NO. 008

Marketplaces, Monetization & Airbnb

Advertising is inherently about monetizing user attention.

JULY 23, 2026

Advertising as a business model has a few great dynamics. Firstly, there is no cost to serve these ads on your platform, so there is inherently 100% margin. As your platform and its attention grow, so does your advertising business.

While there are businesses that are fully advertising companies, such as Meta and Alphabet, albeit the latter has diversified somewhat into other forays. I think what is more interesting are companies such as Uber, Amazon, Instacart, and potentially Airbnb because advertising is the hidden profit engine that allows these businesses to thrive, albeit unintentionally.

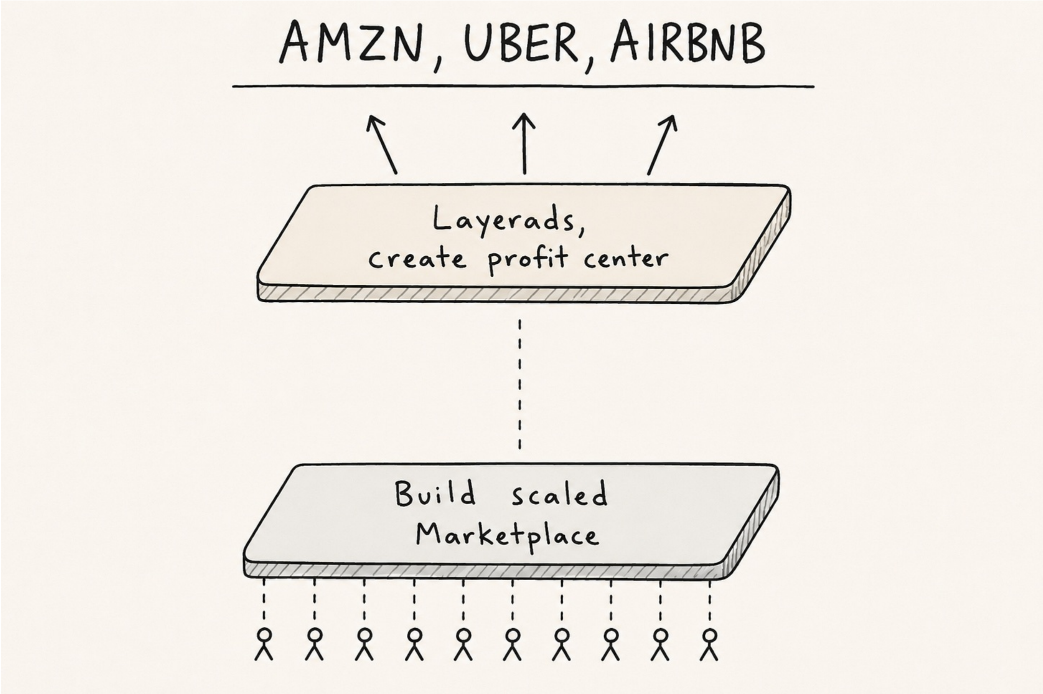
Yet to create a successful ad business, you need scale; Amazon has to grow the size of its retail business and introduce third-party sellers, which allows a near $ 70 billion ad business in 2025. That drives a core part of Amazon’s free cash flow, more than retail itself or AWS, yet you need to first establish a thriving marketplace in order to create a killer advertising product.

Uber has an ad business at a 2 billion run rate, which makes up a majority of its profits. Delivery, Mobility, and Freight are all just a front. Once you can capture users’ attention through the value proposition, eg. I want late-night wings, you can create a valuable ad product. So from a strategy perspective, Uber should continue to add businesses such as its partnership with Expedia to create greater user attention, which further grows their ad business, which rewards their shareholders.

Something Airbnb has struggled with. It's rather a communications problem and a failure to get a real CEO, which Uber, thanks to some poor management skills of its founder, was able to force its founder out and build a real defensible business, with Dara Khosrowshahi.

So what opportunity does Airbnb possess? The same that Uber did when they launched their ad business. Airbnb has created a two-sided network of Hosts and bookers. They charge fees on both sides and really have created a great business. I am in no way trying to undermine a company doing 4.5 billion in free cash flow. Yet the travel industry is inherently cyclical, and costs related to fees and damages are unstable.

Airbnb should create a promoted ads business for its bookings. A business that can comfortably bring in around $ 1 billion in revenue, based on an Uber-comparable in terms of ad revenue as a % of GBV? This would stabilize net income and free cash flow, which have been volatile at times, and overall strengthen the predictability of future cash flows, giving shareholders confidence and improving shareholder returns.



← No. 009 All studies No. 007 →