And without further ado, I'd like to introduce you to the Chairman of the Economic Club of New York, also the Chairman and CEO of a great and iconic American institution, a true man of New York and a friend of the New York Stock Exchange, Terry Lundgren. (Applause)

Introduction
Chairman Terry J. Lundgren

Thank you. And thanks for your hospitality, Tom, as well as this is a fabulous room that many of us have not been able to experience for a long, long time, maybe since Jefferson, because it didn't look like this for a long, long time, until you invested and made it, brought it back to its original grandeur. So, thank you, and welcome to the 462nd meeting of the Economic Club of New York. We are now in our 110th year. The Economic Club is the nation's leading nonpartisan forum for speeches on economic, social, and political issues. More than 1,000 prominent guest speakers have appeared before this Club over the last century, and we've established a strong record of excellence in those presentations. It is a pleasure for me to introduce today's guest speaker, Brian Chesky, who is the co-founder, CEO, and Head of Community for Airbnb. And in that role, he drives the company's vision, strategic and growth initiatives as it provides unique ways for people to travel and experience the communities of the world. Under Brian's leadership, Airbnb stands at the forefront of the sharing economy and has expanded to over 3 million-plus listings in more than 190 countries. Brian met fellow co-founder, Joe Gebbia, at the Rhode Island School of Design where he received his Bachelor's in Fine Arts in Industrial Design. Together, they have profoundly disrupted the hospitality industry and have proven that people will gladly let strangers into their homes for the right price. In fact, they have now some 140 million guest arrivals since the company's founding in 2008. Leigh Gallagher, who is the Assistant Managing Editor at *Fortune* magazine has agreed to join Brian for a wide-ranging conversation including perhaps a couple of questions from members of our group who have provided us with those questions. Leigh is a particularly good choice for us for this role since she has literally written the book on Airbnb, exploring both the successes and opportunities along the way. And I want to say that I was happy to meet Brian's mother just a few moments ago, when she said, Terry Lundgren, Macy's, she said, oh, that's fantastic. She said, you know, I lost my son during a Macy's one-day sale when he was a little boy. (Laughter) And for me, that's just a great memory. Obviously, he was found and there's no damage, no permanent damage or anything like that. So, I'm delighted, I'm delighted to introduce Brian and Leigh. So please, let's begin the conversation. (Applause)

LEIGH GALLAGHER: Thank you, Terry, so much. It's really an honor to be here. Welcome Brian.

BRIAN CHESKY: Thank you, Leigh, and thank you everyone for having me today.

LEIGH GALLAGHER: So, it's great to see you. I've been doing a lot of talking about you, so it's great to actually talk with you because I'm sort of on a book tour now. First off, where are you staying – most critically? (Laughter)

BRIAN CHESKY: I am staying at an Airbnb in Harlem on, I think, it's near 125th Street. It's with these two hosts, Matt and Gina, they are interior designers. It's a brownstone. You walk up, and actually it's really cool because they travel a lot themselves and they try to pick up something every place they travel. And they bring it back, and so they've got like these saddles from when they went horseback riding. So, it's a really cool experience. And, of course, my mom is here. My girlfriend is here. So, we got to cook food last night in the house.

LEIGH GALLAGHER: Great! Excellent! And sometimes we do these things in hotels, but here we're not in hotels.

BRIAN CHESKY: Yes, yes, it's often that you and I have conversations at a banquet room in a hotel. It's kind of odd that I usually get interviewed in hotels.

LEIGH GALLAGHER: Yes, so it goes. So, there's so much I want to talk to you about.

BRIAN CHESKY: Yes, absolutely.

LEIGH GALLAGHER: But before we do that, I think a lot of people in the room, I certainly am very familiar with your story, but I think a lot of people may not be familiar with just your, the story of your origin. So, I just want to briefly touch on how you came up with this idea and just sort of the origin story. Can you just share that with us a little bit?

BRIAN CHESKY: Yes, probably, let's see, it probably begins with my mom I guess. I guess all origin stories start with your mom. So, you know, growing up, I grew up in Albany, New York. So, I actually think of myself more as a New Yorker. I was for 18, 19 years. And my parents were both social workers growing up. And, you know, my mom, I remember my mom giving me advice when I grew up. She said, you know, Brian, your father and I, we chose a job because we love it, but we didn't really get paid a lot so you should choose a job for the money. (Laughter) And so, like it was very obvious. And so we were looking at like what jobs pay a lot of money. And so one day I told my mom, like you know, I think I'm going to go to the Rhode Island of Design. I'm going to become an artist at which point she said, you somehow managed to pick the only job in the world that pays less than a social worker. (Laughter) You'll get paid nothing. And I said, I'll make an income. I'll get a job, I promise. And she said, well, I do want you to promise me that if you get a job, that that job has health insurance one day. And so this was the kind of beginning of my endeavor. I went to RISD. And it was totally different because at RISD everyone was making stuff. They were like, they embraced entrepreneurship. And I graduate

