

MoS Rapid Response Transcript – Brian Chesky

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BRIAN CHESKY: We were preparing to go public. We had a plan, and I felt great about the plan. And all of a sudden, it felt like I was a captain of the ship and a torpedo hit the side of the ship.

The world changed irreversibly. It just felt like everything was breaking at once. And so we had this really, really difficult choice. Never thought I would have to make a choice like this before.

My principles were: do more than people expect, be remembered for how we conduct ourselves, be nimble, pivot to where we think the world is going.

It feels like you're in a house and it's on fire, and you've got to put out the fire while you're having to rebuild the house.

Never in human history have all seven billion people been united in a common predicament, a common cause.

In good times you kind of wonder what people are like. Crisis has a way of exposing who people truly are. I've seen a kindness and generosity. I've been incredibly inspired by what everyone's done. It's been pretty amazing to witness.

When we started Airbnb it was about connecting with people and that's what we're meant to do. And if it took a crisis for us to get back to our roots, then a new, better Airbnb will emerge. On the other side of this, there is going to be a new day. The clouds do go away, and the storm will end.

[MUSIC]

BOB SAFIAN: Hi listeners, this is Bob Safian, editor-at-large for Masters of Scale, and for 11 years the editor-in-chief at *Fast Company*. We're continuing our special coverage and today I'm talking to [Brian Chesky, co-founder and CEO of Airbnb](#).

With the coronavirus pandemic and social-distancing, Airbnb has come under intense pressure. As Brian explains, the company was preparing for an IPO just as the crisis hit. Airbnb recently passed a \$100 billion in fees earned by its hosts, providing more than 750 million guest stays across the globe. But suddenly, that all became secondary.

Today Brian talks through how he's grappling with the crisis, trying to balance the needs of all Airbnb's stakeholders with new financial pressures and dramatic uncertainty.

His clear-eyed view of what he calls “complete madness” is coupled with a strain of unvarying optimism. The road traveled so far has been action packed – lots of shifts and moves made in just a few weeks time. He’s also mindful, though, that this is just the beginning, that there’s plenty more to consider as we look ahead. It’s instructive and inspiring. Let’s listen.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with [Brian Chesky](#), the co-founder and CEO of Airbnb. In this special series at Masters of Scale, we're interviewing founders and operators who have agreed to share their experiences grappling with the effect of the coronavirus crisis in hopes of helping others find their way through. And no industry has faced a more tumultuous, abrupt change than travel and hospitality.

Brian's had to make a lot of tough decisions as social distancing has hit both sides of Airbnb's two-sided market, guests and hosts. And while bookings continue, activity and revenue is dramatically lower. Personally, Brian is foregoing his own salary and has agreed to donate millions of his own money to a host relief fund, as have his co-founders, Joe Gebbia and Nate Blecharczyk.

At the same time, he's just raised a cool billion dollars in additional capital for the company. Brian has appeared in previous episodes of Masters of Scale, and is coming to us today remotely from California, as I ask my questions from my home in New York. Brian, thanks for joining us.

CHESKY: Well, thank you Bob. It's good to be on.

SAFIAN: I'd like to start by going back a bit. As it happened on March 4th, I was in San Francisco and I visited the Airbnb headquarters to see one of your colleagues, and it was mostly normal. There was maybe a little bit more hand sanitizer out and fewer handshakes, but otherwise it was pretty much business as usual. And then within days, everything changed, right? I know business had already begun to soften, but at what point did you realize, “Wow, this is like nothing we've ever seen before?” Was that a sudden realization, a rolling realization? How did that come to you?

CHESKY: Around the time that you would have been in the office, March 3rd, March 4th, we were preparing to go public. I was working on our S-1 document, and I was also working on a launch. We were preparing for a really big launch on June 4th. We had a plan, and I felt great about the plan. And all of a sudden, it felt like I was a captain of the ship and a torpedo hit the side of the ship. And that happened, literally, the week after you came.

You see, we got early indications in China because we've got a really big business in China, but it's so hard to extrapolate what's going to happen in China to 220 countries and regions. And this was mostly just in one part of China, and all of a sudden, we found ourselves in crisis.

