

## **Research Article For National Conference 2020**

### **Name of the Research Paper:**

**“A Game Changing Business Model For Hotel Industry”: Case Study Of Oyo  
Rooms.**

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### **Abstract**

Oraval Stays Private Limited dates back to 2012, Initiator Mr. Ritesh Agarwal, who was just 18. It was and later in 2013 that Oraval stays was converted to Oyo rooms. These days people of India are becoming more Tech-savvy and are becoming very familiar with the use of the internet. Since last few years there is tremendous hike in the internet usage as companies have reduced their data rates due to the cutthroat competition. When we talk about Hospitality industry, before 2013 it was very hectic to book hotel rooms online and there were very few options with low room rent and good quality.

The purpose of this article is to understand the fast-growing business firm and its impact on the Indian hospitality. The Indian government has keen interest to develop Indian entrepreneurship through “Make in India” program and it was originally Lokmanya Tilak’s vision to promote Swadeshi brands.

Oyo rooms is not only working for its profit but also, they are helping many entrepreneurs who are struggling with their low occupancy rate to earn their bread and butter. They have many different programs to empower their business partners. Along with this, they are providing budget hotels with all modern amenities and enabling independent property owners to compete with renowned and big players of market.

**Key Words:** Business model, Oyo Rooms, Impact, Indian Hospitality, Growth, Swadeshi.

## **Introduction**

### **Indian Hotel Industry**

Indian Hotel Industry has emerged as key driver of growth in service industry. There are several reasons behind this growth, such as increased numbers of tech-savvy consumers, available resources to travel and increase in the purchasing power parity (earning capacity) of people, where as in the past it was totally different situation and most important things to consider were rich cultural diversity, variety in ecology and different geographical conditions across the country. The base of Indian hotel industry was built by the British during colonial time through cities like Kolkata, Mumbai, Delhi. Tourist destinations like Shimla and Missouri have witnessed the beginning of Indian hotel industry. The hotels that were built in the early eighteenth century included names like Chales Ville (1861), Savoy (1895) and another two hotels that were established in Shimla with the name Clarks Hotel in 1898 and Savoy Hotel in 1902 (Bond 2003).

The first five-star hotel in India was established in Mumbai by Indian entrepreneur Mr. Jamshed Tata in 1903. Then in 1934, another chain of Indian hotels emerged and its founder was Rai

Bahadur Man Singh. He acquired Clark Hotel in Delhi and Shimla in 1934 and after gap of four years he acquired another hotel i.e. Grand Hotel of Calcutta (Allen 2008).

After the independence of India, the first Prime minister of India Jawaharlal Nehru, identified the need to build hotels for foreign delegates and that's how Hotel Ashok was built. It was first Government invested hotel in New Delhi.

Nation experienced the tremendous growth in economy after the independence. Later in 1966, Indian government formed Indian Tourism Development Corporation (ITDC) with the target to operate and built hotels across India. In 1982, India was hosting Asian Games and to accommodate athlete and tourists, many hotels were built and notable thing is ITDC alone built seven different hotels to fulfill the need of rooms (Devendra 2011).

This vast and steady growth of Hotel and tourism industry in India made many investors to invest in this field and other national and international brand made their appearance on Indian soil. The increased number of hotels had a positive impact on local and international tourist's arrival.

On the other hand, inventory of room was increased but the occupancy rate was decreased because of service and product related issues. There were many issues not only for the customers but also, hotelier was facing many problems. Problems like Low occupancy rate, Quality of rooms, Customer service related problems, Brand popularity of single property hotel, Room booking through internet etc.

## **Government Pushes To Increase The Potential Of Industry**

The Government policies and provisions are playing crucial role to reform the industry and to increase its potential. Few of them are:

- Incredible India is also making Indian hospitality and tourist attractions popular worldwide and inviting tourists to visit the country.
- “Make in India” is another recently started program of Government of India encouraging and empowering youth for new startups.
- Statue of Unity was inaugurated in October 2018. It is tallest standing statue in the world and is expected to boost the hotel and tourism industry of Gujarat state.
- Indian Government is aiming to have 1% share in world's international tourists' arrival by 2020 and 2% by 2025.
- A total release of Rs. 3250.72 crore (till 31.03.2019) was announced covering all thematic circuits under the Swadesh Darshan Scheme by Indian Government. (Annual report of tourism Jan 2018-March 2019).