RISD, I get this job with health insurance. I'm living in LA. But one of my best friends at RISD was this guy named Joe Gebbia. And Joe Gebbia and I were like these kind of entrepreneurial people on campus, like we both started sports teams at an art school. That's the hardest marketing job in the world, to get an artist to come to a sports game. And Joe lives in San Francisco at this point, this is like 2007. And he's trying to get me to come to San Francisco. He'd say, Brian, come to San Francisco. We're going to start a company together. We're going to start a company together. And I'm like, having this job in LA, and I remember at one point my life was like, I was in the car, and the road in front of me looked exactly like the road behind me. And that kind of terrified me and I wanted to take a detour. So, I had this moment, I'm sure all of us have these moments in our life where we make a change and everything changes after that. I quit my job and I put, I had my old Honda Civic, I put everything I owned in the back seat and the truck of an old Honda Civic, including a rolled-up foam mattress. I have $1,000 in the bank. And I call up Joe and I said I'm coming to San Francisco. And, you know, it turns out that Joe said, well, the rent is $1,150. So, I actually can't pay rent. It turns out that weekend this international design conference is coming to San Francisco. We go to the conference website. All of the hotels on the conference website are sold out. And so we had this idea, we said, well, what if we just turned our house into a bed and breakfast for the design conference. Unfortunately, I didn't have any beds, but Joe had three air beds. We pulled the air beds out of the closet. We inflated the three air beds. We called it the AirBed and Breakfast...(Laughter)...yeah, yeah, I love that noise. And yes, so that's how it started, AirBedandBreakfast.com. So I guess the answer is no. When I started AirBedandBreakfast.com, I didn't think I'd be at the New York Stock

Exchange. And we ended up hosting three people – a 35-year old woman from Boston, a 30-year old from India, a 45-year father of five from Utah. But what ended up happening was they ended up becoming friends and we made enough money to pay our rent. At this point, we say, you know, we're ordinary guys. I bet you there's a lot of other ordinary people like us that want to make some extra money, meet cool people. I asked Joe, I said, well, who is the best engineer you know? Joe said, well, my old roommate Nate is. And so the three of us got together and we had a simple idea. What if you can book someone's home the way you can book a hotel anywhere in the world, and that's how it started.

LEIGH GALLAGHER: And cut to today where you have, as Terry said, I think it's more than 160 million guest arrivals, as you call it, 2 million people stayed in Airbnb on New Year's Eve alone, that night, and you're worth $30 billion, or maybe it's $31 billion as of last week, I read. So, I should have done this before, but does everyone know what Airbnb is? Raise your hands if you know what Airbnb is because you still sometimes have to ask.

BRIAN CHESKY: Anyone ever stay at an Airbnb?

LEIGH GALLAGHER: Who has used it?

BRIAN CHESKY: Anyone's kids stay at an Airbnb? I usually get more hands.

LEIGH GALLAGHER: Before we get onto other subjects, there's one thing that really surprised me about this whole story that you don't often hear about is how hard it was for you guys once you decided that this was going to be your idea, to get it off the ground. People fled and ran away from this idea. People thought this was crazy.

BRIAN CHESKY: We were trying to, in the summer of 2008 I meet a guy named Michael Seibel. And Michael Seibel says there are these people called angels and they'll give you money. And the first thing I thought is I can't believe this guy believes in angels. That's how naive I was. And he introduced us to about 20 angel investors and a couple of venture capitalists. At that point, we were trying to raise $150,000 at a $1.5 million valuation.

LEIGH GALLAGHER: Million with an M.

BRIAN CHESKY: Yes, so 10% of the company. And we probably got 20 introductions, about 10 to 12 or 13 probably didn't meet us. We probably met a half a dozen people. People mostly ran away from...well, everyone ran away from the idea. No one funded us. I guess three reasons, or two reasons. The first reason was Joe and I were designers and as far they were concerned, designers didn't start companies. We didn't look like a tech founder, which I think is ridiculous because I don't think you should ever hire someone because they look like something else. Like you want a new thing, well, maybe they'll look different.

LEIGH GALLAGHER: But everyone was looking for either the Zuckerberg model, a Harvard coder...

BRIAN CHESKY: Like if you didn't drop out of Harvard or you didn't drop out of PhD program at Stanford, well, you weren't going to be the next Google or Facebook. And the point was, well, like, the previous tech company founders didn't drop out of Stanford so it was a little absurd. But the bigger issue was people asked, well, first of all, how many airbeds are there in the world? In fact, when we were trying to do our first investor deck, we had to create a total adjustable market, and so the first thing we thought is, well, how many airbed sales are there? And this is before we actually realized, like, because one day somebody said, like I want to rent my whole, I want to rent my bedroom. And I said, well, all you have to do is to get a mattress, inflate it, and put it on your mattress. And I thought at some point we should open the model up. But the bigger problem was a simple idea. People did not think strangers would stay with other strangers. They thought it was crazy. In fact, I remember – I think you've written about this – but one person told me, he said, Brian, I said, yes. He said, I hope that's not the only idea you're working on. And at some point in late 2008, one of the investors told us, because the financial crisis hits, and he goes, listen, the financial crisis has hit, the stock market is cratering, I can't even invest in good companies and you want me to invest in airbeds. And so that kind of hit home. And so we ended up not raising money and we ended up providing housing, like we say we did the Visa round, it's the joke Joe says, which is basically we got, you know, those binders you put baseball cards in, we just put credit cards in them. So, we probably, each of us racked, I think I racked up like $25,000 in credit card debt. So, we just, you know, until they stopped giving us credit cards. And then late 2008, we provided housing for the Democratic National Convention in Denver. And then we didn't make a lot of money with AirBed, so we thought, well, if we can't sell money with airbeds, we're AirBedandBreakfast, let's go into the breakfast business. So, we took a weird detour and we ended up making collectible breakfast cereal – Barack Obama-themed breakfast cereal for the Democratic National Convention. We took Cheerios. We called it Obama O's, the Breakfast of Change. And we had a John McCain-themed cereal, Cap'n McCain's – A Maverick in Every Bite. And we basically handmade like a cereal box in our living room in 2008. Made $30,000 selling collectible breakfast cereal. And this is actually how we funded the company. In late 2008, my mom asked, are you a cereal company now?