I've been through crises before. We started Airbnb in late 2008, right in the middle of the recession – but I've never ever experienced anything like this. You see, usually you have a crisis because something is wrong, and in this crisis – all of a sudden in a matter of week or two – it felt like everything was wrong. Everything broke at once, and there was this feeling of panic. I just remembered I had to breathe.

When things are really bad, it's really hard to make business decisions, because you cannot possibly predict how things are going to play out. You ask yourself: How do I want to be remembered? How do I want to be remembered in this crisis?

And frankly, I got to tell you, it's extremely hard to run a travel company in the middle of a pandemic. We had been preparing for crises, and I wanted to make sure that if the next September 11th happened, we would be prepared, because many travel companies CEOs had told me about how bad it was in September 11th. In each week it went from a 9/11 type thing where travel was down 25% for a month, to all of a sudden it felt like a great recession, to all of a sudden it felt like something much worse than anything we'd ever seen.

SAFIAN: The escalating risks and changes, is that why you went out to raise another billion dollars this past week?

CHESKY: Yeah. I mean, originally we didn't know how long this crisis was going to be. I first thought it would be a few months, and all of a sudden I thought, in the middle of a crisis, the best thing you can do is be super pessimistic and be wrong than be optimistic and be wrong.

And so I imagine: What if this goes on for a couple of years? I think that many people had predicted that this was going to put us into recession, and now it looks like this may put us into a depression, where you could have double digit unemployment for more than a year. I wanted to make sure that if we're like a ship going out to sea, we have enough rations for a really long storm, we could weather it.

And one of the things that started happening is a couple months into this, into March, we started getting a lot of outreach from investors. People reaching out to us, wanting to support us.

And we had investors come to us, one of those was Silver Lake. Silver Lake is a private equity firm. They came to us with Sixth Street, which is a debt office. They were really,

really bullish about our future. I've been very, very optimistic about the outlook. I want to find that balance of "It's going to be really bad for a long time", but on the other side of this, "There is going to be a new day. The clouds do go away, and the storm will end."

SAFIAN: You've talked about Airbnb as a 21st century company, differentiated from 20th century companies by a commitment to broader constituency than just investors, right? To guests, to hosts and communities and employees. And this situation has put that philosophy to the test in entirely new ways. I'd like to go through with you how you're approaching each of these different stakeholders. I know first thing, you took care of employees by shutting down the office. Safety was the first order of business, right?

CHESKY: Yeah.

SAFIAN: And then for guests, you adjusted the cancellation policy so that they could not be beholden to the commitments they'd made before. Is that right?

CHESKY: The first thing that happened is the moment this outbreak started turning into a pandemic, we started having millions of guests inquire about cancellations. For many people this pandemic was disruptive, but for a travel company that's a two-sided marketplace, it threw some things into disarray. I'll give you an example. We had more than a billion dollars worth of reservations that guests wanted to cancel. And the problem was that the way our model works is guests prepay us, we hold the money for the host, and then once the guest checks in to their Airbnb or book their experience, we pay out the host.

And suddenly we're sitting on more than a billion dollars of money that is the guest's money that we're intending to pay out the host, and all of a sudden the guests start calling us or emailing us saying they can't travel. They can't even leave their homes. They're being ordered to stay inside, and they're telling us that they feel like they want a refund. The cancellation policy that the host has won't give them a refund, but if they don't get a refund therefore some of them will feel compelled to travel because they can't get a refund, and we don't want them to put themselves in a moral hazard. And so we had this really, really difficult choice.

Never thought I would have to make a choice like this before – and we sided with health and safety. We said that we're going to issue an extenuating circumstance policy where any guests during a pandemic that wants a refund will get a full refund. We did that. That was very important, but then the next problem to happen is our host had a major income shortfall. Fifty percent of our hosts depend on Airbnb to pay their rent or their mortgage, and then suddenly, they weren't having any income coming in. And so we had to make a decision: What are we going to do?

What we decided to do is take \$250 million of our money and send it to the host to pay them a portion of their cancellation policy. And this was really, really hard. There was no financial model that justified doing this. It was just something that seemed right and I said, "It's going to work itself out. We're going to do as much as we can for the host at this moment."