## **Company Introduction**

Mr. Ritesh Agarwal, a college dropout, started his first firm with the name, Oraval Stays Private Limited with budget hotels. As time passed, he realized that budget hotels are not getting proper prediction business, it was then that he decided to change the name to ‘On Your Own’ Rooms (Stylized as OYO). It is also known as Oyo Hotels and homes. The aim was to provide affordable accommodation with maximum facilities and best quality. Over a period of six years, OYO Rooms has expanded with rapid pace not only in India but also is

spreading across the world. Oyo has its presence in thousands of places which include India, Malaysia, UAE, Nepal, China, Brazil, UK, Philippines, Japan, Saudi Arabia, Sri Lanka, Indonesia, Vietnam, and The United States.

The chemical engineer Mr. Abhinav Sinha who is an IIT Kharagpur graduate and pursued MBA from Harvard University is looking after operations in Oyo as a COO. Before joining OYO, he was working with Boston Consulting Group in Dallas as a Principle.

There are other competitors in the market and are doing quite well. These competitors include Make My Trip, Hotel Trivago and Go Ibibo. The marketing strategy of providing rooms in low price with maximum facilities is working very effectively as many small players have shut down, exceptions of some brands like Yatra, Clear trip, Go Ibibo, Make my trip who are fighting to increase their business.

### **Research Methodology:**

Secondary data accumulated through various sources like internet, research articles, journals, reference material, newspaper , magazines and book etc.

## **Game Changing Business Model of OYO**

Mr. Ritesh Agarwal said in his recent interview with The Financial Express that OYO is keen to use best of the technology to become world's largest hotel chain as they stand third in global ranking. If one observes their business model closely, we would realize its truly one of the best.

Any business in the world totally depends on effective leadership and delegated work force. Oyo has divided their business in two segments that is Regional and Central area. In Central segment, there different departments like Customer Centre, Finance, Vendor Management, Human Resource, Marketing department, Technical support, Central Operations, Central Supply and Demand are directly reporting to the Central office and Central office directly reports to the CEO. On the other side, the organization is divided in designations like COO, CPO, CTO, CRO, CGO and Regional head. Under Regional Head there are various designations such as Hub head. He is accountable to Regional Head and their other three departments. (Operations, Business Development and Demand).

### **Based on Top class Technology:**

#### **Front Desk and Reservation**

Management team is working at micro level to identify the needs of their guests. They have Express check-in and check-out facility available where guests can book their room very easily and also while leaving, they can avoid the queue of check-out. To understand the preferences of their guests they have separate provision in their system. To attract more customers, they have very effective system which manages discount offers, pricing and promotional offers during the festive time. They also maintain Digital Arrival and departure

register where the information is available on single click. At the same time, they look after fraud detection and control at all the OYO premises. All these departments are difficult to maintain or to invest in such system for local hotels.

## **Food and Beverage**

Initially, OYO rooms dealt with just the accommodation, but now they are also tapping the other opportunities in different services such as they are having Café, Food, MICE etc.

## **Hotel Service and Operations**

One of the strengths of OYO rooms include booking rooms online 24/7. It is very easy for guest to differentiate the facilities available in different hotels. Hotel service and operations includes following duties such as:

- Training and engagement program for staff.
- Housekeeping app and Audit
- Repair and Maintenance
- Expense Management
- Performance Review and Incentives.

## **Procurement and Inventory management**

It is one of the major tasks at Oyo to maintain the inventory of their rooms as the main business is totally dependent on the inventory management. There is online procurement facility available.