LEIGH GALLAGHER: And you didn't know how to answer her.

BRIAN CHESKY: Well, no, because technically we were actually. That's where we made most of our revenue. And so at some point I'm like, well, cereal seems like a good business for now, but I don't want to have a cereal company. And so, you know, those were kind of the dark times.

LEIGH GALLAGHER: So what's the lesson in there for other entrepreneurs?

BRIAN CHESKY: Well, I think there's two things. I mean, first of all, you know a lot of entrepreneurs meet me and they say I need to have investors, I need to raise capital. And I think, like we, the first round we raised was $20,000 of capital, like that was the first round we eventually raised. I think that startups today are over-capitalized. I mean it's easy for me to say now, but like things get expensive with scale, but you don't need millions of dollars to start an idea. And actually we almost have a rule that unless you have fixed costs, like you're in hardware, you have fixed costs, ideally you don't need any capital to create a prototype. Ideally, your co-founders all with sweat equity can create the product themselves. But there's a bigger lesson there which is this: I think we just didn't quit. And I think a lot of people who try to do what we did or try to do other things, they quit, they stop short. And a lot of people ask, well, why didn't you quit? And the reason we didn't quit is if you start a company, very simply you have to know something no one else knows about your business. Otherwise, why are you doing it? And why doesn't it already exist? So, the big question is, what do you know that no one else knows about your business? You need to have a unique insight. And we had a very simple unique insight and it was totally by happenstance. In other words, we randomly rented our home one weekend. And so our unique insight was it's actually not weird for strangers to stay with other strangers, and you can make a bunch of money and the people who travel there can save money and have an amazing experience. If people could just experience what we experienced that one weekend, this would be an idea that would spread around the world. And again, maybe thousands of people one day would use Airbnb. And what was our unique insight. And so that was kind of our own star and we just kept thinking about that first weekend, that's why we kept going.

LEIGH GALLAGHER: So you spread very fast, very far and wide, but that sort of, you know, it hasn't been easy because as soon as you started to get to a sizable size, you know, all the opposition started to come out.

BRIAN CHESKY: Then we became disruptors.

LEIGH GALLAGHER: Then you became disruptors.

BRIAN CHESKY: Which I was growing up, and that wasn't a good thing. I was always in the principal's office.

LEIGH GALLAGHER: Yes, you don't like that word, but you are sort of Exhibit A of disruption that we can talk about a little later. But, you know, your end user likes you, that's very clear. But many other stakeholders have not. And that's because of the core business of renting out a home for a short term violates local laws in many markets. And you've worked to turn those over in many, many places, but there are some markets that just won't budge and New York is one of them. This has been a big source of opposition for you. So, talk about that a little bit. Why has there been so much pushback, and what's the end game?

BRIAN CHESKY: Yeah, so maybe to back up for a second, when I went to RISD and we designed products, before I got to RISD, good design was if somebody who used the product liked it. And when I got to RISD, suddenly there was this thing called green design, sustainability. And the idea was it can't just be your product, people like your product, it has to be good for the world. And so, we call these externalities. So it's not just a guest and host. When we started Airbnb we didn't fathom millions of people doing this so I did not consider landlords, I didn't consider cities. It was so bigger than what our idea was. Our idea was just to bring two people together. It grew so fast and I came from the school of thought, like Craig's List, that the community is an immune system and bad people get ridden from the site by the review system. And I think a few years in it became very clear that we had to be much more mindful of how we designed the platform, and we hired some great people. And one of the people we hired early on, who had a huge influence on me, was Belinda Johnson. She's our Chief Business Affairs and Legal Officer, and she was a lawyer by training. And she told me something very simple. See, growing up I felt like if people didn't like you, you kind of stay away from them, because like you're going to get in a fight and that's really bad. And she said you have to meet with people. You have to meet with cities. And even if they don't like you, if they hear your story, and you hear their story, you can come to a resolution. You have to partner with cities. And so we decided that we would have a principle that we would partner with cities. Now it didn't go totally smoothly and I wish it was much easier here in New York City, but we started meeting cities, city by city. Over the period of time, what we've been able to accomplish – I'll say this and I'll get to New York in a second – is we now have agreements with 200 cities in the world. We collect and remit a hotel tax. We have typically regulatory schemes. Those regulatory schemes often involve a registration. And they have some, you know, like I just came from London,