The next thing that happened is our employees rose up and they said that they want to donate their travel credit. We give every employee travel coupons to use on Airbnb, and employees donated over \$1 million of travel coupons to our hosts. Those are the kinds of things that make you really proud, not when people just do what you ask them to do, but people do something you wouldn't have thought to ask.

Joe, Nate, and I were really inspired and so what we did is we said, "Well, let's double down on that," and so we put another \$9 million. And with this \$10 million from employees and the co-founders, we created a relief fund for our best host, our superhost. And then recently we've increased that Superhost Relief Fund to \$17 million.

Then we thought to ourselves, "Well, maybe Airbnb can help them, but maybe we can also get some government relief for them." And so, in the United States, Congress was drafting the CARES Act, a two trillion dollar economic relief program, and we noticed that hotels were included in the relief program, restaurants were included in the relief program, but Airbnb hosts were not. We mobilized 30,000 hosts in our host community and they sent more than 100,000 emails and phone calls to members of Congress. I was on the phone with members of Congress and senators trying to get our hosts small business loans and unemployment relief, because again, these are mostly regular people. We eventually got them written into the CARES Act.

With our employees, you're right, we shut the office down, and I decided to do a weekly Q&A from my desk, from this office where I'm sitting here, and I told the employees "I'm going to tell you just honestly how bad it is every week, and I'm going to answer every single question you have. I know I don't have every answer. Every Thursday, I'm here, four o'clock, and we're going to get through it one week at a time."

Once we did that, then we had communities to take care of. We're in 100,000 communities. We started getting emails from nurses, doctors, first responders, firefighters that needed housing. Either they were working far away from home or they wanted to be quarantined and not in the same house with their family if they're exposed to something.

And so we worked with our hosts and we created something called "Frontline Stays," where we committed to providing 100,000 places to stay for people working on the front lines. And within two and a half weeks that grew from zero to 140,000 places to stay. Inspired by that, we started putting our own money behind it to provide discounted and

free housing. I even, myself, put in two million dollars to the city of New York to provide housing for frontline workers in New York, because I'm from New York, my family's in New York, and I have a deep, deep care and connection for what happens to everyone there.

So those were the stakeholders, but of course that leaves one more stakeholder, our shareholders. I knew that we had to be decisive, we had to preserve cash, and so we immediately started reducing all of our variable costs. We cut back our marketing budget \$800 million dollars, all of our executives went to half pay, the founders took no salary, we started renegotiating with vendors, froze hiring, and then finally we raised money – a billion dollars from Silver Lake.

What I am so proud of is I have seen the best of this company. People are closer together than I've ever seen them, and people are rising to occasion, and in a crisis you really learn a lot about people. I've seen a kindness and generosity that I think if I told you what I thought it would you would have said I was naive, but yet I've been incredibly inspired by what everyone's done, and so it's been pretty amazing to witness.

SAFIAN: As you describe all the things that you've done in just three weeks, it is a lot. It sounds very cohesive right now, and I guess for some of our listeners who are struggling with trying to figure out what to do next, it's not like you knew this sort of immediately out of your head...

CHESKY: No.

SAFIAN: ... that like these were all the pieces, right? I listened in on one of the webcasts you did for hosts where you sort of did this mea culpa about like "Oh, we should have done some of this sooner." How hard is it to sort of know how to build a plan, know what the next plan should be, like whether you even have a plan? I mean, do you feel like "Okay, we've done this for three weeks, now we're going to stop for a little while. We know what..."

CHESKY: Oh no, it never stops and you're totally right. It wasn't like it was all smooth. Like, it was frantic, because we had a plan, and all of a sudden the entire plan was not relevant anymore. The world changed. When we refunded all of those guests cancellations, not all of them – 70% of our hosts have flexible cancellations – but a percentage of our hosts were really upset, and they were upset with me, and I was really disheartened by it.

Again, it just felt like everything was breaking at once. We did not have a plan. We had a plan that was outdated. We had to conceive of a plan, and you just focus one foot in front of the other. You write down "Who are all my stakeholders? What are their needs? How do I prioritize them? What are my principles?" My principles were: be decisive, care for my stakeholders, do more than people expect, be remembered for how we conduct ourselves, be nimble, pivot to where we think the world is going.