## **Krypton**

An app called Krypton is used by AGM, GM, ABM, and ABH. Through this app, they are able to perform duties such as AGM attendance, Training and property insight. Every property audit can be done through Krypton, it is really easy for all the managers to get the basic information about their properties such as unhappy score, Revenue, Issues, contract details and room inventory. Trainable UH is one of the best initiatives taken by management to train the staff of two properties which falls under pain property. Here, they train people of those properties through Role plays, Practical training and staff briefing on various activities.

## **Captain Ticket**

This is yet another process to convert their unhappy guests in to satisfied guest by resolving their issues in no time. AGM has to acknowledge the complaint in ten minutes and resolve within next thirty minutes. AGM (captain) is supposed to answer calls from 9 am to 9 pm.

## **Property Visit**

Every AGM is entitled to visit their assigned properties and then they must fill this data in to krypton. The positive outcome of this report is that they identify which property is struggling with the business and can give some extra focus on these types of properties. Also, any kind of issue with service can be identified.

## **Owner App**

Oyo rooms is not only looking after their system but also have developed a type of app where the business partner can keep track of their earning, outstanding, not only this, but they can also manage their bank transactions through this app. Oyo has empowered their hotel partners to



improve their efficiency. As we have seen there are two apps out of which, one remains with the property manager to keep track on hotel management activities and the owner app is the one with property owner. In short, the use of owner app is to serve the owner in single touch point with all issues and concerns related to Oyo and can give transparency.

### **Out of the box Ideas**

Recently, Oyo has launched a new feature on their app to provide more secured environment for women. The crucial feature of this app is victim can contact Oyo or Police in very less time and it is needed in today's times.

Secondly, Oyo is very keen to keep their employees happy by giving them various incentives. The property manager is touch point between Oyo and their clients. So, it is much needed to keep them motivated for better service and this can be managed very well by giving those incentives.

Lastly, they are also giving behavioral training to their staff to give the best customer service. Not only Oyo but in fact any organization always expects their guests to come back to them.

### **Impact of business model**

In the initial days of the company, there was heavy loss due to heavy discount and other marketing cost. From, year 2018 profit was realized due to the heavy backup and support by investors and financiers of the organization.

The well-planned and executed model has given tremendous growth to their business with many brands.

## Products and Services of Oyo

- Oyo Townhouse: It targets midscale segment travelers who look for premium economy accommodation.
- Oyo Home: This brand offers private homes in different locations and totally managed by Oyo.
- Oyo Vacation Homes: It is a vacation home brand with vacation rental management with German based organization.
- Silver Key: Mainly they target business travelers who are travel frequently for long term or short-term duration.
- Capital O: These are premium hotels located at prime location and offer best quality in affordable price.
- Palette: It is resort category hotel brand of Oyo.
- Collection: It is the latest category of Oyo hotels that caters for business traveler.
- Oyo Life: This brand caters for young generation those who are looking for fully managed homes for long term.
- Flagship Oyo: It is another brand where property is fully managed by Oyo Rooms and there will be no intervention property owner.

The success of this game changing business model is that company is working in 18 countries with 23,000 hotels and more than 800 cities and continues to grow. On top of that, Oyo is world's 6<sup>th</sup> largest chain of operated hotels, homes, managed living and work spaces. The recent record shows that every ten seconds 42 people check in to Oyo.

## **Conclusion:**

The aim of the article was to understand the business model and its impact. The founder of Oyo was a college dropout and aimed to establish a unique brand in budget hotel. Oyo's existence in the market helped small players of the hotel industry to sustain in the market. According to one of the area manager in Oyo said that they are focusing on 100% satisfaction of all their customers. Increased room inventory is helping Oyo to expand their business and customers to get the best options at isolated locations as well.

Oyo Rooms is the best example of Lokmanya's Swadeshi Vision. This Indian brand is not only popular in India but also, they are trying to be a world's largest hotel chain. When Oyo becomes world's largest brand, it will be a perfect tribute to Lokmanya Bal Gangadhar Tilak.

To conclude, I would say that this steady growth of OYO is the result of a well planed and executed business model in the hotel industry.

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