London has their own scheme where if you rent your entire home, it's limited to 90 days so you don't take housing off the market. You can rent bedrooms. And every city's got a different process. In New York City, I think there were a number of things going on. I think the first thing is that we were slow to be here. I think we didn't get our story out early, so there was a bit of misinformation about who our company was. But I also think there were some substantive problems. There was a phenomenon that occurred where landlords decided you can make a lot of money by taking units off the market and just renting them on a short-term basis. And though I think the scope of it was overstated in our platform, this was a real problem and people were doing this. And I would consider this to be a very bad negative externality. So, we were a little behind in this and we've had to play catch-up. And so, in New York City, we've done a number of things. We've made clear we want to pay, collect and remit hotel tax like we do in San Francisco and Chicago and all these cities around the world. We want to limit hosts to one home so just the home you rent. And I think the basic premise we want is if a city is in a housing constraint – San Francisco is in a housing constraint, New York City is in a housing constraint – we want people to rent the homes they live in, not take off units off the market. And so right now we've, San Francisco instituted a cap. They figured after X number of days you probably don't live there and so we work with those caps. And this is how we've decided to use it. The last thing is landlords – I know there's some major landlords in this room. And I know not all of them love to have this activity in their building. And so we've, we're instituting, in the process of instituting a friendly landlord program where landlords can sign up and we can allow them to get information about who is in their building using it. They can even get a revenue share of the income. And they get the peace of mind knowing like the rent check is probably going to come. And we're trying to get much more tight around people understanding the rules and regulations of their city and their buildings and just get, I think get a bit more hands-on.

LEIGH GALLAGHER: Much of this opposition has also come from the hotel industry. Talk a little bit if you could about your relationship with the hotel industry over the years. It seems that early on I know that many of the CEOs came to Airbnb, had a day of immersion, they saw your headquarters. And it seems to have gotten a lot, sort of more frosty in recent years. There's a lot of, they're funding the opposition in many places. And, you know, there's been accusations on both sides. So tell me how that's evolved.

BRIAN CHESKY: Yeah, I think the hotel industry is actually many constituents. You have the hotels – Hilton, Marriott, these major brands. You've got the hotel unions. And you've got hotel associations. And then, again this is New York City, but then there's the U.S. and these are typically on a countrywide basis so the United States is quite different than Europe. In the United States, the hotel companies, we've had a friendly relationship with. I've met with Chris Nassetta and Arne Sorenson, who is the head of Marriott, the CEOs. We've had a friendly relationship with them. I think the hotel unions, it's been very difficult, especially here in New York City with the Hotel Trades Council. That's been a very, very difficult relationship, and it's not been the relationship that I would have wanted to have. I'll just give you an example. We live, like I'm staying in Harlem, and one and a half million people came to New York last year on Airbnb.

One in seven of those people stayed in a majority minority neighborhood like Harlem. And the majority of the people in Harlem renting their homes are local Harlem people who live at or below median income. And so travelers are now coming to Harlem, spending money in the home. The host keeps 97% of the income. And then they go around to the local coffee shop or they'll eat at Sylvia's or eat at one of the local restaurants, and they'll spend money there. And this cumulatively led to billions of dollars of spending in the city of New York. And I think there's something incredibly powerful about bringing money to these different neighborhoods. And with hotels, almost all of the revenue is in the central hotel district, around Midtown Manhattan and then you go to a multi-national restaurant. And so I think there's a story here where there should be a place for local communities to build and participate. The other thing is this notion that we're in competition with hotels is a little bit overstated. I don't want to say there's no overlap or cannibalization, but I'd like to clear up a couple of things. The first thing is this. The average person at an Airbnb stays about two and a half times longer than the average person stays in a hotel, so it's five to six nights. That's the average stay. One in five people stay longer than 30 days. So, Airbnb is thought of as like the short-term thing. One in five are for monthly rentals. The other thing is that we surveyed people, we've done these surveys and we asked, if it wasn't for Airbnb, what would you have done? And hotels weren't historically in our top three answers. The number one answer is I wouldn't have traveled. The number two answer was I would have stayed with friends and family. I mean, I don't know, like how much do people want to travel and then stay with their in-laws? So, this allows you to...and of course it's offensive to stay, oh, stay in a hotel. But now, no, no, I've got an Airbnb down the street. And the number three answer is I wouldn't have stayed this long. So I think it's...Interchanges Hotels makes people think it's the same use case. Ninety percent of people are not on business travel. They're vacationing. And they're doing things that they wouldn't have otherwise done. So, I do think it's a different use case. Now is there overlapping use case? Of course. I'm not going to say there's not overlap. But I think the overlap has been overstated. And my evidence of that is if you ask Chris Nassetta, CEO of Hilton – what was, until the merger of Marriott and Star, was the largest hotel company in the world – he actually went on record numerous times saying they didn't see much of an impact and the revenue per average room has been a lot higher today than what it was when we started in 2008.

LEIGH GALLAGHER: I think they see your business doubling every year and they think, okay, maybe if it's not right now, what's going to happen next year. I think that a lot of it is coming from, you know, fear of the unknown.

BRIAN CHESKY: Fair enough. And I do think the absence, I understand that the absence information is ___. And I think things that are like involved technology that like just come out of nowhere, the internet moving in your neighborhood can seem like a really scary thing. So, I understand that.

LEIGH GALLAGHER: I wanted to bring that up actually to broaden it a little bit because this is happening, you know, we're talking about the hotel industry, but everyone in this room, I mean this is happening across industries. Whether it's people, you know, these upstarts coming out of nowhere, challenging the way business is done. Whether, you know, a company saying that I should rent my clothes instead of buying them or Robo-Advisors challenging the banks. Or, you know, I do Blue Apron, I cook at home three nights a week. I haven't stepped foot in a supermarket in months. So, this is happening across the board. So, I guess my question to you is what's driving all this? And how can the incumbent industries, you know, sort of be prepared or deal with this?