It only seems cohesive in hindsight – it is complete madness when you're going through it. It feels like you're in a house and it's on fire, and you've got to put out the fire while you're having to rebuild the house. It is unlike anything I can experience and describe, and I think that, I think it goes back to just this will.

One of the most important things for me was to be optimistic. I had to carry this balance of being honest about how bad it was – and it was really bad – with this spirit of optimism, because as a leader what most people look to me to understand, if things were going to be okay. And if I was completely freaked out, they would be completely freaked out.

The emotions you have are contagious, and if I was optimistic and said "We're going to get through this," and said, "You know what, we're going to be better because of this. In every crisis is an opportunity to make you stronger. What doesn't kill you makes you stronger. Everything bad that ever happened to me, I learned from." Well, that's what this is going to be.

SAFIAN: I remember when you guys first were coming out in the early days of Airbnb and you were so scrappy.

CHESKY: Yes.

SAFIAN: Like, that's the word, you would try and do anything. Of course, when I go to Airbnb's headquarters now, it does not feel like a scrappy place, it's a very well appointed and comfortable place, and I'm curious how in this transition, like how do you reinforce that scrappiness, which I know you have the well of because you've been there before, but not everyone who's worked at Airbnb went through what you and Joe and Nate went through.

CHESKY: We've been scrappy, and even though we've raised a lot of money, we actually have been free cash flow since 2016. We were cash flow positive 2016, cash flow positive 2017, cash flow positive in 2018, and we were even cash flow positive last year. Even though we did not make money at EBITDA basis, we were cash flow positive. So we've always had this spirit in our minds of like trying to do more less, but there's something about this crisis that makes you so much more scrappy than you ever would have been before.

When you raise billions of dollars and then you hire people from other flush companies, maybe they came from Google or maybe they came from an like a consumer packaged good company, but that's like 80 years old and they're used to like having huge budgets, you kind of start to lose a little bit of that startup hustle. And then suddenly what used to take \$10,000 dollars to do takes \$100,000 or a million dollars.

And I used to say, "We used to do that for almost nothing." There's something about a crisis, about constraints. Constraints create creativity. If it hadn't been for constraints, I probably wouldn't have done half the creative things I did, and I told our employees, actually at the last meeting, that this was bringing us back in time. But this was like a new chapter, a founding of a new chapter, and that we were going to be scrappy again.

SAFIAN: At this point in the interview, Brian and I reminisced about the founding story of Airbnb. But the best way to experience that story is to go back and listen to Brian's first episode on Masters of Scale, which was in fact the very first episode of Masters of Scale full stop. That was three years ago in April 2017. We'll now jump forward in the interview to Brian reflecting on this moment.

CHESKY: We need to also get back to basics. When you have a lot of money you can do a lot of things, and the moment you have constraints you suddenly have to ask yourself – there's this clarity of a crisis, "What's truly important to me?" And for us, what's truly important are our hosts. Joe and I were the first hosts on Airbnb, and I want us to get back to our basics, back to regular people being hosts, offering this feeling of connection and community all over the world, and I think that is the essence of what we have to do.

SAFIAN: So, you've got this plan now that you came together with in a storm, you've got your team being scrappy, like what is the next stage thing you're looking towards, you're asking of your team? Is there a next innovation that you're thinking about or do you have to be more reactive in an environment like this?

CHESKY: I think you have to be anticipating where the world's going. I think many of us are feeling this longing for a connection. We don't need all the things we thought we did. But I think the thing that we know we need are people we care about and basic human connection.

But I also think the world is going to change forever. I can't quite predict how it's going to change, but I think that all of us are getting a glimpse of a different way to do business and we're realizing that you can do a lot on video conferencing and Zoom. And so I think that business travel isn't going to... It's not going to go away, but it's going to come back in a very different way. But I also would say what used to be was we would go to work for business, travel for business and often entertain ourselves at home, on screens. And I think that may inverse. I think you may actually see more people doing business on screens, but if you're on a screen all day, the last thing you want to do is vacation on Zoom. You want to actually get out.

And before this crisis, we brought 2 million people together a day. And I think that when this starts to reconnect once again, we're going to go back to our very basic mission of bringing people together. And to do that, the first thing we need to do is be really nimble.

