

# Subject: Airbnb

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March 2011

Yesterday Fred Wilson published a remarkable post about missing Airbnb. VCs miss good startups all the time, but it's extraordinarily rare for one to talk about it publicly till long afterward. So that post is further evidence what a rare bird Fred is. He's probably the nicest VC I know.

Reading Fred's post made me go back and look at the emails I exchanged with him at the time, trying to convince him to invest in Airbnb. It was quite interesting to read. You can see Fred's mind at work as he circles the deal.

Fred and the Airbnb founders have generously agreed to let me publish this email exchange (with one sentence redacted about something that's strategically important to Airbnb and not an important part of the conversation). It's an interesting illustration of an element of the startup ecosystem that few except the participants ever see: investors trying to convince one another to invest in their portfolio companies. Hundreds if not thousands of conversations of this type are happening now, but if one has ever been published, I haven't seen it. The Airbnbs themselves never even saw these emails at the time.

We do a lot of this behind the scenes stuff at YC, because we invest in such a large number of companies, and we invest so early that investors sometimes need a lot of convincing to see their merits. I don't always try as hard as this though. Fred must have found me quite annoying.

from: Paul Graham  
to: Fred Wilson, AirBedAndBreakfast Founders  
date: Fri, Jan 23, 2009 at 11:42 AM  
subject: meet the airbeds

One of the startups from the batch that just started, AirbedAndBreakfast, is in NYC right now meeting their users. (NYC is their biggest market.) I'd recommend meeting them if your schedule allows.

I'd been thinking to myself that though these guys were going to do really well, I should introduce them to angels, because VCs would never go for it. But then I thought maybe I should give you more credit. You'll certainly like meeting them. Be sure to ask about how they funded themselves with breakfast cereal.

There's no reason this couldn't be as big as Ebay. And this team is the right one to do it.

--PG

from: Brian Chesky  
to: Paul Graham  
cc: Nathan Blecharczyk, Joe Gebbia  
date: Fri, Jan 23, 2009 at 11:40 AM  
subject: Re: meet the airbeds

PG,

Thanks for the intro!

Brian

from: Paul Graham

to: Brian Chesky  
cc: Nathan Blecharczyk, Joe Gebbia  
date: Fri, Jan 23, 2009 at 12:38 PM  
subject: Re: meet the airbeds

It's a longshot, at this stage, but if there was any VC who'd get you guys, it would be Fred. He is the least suburban-golf-playing VC I know.

He likes to observe startups for a while before acting, so don't be bummed if he seems ambivalent.

--pg

from: Fred Wilson  
to: Paul Graham,  
date: Sun, Jan 25, 2009 at 5:28 PM  
subject: Re: meet the airbeds

Thanks Paul

We are having a bit of a debate inside our partnership about the airbed concept. We'll finish that debate tomorrow in our weekly meeting and get back to you with our thoughts

Thanks

Fred

from: Paul Graham  
to: Fred Wilson  
date: Sun, Jan 25, 2009 at 10:48 PM  
subject: Re: meet the airbeds

I'd recommend having the debate after meeting them instead of before. We had big doubts about this idea, but they vanished on meeting the

guys.

from: Fred Wilson  
to: Paul Graham  
date: Mon, Jan 26, 2009 at 11:08 AM  
subject: RE: meet the airbeds

We are still very suspect of this idea but will take a meeting as you suggest

Thanks

fred

from: Fred Wilson  
to: Paul Graham, AirBedAndBreakfast Founders  
date: Mon, Jan 26, 2009 at 11:09 AM  
subject: RE: meet the airbeds

Airbed team -

Are you still in NYC?

We'd like to meet if you are

Thanks

fred

from: Paul Graham  
to: Fred Wilson  
date: Mon, Jan 26, 2009 at 1:42 PM  
subject: Re: meet the airbeds

Ideas can morph. Practically every really big startup could say, five years later, "believe it or not, we started out doing \_\_\_\_." It just seemed a very good sign to me that these guys were actually on the ground in NYC hunting down (and understanding) their users. On top of several previous good signs.

--pg

from: Fred Wilson  
to: Paul Graham  
date: Sun, Feb 1, 2009 at 7:15 AM  
subject: Re: meet the airbeds

It's interesting

Our two junior team members were enthusiastic

The three "old guys" didn't get it

from: Paul Graham  
to: Fred Wilson  
date: Mon, Feb 9, 2009 at 5:58 PM  
subject: airbnb

The Airbeds just won the first poll among all the YC startups in their batch by a landslide. In the past this has not been a 100% indicator of success (if only anything were) but much better than random.

--pg

from: Fred Wilson  
to: Paul Graham  
date: Fri, Feb 13, 2009 at 5:29 PM

subject: Re: airbnb

I met them today

They have an interesting business

I'm just not sure how big it's going to be

fred

from: Paul Graham

to: Fred Wilson

date: Sat, Feb 14, 2009 at 9:50 AM

subject: Re: airbnb

Did they explain the long-term goal of being the market in accommodation the way eBay is in stuff? That seems like it would be huge. Hotels now are like airlines in the 1970s before they figured out how to increase their load factors.

from: Fred Wilson

to: Paul Graham

date: Tue, Feb 17, 2009 at 2:05 PM

subject: Re: airbnb

They did but I am not sure I buy that

ABNB reminds me of Etsy in that it facilitates real commerce in a marketplace model directly between two people

So I think it can scale all the way to the bed and breakfast market

But I am not sure they can take on the hotel market

I could be wrong

But even so, if you include short term room rental, second home rental, bed and breakfast, and other similar classes of accommodations, you get to a pretty big opportunity

fred

from: Paul Graham  
to: Fred Wilson  
date: Wed, Feb 18, 2009 at 12:21 AM  
subject: Re: airbnb

So invest in them! They're very capital efficient. They would make an investor's money go a long way.

It's also counter-cyclical. They just arrived back from NYC, and when I asked them what was the most significant thing they'd observed, it was how many of their users actually needed to do these rentals to pay their rents.

--PG

from: Fred Wilson  
to: Paul Graham  
date: Wed, Feb 18, 2009 at 2:21 AM  
subject: Re: airbnb

There's a lot to like

I've done a few things, like intro it to my friends at Foundry who were investors in Service Metrics and understand this model

I am also talking to my friend Mark Pincus who had an idea like this a few years ago.

So we are working on it

Thanks for the lead

Fred

from: Paul Graham  
to: Fred Wilson  
date: Fri, Feb 20, 2009 at 10:00 PM  
subject: airbnb already spreading to pros

I know you're skeptical they'll ever get hotels, but there's a continuum between private sofas and hotel rooms, and they just moved one step further along it.

[link to an airbnb user]

This is after only a few months. I bet you they will get hotels eventually. It will start with small ones. Just wait till all the 10-room pensiones in Rome discover this site. And once it spreads to hotels, where is the point (in size of chain) at which it stops? Once something becomes a big marketplace, you ignore it at your peril.

--pg

from: Fred Wilson  
to: Paul Graham  
date: Sat, Feb 21, 2009 at 4:26 AM  
subject: Re: airbnb already spreading to pros

That's true. It's also true that there are quite a few marketplaces out there that serve this same market

If you look at many of the people who list at ABNB, they list elsewhere too

I am not negative on this one, I am interested, but we are still

in the gathering data phase.

fred

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