BRIAN CHESKY: Well, I'm not sure if this is, this is both exciting and it can also make people nervous, but the change is only beginning. You know if you think of Moore's Law, it basically means that technology, like processors, double in speed every two years. What it basically means is that the next ten years will change a lot more than the last 25. In fact, the next 100 years, the world might change as much as the last 2,000. And so the way, the way we live in cities is going to completely change. Some changes we need to be prepared for. I'll give you one example of a change we need to be prepared for. So, we have a new president in the United States, and I would say the route of Donald Trump becoming president, one route was global, or economic uncertainty in the United States. People feeling like maybe they aren't better off than they used to be, they're angry, and then, you know, there's different perceived causes, like globalization. And maybe there was a real impact of globalization on people's jobs. The thing is, and this is a reality, that globalization is nothing compared to automation. So, will jobs come back to, will manufacturing come back to the United States? Of course. A huge amount of it is. But it doesn't mean jobs will come back because Made in America, the labels may as well say Made (by robots) in America, because that's what technology is going to do. And if you look at all these technology companies, what they're doing is automating and automating, because actually robots are going to be cheaper than China. And so automation is a huge thing. Oxford did a study, it said that half of U.S. jobs should be automated in 20 years, will be automated in 20 years. And this study was done, I think, two years ago, and many of us in tech believe that was a vast conservative understatement on the amount of jobs that will be automated. So, I think it's important to just take a step back and realize that's the reality. Now am I, like just causing fear in the room, is that like not going to happen? Well, I think there's so much that's obviously going to, I think it's a non-overstatement. Many people in tech think it's going to happen much sooner. So, where I come in, and I think a big message here, is that I actually am not scared and I'm very optimistic. Because I think while one trend is automation, I think there's another trend happening which is that the moment everyone has, like a phone is more powerful than a supercomputer from the 1980s, we have supercomputers in our pocket. We can have reputations in like a minute or two. We can pursue our passions and skills. And I think there's so many things you can do. We did an Economic Impact Study and, actually this is news that we want to share, and we asked the question, how many jobs were created in the Airbnb ecosystem? Because hosts aren't really jobs. So, we hired this firm and they looked at direct and indirect spending. If you add the direct spending, meaning the spending, the spending this year on all people spending money in homes and the indirect spending on neighborhoods, it adds up to more $60 billion. And then they decided to figure out how many jobs that creates, meaning what job wouldn't have existed without that incremental income? And it turns out that this year they estimate that will be 1.3 million jobs, and I hope that that's just the beginning. So, I think there's many trends where there can be a lot more income being created on our platform. The only other thing I'll say is not just within our homes, there's also a lot of other workers that are being empowered, like cleaning companies. Every apartment, people need to clean those apartments. And the other thing we're going to be doing is instituting a living wage pledge where hosts can say I have a cleaner clean my home and that person gets paid $15 an hour. And so therefore they're being paid a living wage. Because we want to make sure that if we're going to create jobs, they're good jobs. And so this is the picture, but I think the good news is there's so many things that can stimulate the economy. And I guess going back to the original kind of question, I think that it's important for all of us to realize the world is changing and embracing the technology. And I think if you embrace it and you're ahead of the curve, you can find a lot of opportunities.

LEIGH GALLAGHER: I mean I think you're a good example of a company that's totally disrupted other industries by using people. I mean automation has nothing to do with why the hotels should be…

BRIAN CHESKY: And automation, we're never going to automate our hosts because they offer something that robots can't offer, which is like human connection and belonging.

LEIGH GALLAGHER: I have so much I want to ask you about, but you have a new title. Tell me why you have a new title.

BRIAN CHESKY: Yes, so I'm CEO and last week I decided to expand it to Head of Community as well. And the reason why is Airbnb, like I love like Steve Jobs, Walt Disney, these are like some of the great CEOs of the 20th century, 21st century too, and what made them great was they were obsessed with the product. Because at the end of the day, CEOs would make a product, and our customers better love our product, and they love their product. And one day I'm thinking, well, what's our product? Our product is not the website. It's not the App. It's the community, the people. So, CEOs are often Chief Product Officers. But for me to say I'm a Chief Product Officer when my product is the community, I really should be thinking of myself as head of this community. And so CEO means I'm running the business, but I also think of myself as a community leader because Airbnb, first and foremost, if you ask the average host, go to a meet-up, ask them what is Airbnb, the word company is like the third thing they'll say. And the first thing they'll usually say is it's the community. So, it's really about honoring our commitment that this is a people-powered economy. And everything that we want to do, we want to be powered by people.

LEIGH GALLAGHER: This sort of brings to mind, so you're obviously spending a lot of time with your community, which by the way I don't think, even your critics, that wouldn't have been some something they said you weren't doing before, so I thought that was kind of interesting. But it does sort of bring up an interesting contrast right now between Airbnb and Uber. So, you're always lumped into the same bucket. Your businesses are very different. You're different in so many ways, but you're both the pioneers of the sharing economy or the upstarts as Brad Stone calls you in his book. But, you know, Uber is going through obviously, a crisis of leadership specifically right now. You know, it's been accused of everything from a culture that is, you know, not friendly to women, aggressive tactics. We saw the video of Travis Kalanick berating one of his drivers a few weeks ago. The company has come out and said, he said I need leadership help, we are going to get that. Whereas there seems to be a contrast here between the way you deal with these things. Can you comment about that a little bit?