"We need to be scrappy and we need to simplify. We need to simplify how we're run, so we can move very, very quickly. And what we're going to focus on is anything that makes us different." I told the team, "Let's make a list of everything we're doing and at the top of the list, we're going to double down to the things that make us most different." What makes us most different are our hosts, the incredible design that we like to focus on, and the basics. And so we want to go back to host and regular people.

And I think the way travel is going to recover is first, I think people are going to take trips that are close to home, destinations of under 300 miles. Next, people are going to want things that are cheap and affordable. In a recession or depression, people want to save money. The next thing is the nature of housing is going to change. With all of this video conferencing, I think we're starting to realize we don't have to necessarily be tethered to one city. And so because of that, I think you're going to see a generation of people that are less tethered to any one city and they're going to want to live around the world. And so what we're going to do is provide longer term stays, monthly rentals.

And then finally providing experiences in your own city. Restaurants aren't all coming back online right away. Theaters aren't all coming back right away. But we have a community of hosts that can offer all sorts of experiences, from concerts in living rooms to outdoor activities to experiencing the animals. We announced yesterday that we launched Online Experiences – another thing we put together in 14 days. We have five Olympians doing Experiences. That's just kind of what we're going to be focused on right now. When the world recovers, that's what we're going to do, having regular hosts, offering short-term stays, long-term stays, and experiences for people in their own city or people traveling.

The only other thing I'd say is we have a really resilient community, because most of our hosts rent the homes they live in. In the hotel industry, when a hotel goes below 30% occupancy, they usually shut the hotel down. It's at some point not cost-effective to run the hotel. But if you have a listing on Airbnb, a home or experience, it doesn't cost you anything to keep it up. And in an economic depression, what people are going to need more than anything are going to be new ways to make money. We saw that 60 million Americans have lost their job. We could be looking at multiple years of double digit unemployment.

And travel is a massive industry. One in four jobs in the world are in travel, hospitality, or entertainment. It's a large percent of the global GDP and cities are hurting right now. There are entire countries based on tourism and they're hurting as well. And we want to be able to partner with those cities. Right now we're partnering with them to provide frontline stays, for people to provide housing for workers in the front lines.

But during this economic recovery, which is going to be a painful and long one, we're available to work and partner with cities so that they can rebuild their local economies. And if that means bringing in guests and visitors and/or even having locals do experiences in their own city offering a new type of 21st century job, we're here to help them. And so we're definitely open and we're going to be partnering with cities and countries all over the world.

And maybe just the last thing I'll just say is this month, we're going to hit a milestone. As hard as it is for our hosts, I'm proud to say that our hosts have now earned \$100 billion dollars in our platform – \$100 billion dollars. And they did this by hosting 750 million guest arrivals, and these are people that came from nearly every country in the world. We have 4 million hosts and if that means providing opportunities for 10s of millions more, that's what I want to do.

SAFIAN: You use this phrase "most different." It sort of accelerates the momentum behind the kind of model you have versus the traditional hotel companies. Am I hearing that right? That like...

CHESKY: Yeah, it's a very difficult time for travel and hospitality. Unfortunately, one of the challenges is you can't run a hotel at low occupancy. And the big chains will be okay, but half the hotels in the world are independents. And so these are like small businesses. Think of a small hotel like a restaurant. They're in a basically similar predicament. And so I think the nature of travel and hospitality is already going to be different. And there's a great use for all these different ways to travel. It's really important that we offer what only we can offer, that makes us so different. And what makes us so different are our hosts, every host is a person. Every person is different. And so what makes us most different are people, so that's what we're going to focus on.

SAFIAN: As you described the traditional hotel business, one of the things that would make the Marriotts of the world successful was you knew what you were expecting, which is also some limitations. Going forward, what Marriott might be able to offer is, "Well, you know with confidence that this room has been cleaned to a certain standard" or that everyone going to the hotel has had their temperature taken or something like that. How do you think about how you apply that kind of reality of this new world to the very sort of disperse and diverse host universe that you guys work with?

CHESKY: It's a great question, Bob. And ultimately, traditional hospitality was rooted in this idea that the way to make things trusted would be to take people out of it, because people are variable. We want to make things more consistent by not taking people out of it, but by making the people more verified and more trusted. And so one of the things we said is we're going to verify every single home and experience on our platform.