BRIAN CHESKY: Well, I think that all of us are going to, all of us are on our leadership journeys frankly. And I know Travis is, and I've been on mine myself. I think we're all learning. I mean just to put all this in perspective, like my life experience before Airbnb was a year and a half making $40,000 a year as an industrial designer in Los Angeles, California. And before that, you know, growing up, two social workers, never even heard the word entrepreneur. So, I think there's a benefit to young people like us starting companies. We can come up with novel ideas, but it also means that like we're learning on the job, and that's the price sometimes of these things. And we need to have mentors. And I think I've always been pretty shameless about seeking out people much smarter than me, much more experienced than me, from the very beginning. You know Michael Seibel and other people, they're these people that started companies before me, I used to talk to. And the more successful I got, the more leaders I started seeking out. You've obviously written about this. Whether it was my investors, or Sheryl

Sandberg of Facebook, or I got the opportunity to spend time with Warren Buffett and he became a close mentor of mine. And it's pretty amazing, but I guess somebody once said, you're the average of the five people you surround yourself with, so the question is how mature are the people you surround yourself with. And if you surround yourself with the right people, you can grow up pretty quickly.

LEIGH GALLAGHER: So, do you think that Travis has maybe not surrounded himself with the right people?

BRIAN CHESKY: I'm not, I don't know, but I know that...

LEIGH GALLAGHER: What would your advice to him be, I guess?

BRIAN CHESKY: I think he's doing, he's doing everything he probably should be at this point, which is to say he's owned up to every problem. Every time there was a challenge that broke out, he apologized. He's owned it, and he seems to have established a step forward. I think the advice I would have for any entrepreneur in situations is, it's very easy initially to be defensive. You know sometimes people have accused me of things and I want to be defensive, that's not true, you just don't like us. And then you kind of step back and you kind of cool down and you ask, well, is that true? Like, are we having an impact on housing? Are we doing this? What is our relationship like with landlords? What about this? What about that? And if you take a step back and you have some humility, I think you can solve a lot more problems. And so this is what I've done.

LEIGH GALLAGHER: So you guys are friends? Has he come to you for advice?

BRIAN CHESKY: We haven't spoken about any of his challenges recently.

LEIGH GALLAGHER: I want to switch gears a little bit and talk about your future plans. News came out last week that you guys had closed on another round of funding. Everyone's wondering when are you going to go public. Here we are sitting in the New York Exchange, I guess I'll just ask you. I've asked you this before. When are you going to go public, Brian?

BRIAN CHESKY: We, yeah, I hate giving like non-answers, we don't have anything to announce. We are working on making sure the company is ready to go public. And so, you know, we've always said it was a two-year project. We're probably halfway through that project as far as just being ready to go public. But to that point, you know we want to, you know, our investors are very patient. None of them are really anxiously waiting for us to go public. A lot of them find that at least right now we can take really big bets as a private company. And so everyone's really patient. And we only want to do it when it's the right thing for the business and the community.

LEIGH GALLAGHER: I have something you said to me about this two years ago. You said basically the same thing. You said if we decided that we wanted to go public, we'd want to give ourselves two years so you'd have the runway, you could pick your...

BRIAN CHESKY: When did I say that, how long ago?

LEIGH GALLAGHER: You said that in 2015.

BRIAN CHESKY: Okay, well...(Laughter)

LEIGH GALLAGHER: So, are we in the two-year window? And actually...

BRIAN CHESKY: Two years is a flexible...it's not exactly 24 months.

LEIGH GALLAGHER: But the question is, I mean you did just raise all this money again. You've raised a lot of money, but I have it on pretty good reporting that you don't spend a lot of that money.

BRIAN CHESKY: Well, there's four reasons you go public. The first reason is because you need money. We don't need money. The second reason is because it's a branding event. I think that's a pretty bad reason to go public. The third is because you want to have a currency for M&A. And for me, you know, we've done some acquisitions, but we beat out public companies in those bids. We don't need a currency. So, the fourth reason is the only reason to really go public in my opinion, which is you need to get liquidity for shareholders. If you have a robust private market, you do it to get liquidity. We've done a couple of employee liquidity rounds. So, it really comes down to the investors. So far, the investors have been pretty patient.

LEIGH GALLAGHER: We had a question actually from one of the audience members. As you went and raised your initial and then successive rounds of funding, the member wanted to know, how did you protect your ownership, you are founder control? Talk about that.

BRIAN CHESKY: There's the old saying that founder control is a one-way street from the founder to the investor. Actually, it turns out that there's an asterisk and that's if you're doing really, really well, you get negotiating leverage each subsequent round. And we were, I think, two things, fairly savvy in negotiating to make sure that we remained a founder control company. But the second thing was there was a general trend. I was lucky that we started a company in the wake of Steve Jobs coming back to Apple and then Apple, under Steve Jobs, becoming the most valuable company in the world. And then Mark Zuckerberg, who was in his early 20s, I think he was 24 when he hired Sheryl Sandberg, or something like that, maybe even younger, and that company today is hundreds of billions of dollars. So, in other words, I was lucky that it came back to this trend where the most valuable companies in the world – Amazon, Jeff Bezos is still running the company, Google, Larry Page running the company, Facebook, Mark Zuckerberg running the company, and then until Steve died, he was running the company – that there's this big support for founder-led companies. So, it was actually less about negotiating and more about we were just lucky that we came in this period where people believed – founders shouldn't always run companies – but I think most people can agree the most valuable companies in the world are run by founders if they're capable of scaling those companies. And so that was probably what happened.

LEIGH GALLAGHER: And you've said to me when we were talking, as I was reporting the book, that you really believe that the bigger you are, the better it is to be in the public markets. It's better to wait and be a little bigger.

BRIAN CHESKY: Oh, yes. So, like, I think, there's kind of like three tiers of companies. We've got small market cap companies, mid-market cap companies, and what I call a Tier 1 company. A Tier 1 company would be the Big Four or Big Five which are the four I mentioned plus Microsoft. And there's an interesting trend on the internet today where the small companies are actually getting smaller and the big companies are getting bigger. So, if you're an investor in Facebook, Google, Apple, Amazon, those companies are growing. When I came into Silicon Valley, being a big company was bad. Big companies couldn't innovate. They stopped growing and they were considered weak. Today, competing with Google or Amazon doesn't seem like an awesome opportunity. Like, it's just, they're very, very powerful. And so, I think there's just a mature mobile platform and it will all shake out again when the next thing after mobile comes out. And everyone's debating, is that AI or what is that? But I think for now you want to be robust. This is something that Jeff Bezos had told me – he's an investor in the company – that you want to be a robust company, so if somebody hits you, you can stand up. And the public markets provide huge force against companies, and if you don't, if you're not strong, you don't have good roots, you don't have good fundamentals, you will just fall over. And I think we've seen a lot of small cap companies not really make it out very well.

LEIGH GALLAGHER: You're also in the middle of expanding the business. Last November, Airbnb came out with a big ambitious plan to go from just providing accommodations to providing all kinds of other things: experiences, individual experiences in local markets, restaurant reservations. You've teased that there's going to be something around ground transportation, flights, lots of other things. I mean you've told me that ultimately you think that the revenue from just accommodations will be less than half of the total.

BRIAN CHESKY: Yes, to clarify that, I'd say not including things like Lux, which we just acquired, if you think of the company as of last November, before we started doing new stuff, that will one day, I believe, be the minority of our revenue. So, most of Airbnb, by 2021 or so, will probably be new things that we're shipping as of 2017 on, including we're going to do new stuff within accommodations. So, I put that, including we bought a company called Luxury Retreats. Luxury Retreats, the average price per night is $2,000 to $3,000 a night. They've got some of the nicest homes in the world, 4,000 luxury homes. Every home goes through a 250-

point inspection. It's like a four to six-hour inspection in person. Every single home has a 24/7 concierge and they have any service you can imagine. Somebody wanted like a pop-up synagogue on the beach. Who knew you could do that? And the service does everything. And so we're looking at a lot more services. We launched Trips which is basically experiences, things to do. You know, here's an important ratio. One to one to three is a ratio we found. For every dollar you spend in a hotel, you spend a dollar on flights and you spend $3 in the city. This is called basically daily spending. Now historically, it's not been sized as a big market because there's no Hilton of daily spending. There's no Delta of daily spending. But most of travel is daily spending: where you eat, entertainment, what you do all day. And so we think that's probably long-term the biggest opportunity, the most fragmented, and it's the place you can probably add the most value. So we are, you know, now you can go to Paris and you can do like dining experiences. I just came from London where we announced music experiences. I said then, I think in ten years more concerts will be in intimate spaces and homes than there will be in stadiums which is a good thing because today very few musicians make any money. And if you can have more small experiences you can empower tens of millions of entrepreneurs to become chefs, to become musicians, artists, they can give lessons. So, we have this basic kind of "world as a village" type idea where all these new micro-entrepreneurs can be started. That's kind of the vision of our economy.

LEIGH GALLAGHER: And your models for this notion of taking a company that was known for one thing and expanding it into many things were Amazon and Disney. So, talk about that for a little bit.

BRIAN CHESKY: Amazon, Disney, and Apple. So, basically a company goes through three stages, then you repeat. Stage 1, you've got to make a product. That stage ends when you get to this thing called product market fit. And product market fit basically means, okay, we figured out the product, now we can scale it. And you just give people a playbook, scale this to other markets. Then you enter Stage 2 – growth and hiring. So now you're scaling a company. Now a lot of entrepreneurs fail this stage, we've got to hire really fast. Stage 3, you have to become a mature organization. This is typically marked by hiring an executive team. And so, and a lot of companies mess that up too. If you succeed to do all this, and if there's 10,000 companies, like 9,990 have probably not gotten that far. If you've succeeded, you succeed only to do it all over again, meaning now you've got to come up with a new product. And if you don't, then you're Blackberry or someone else. And then you're going to be one of the companies from the 90s technology companies that we don't really talk about today, like Silicon Graphics or something like that, and you become a roll-up of some other company. If you want to be an enduring company, very few companies have a single product. Even Google, where almost all the revenue is search, is really created by a whole ecosystem. Apple did it four times in a decade. You know, they did the iPod, the iPhone, the iPad, and they also revolutionized music. Amazon did this. The problem is, they call it like the second album problem. How come companies can't come out with the second album? Why can't they come up with the next product? And I studied these companies – because I didn't want this to happen to Airbnb – and I realized, like why do companies fail? Here's what I found. Companies fail because they do the opposite of what a mother does to a child. In other words, when you raise a child, if you have a three-month old and a 13-year old, who are you going to give more attention to? If you don't pay attention to the three-month old, it's going to starve and die. So, you better give the 13-year old more independence and you better spend most of your time and energy with the infant. The problem is if you're a big company, you inverse it. Whatever generates all the revenue gets all the good people and gets all the money and gets all the CEO's attention. And the problem isn't that they don't have laboratories, everyone's got a lab. I mean Xerox created the graphic user interface. The problem is when it gets expensive people don't prioritize, they don't move the best people. So, I had a rule that we put a lot of our best people to the new thing. And if a manager didn't fight me, I didn't want them. I only wanted to take people that upset the organization. If people weren't getting angry at me, I wasn't challenging the organization. And so you have to do these like kind of counterintuitive things. And this is what Jeff Bezos did, this is what Steve Jobs did, this is what Walt Disney did. I mean Walt Disney bet the entire company on Disneyland and it seems obvious today. And he took the very best animators and the studio was really angry.