The first step is to educate hosts, give them the tools, give them the resources. Step two in reviews, ask guests if they met the cleanliness standard. And step three is then verify listings for standard of cleanliness. So that would be the point.

And what we've done already is we're updating our review system. We ask guests a number of questions including: Were you satisfied with the cleanliness of your Airbnb? And as of this March 31st, 94% of our reviews, guests said they were satisfied with the cleanliness. They left a four or five star review. And so I think that's a great foundation for us to continue to build upon.

SAFIAN: Great. So you're optimistic. You're also working like crazy.

CHESKY: Totally crazy.

SAFIAN: You must have some moments where the mood gets tough or the stress gets hard. What do you try to do to keep yourself motivated, release the stress, keep the mood up? Do you have any advice for other leaders who are facing the same kinds of challenges that you find yourself having to grapple with now on an unending level?

CHESKY: Yeah. I'd never been in my home for five weeks in a row, not really able to get out or do anything. And so I've taken up some new things I don't usually do. I've lived here for a dozen years and I never rode my bike around the city before. I mean, first of all, there were a lot of cars and a lot of hills in San Francisco. There's no cars anymore. And so I got a bike and I'm certainly biking around. I live near a park and so I try to make sure that I take walks every single day.

But probably the most important thing I do is connect with people. It's odd, in one sense, I'm certainly more physically disconnected, and in some ways more socially disconnected than I've ever been in my life. And I have periods of time throughout the day where I feel the sense of loneliness, and occasionally you get this sense of panic, your heart beating and I think if anyone feels that way, I certainly would say, "Well, they're certainly not alone because I feel that." But then I also feel in other ways more connected than ever before because what I yearn for, what I want to do is not watch a show or do something like that or even read. What I yearn for more is any kind of human connection.

And so I do Zoom with my friends from college. I make sure I am calling people. And you notice in your life there are certain people that give you energy and there's certain people that when you talk to them, they take away your energy and you got to be really, really judicious about surrounding yourself with people that give you energy. And I think it's really important to remember that no matter how lonely it feels right now, in a larger sense, we're not alone, because I guess never in human history have all seven billion people been united in a common predicament, a common cause.

Crisis has a way of bringing people together even if it's not physical. And I've never felt closer, in the some kinds of ways, to many of the people in my life. As an example, I started Airbnb with my two co-founders 12 years ago, Joe and Nate and we're still together 12 years later. Not a lot of companies that go through what we went through, all the success, all the ups and downs, we're still together. But this thing, it's made us even closer, and I feel closer to my team and I'm easier on people because I'm more grateful of things. When you lose things, you start to appreciate what you still have. And that's what I have. And so suddenly I feel lucky.

Two months ago, I thought I had everything. I have a better perspective now than I did back then and I appreciate what we have. And I now realize that when you feel like this, you get this clarity, and my mission and what I'm meant to do, it's never been clearer than right now.

I mean, I think your purpose gets really clear, right? There's a stillness around the world. It's quiet in some ways and then suddenly you see what you're meant to be doing. I'm not meant to do real estate. I'm not even meant in a larger sense to just do travel. When we started Airbnb it was about connecting with people. That was the roots of Airbnb and that's what we're meant to do. And if it took a crisis for us to get back to basics, back to our roots, then a new, better Airbnb will emerge and we'll be back and this mission is going to live on.

Travel has lived through world wars. It's lived through economic depressions. And the one thing you see over the course of generation after generation is every year more people travel. In 1950, 25 million people crossed a border, and last year 1.4 billion people did. And it's because there's this innate human desire to travel, to explore. Our desire to explore, our desire to connect with one another – that is never going to go away. It may be on pause right now, but the one thing I know for sure is this is going to be more popular when it returns, and Airbnb, I'm going to make sure that we are stronger when the world goes back to a new normal.

SAFIAN: Well, Bryan, I want to thank you again for taking the time to talk with us and talk with our listeners and share your thoughts.

CHEKSY: Oh, thank you.

SAFIAN: Good luck with everything. I'm Bob Safian, and thanks for listening.