LEIGH GALLAGHER: So, one of the things that's interesting to me about this move for you is that your first product, the way that Airbnb was created and became viral and became huge, was almost by accident. I mean you had this idea. You didn't think it was going to work. And lo and behold, it was transformative. And so now you have kind of the opposite of that where you've spent the past few years sort of developing this product in the Airbnb lab and now released it onto the marketplace, this is what we made for you. So how is that better or worse or just different?

BRIAN CHESKY: I'd say different. Unclear if it's better or worse. I think there was an element of luck involved with the founding of the company. I mean we're lucky that we chose homes first and not, like if we chose trips or experiences first, it wouldn't have worked because you need demand and people aren't searching for experiences. They're searching for places to stay. So, it was better as an add-on to start. The major thing is that you launch, you get a lot of user feedback. So, I don't think, I think both are fine. Like Amazon, Apple, they all were very intentional about their second or third and fourth products. Everyone's first product was totally by accident for the most part. So, that's, I don't find that being the defining factor. I think the key is do you put the best people on it or really talented people? Does the CEO spend more of their energy on the new stuff and not the mature stuff, which I think is important? And are you constantly testing? And the other thing is one of the reasons companies fail, there's a great story of why did, like California Adventure not succeed in Disney, for Disney? So, Disneyland, Disneyland had this thing called California Adventure. It's actually now doing pretty well, but initially it was a huge failure. And the reason it was a huge failure was there was like 50 executives who went to an off-site and they were basically trying to figure out what a new park should look like. They basically violated most laws of how to build a great product. They realized, well, actually we make a lot more money on food and beverage than rides so we're going to have way more restaurants. We're going to serve alcohol so parents can drink. We're going to do a California-themed park in California, even though most people visit from California. So, it was basically created in a business plan. It was actually an amazing business plan. The only problem is people don't want it. And so then they had to basically redo the park with a multi-billion-dollar renovation. A lot of products fail because they start as business plans. And the problem is the only thing that really matters is if people want it, and your customers do not care that you're successful. In fact, sometimes they do not want you to be too successful because they want to know that they got the value. And so I think the key thing is are you making something that people want. And if you're starting it because it's a good revenue generator, your customer doesn't care about that. And so it might be a great business but not if no one uses it.

LEIGH GALLAGHER: We're almost out of time. I just have one more question. I talk about your future in the book and say that your ten-year goal is to be the first online travel company to reach $100 billion in market value. Is that right?

BRIAN CHESKY: No, I mean I think a market cap goal is not a great goal. I think a different goal would be this. You know we've completely changed, or we've created a whole new category of how to stay. And so now we've had 160 million people from every country in the world but North Korea, Iran, Syria, South Sudan, and Crimea. So, 191 countries are now living together and it's 2 million people over New Year's. And pretty soon that will be every night. So, that's what we've already done. I want to, in the next ten years, get to this place where we can sell end to end trips that we can have hundreds of millions of people every year booking end to end experiences where the home might be a minority of what we're doing. We've completely changed what to do. Ten years from now if it's a Friday night, Saturday night, you're like what's fun to do around here, whether it's a city you live in or a city you're traveling, you look to Airbnb. We've created tens of millions of entrepreneurs that are creating experiences, a whole new part of the economy which is experienced-based economy. And then we've also gone to aviation and started to redefine how we fly. Because what if flying was the best part of travel, not the worst part of travel? So, we call all this like "magical trips," basically trips that are just amazing, memorable, end to end experiences. And this is what we want to be doing over the next ten years.

LEIGH GALLAGHER: Alright, well, it sounds like we're going to be booking our flights on Airbnb or something like that. We'll wait to see. But Brian, thank you so much for being here today.

BRIAN CHESKY: Thank you so much, Leigh.
(Applause)

Chairman Terry J. Lundgren: Thanks Brian and Leigh. Really, really good stuff, and lots of good lessons for a long-time, 14-year in the saddle CEO like myself. So, good stuff. I thought particularly listening to others, I mean I think any CEO will tell you that surrounding yourself with smart people and then listening to them, including in your case listening to the notion that you should actually go meet with those who are opposing you is a great lesson for all CEOs. But I would argue that not enough of us take advantage of that idea.

End of Meeting