

Startups and Challenges – A Classic Case of Oyo Rooms

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Abstract: Startups are described as a newly established business venture where an ambitious individual or group puts their efforts in order to become self-employed. But in this hypercompetitive market place it often becomes difficult for an entrepreneur to arrive, survive and thrive successfully as he/she needs to face many challenges and difficulties. In order to mitigate these obstacles and ventured into a profitable journey one need to understand the current scenarios and apply strategies to face the challenges. The age old Darwinian Theory about survival of the fittest comes to play where the concept of sustainable competitive advantage is the major guiding principle. In this direction, the inspiring success story of Oyo rooms comes to the centre stage which has become the third largest hospitality aggregator of leased, franchised living spaces, homes, and hotels. Within a short span of around 8 years, it has seen an uninterrupted global expansion with thousands of rooms under it in hundred of cities in India, Brazil, China, Indonesia, Japan, Malaysia, Nepal, Philippines, Saudi Arabia, Sri Lanka, UAE, USA, UK, Vietnam and many more. Some of the biggest investors in the world like Airbnb, Softbank, Greenoaks, China lodging group which have helped in grow leaps and bounds in this short duration. But this trailblazing story has its own share of road blocks, and controversies from which the maverick entrepreneur has risen like a phoenix each time. His case has become a classic example of a brave heart ventured into this hyper competitive market place and become able to give tough challenges to the existing players in a bigger way. With this back ground, as a part of a larger doctoral study, we have taken the interesting case of Oyo rooms and tried to assess its success story from various lenses in order to understand the business model and strategies implemented to successfully establishing and running their business in a competitive market. This will certainly help other aspiring entrepreneurs in their effort towards establishing their own set of businesses and make them successful.

Keywords: *Competitive Advantage, Entrepreneurship, Globalization, Business model.*

Introduction: Start-ups and entrepreneurships are the two sides of a coin that depicts towards the concept of establishing alternative avenues of businesses to earn profits and give employment opportunities to the fellow citizens of a country. It can be defined as an emerging and rapidly-progressing venture that aim towards meeting the need of the markets by offering an innovative service, product, and process. As defined by the US small business administration, the concept of start-ups can be defined as those business ventures which are driven by technologies and they possess high growth potentials (Kumar 2018; Kaur & Singh 2013).

In this hypercompetitive era of globalization, where many technology based companies are disrupting the game plans of the already established brands, it becomes necessary to assess the business model employed by them as well as their way of operating the business venture so that their formulas for success can be understood and shared in order to motivate the aspiring entrepreneurs to apply them in their business ventures to grow and prosper in order to create a win-win situation for all (Samal et al. 2018). In this regard, we have taken the case of an innovative startup popularly known as the Oyo rooms which has carved a niche for it within a very short time period of operation and currently known as the face of the Indian start-ups.

The Humble Beginnings: The story of Oyo rooms started with the maverick effort of a young visionary named Ritesh Agarwal in 2013 who hails from a lower middle class family in one of the southern districts of the state of Odisha, India where his family used to run a small local shop (Ghosh 2018). He himself had a modest beginning when he used to sell mobile sim-cards locally in order to support the family financially. Thus, from an average Indian middle class run away kid to become one of the most successful billionaires within a very short period, his success story has become an amazing and inspirational tale for the aspiring entrepreneurs (Chanchani 2015). After completion of the school education, Agarwal moved to the national capital city of Delhi to pursue his higher education ambitions but without success when he dropped out from the college in 2011. By then he had started a portal named Oravel Stays that used to list and help booking the budget accommodation facilities for the guests which was in line with the business model of AirBnB (Writer 2019). At the TiE Global Summit in Delhi, the model got recognition and he was selected to receive the famous Thiel fellowship by the famous early investor of Facebook and co-founder of Paypal Peter Thiel and a funding of \$1,00,000 was granted. Soon after receiving that grant he wanted to expand his business and pivoted Oravel to OYO in 2013.

The big idea came to him when he started to travel across the country and stayed in over hundreds of small hotels, bread & breakfast arrangements, guesthouse where he found lack of trust amongst the guests towards the facilities offered by them. Issues like bad quality linens, unhygienic and unclean surroundings including the toilets, rude behaviour shown by the staffs were some of the examples that seriously were denting the reputation of the small scale hotel sector in big way (Chaterjee 2017). Therefore, he decided to standardize the hotel rooms across the cities by partnering with them and lends its name to the property only if the in-house staffs get trained to ensure uniformly in providing formalised services. Built upon the acronym of On your Own rooms it has become the largest hotel network in India and world's third-largest hospitality chains including leased & financed hotels, homes and living spaces within a short span of 7 years.

Current Status: Today, the Oyo rooms stands at the juncture of combining real-estate, hospitality and technology which provides it with the necessary impetus to perform in bigger and better manner. Within this period, Oyo has revolutionised the fragmented real estate market by the provision of guaranteed standard living spaces across various budget categories.

Steadily it has captured the biggest markets like India, China, USA, UK, Brazil, UK, Malaysia, UAE, Nepal, Mexico, Philippines, Japan, Saudi Arabia, Sri Lanka, Indonesia, Vietnam, and more across different continents in order to become World's fastest growing real estate and tech management group. Some of the renowned investors like Softbank group, Greenoaks Capital, Sequoia India, Lightspeed India, Hero Enterprise, Airbnb and China Lodging Group have invested in Oyo rooms which have acted like catalyst towards the meteoric rise of the brand over the years. As of 2019, the total valuation of Oyo rooms stands at \$10 billion which can be treated as an extraordinary growth for a young start-up. (Mishra 2016; Business Standard 2017; Soni 2019)

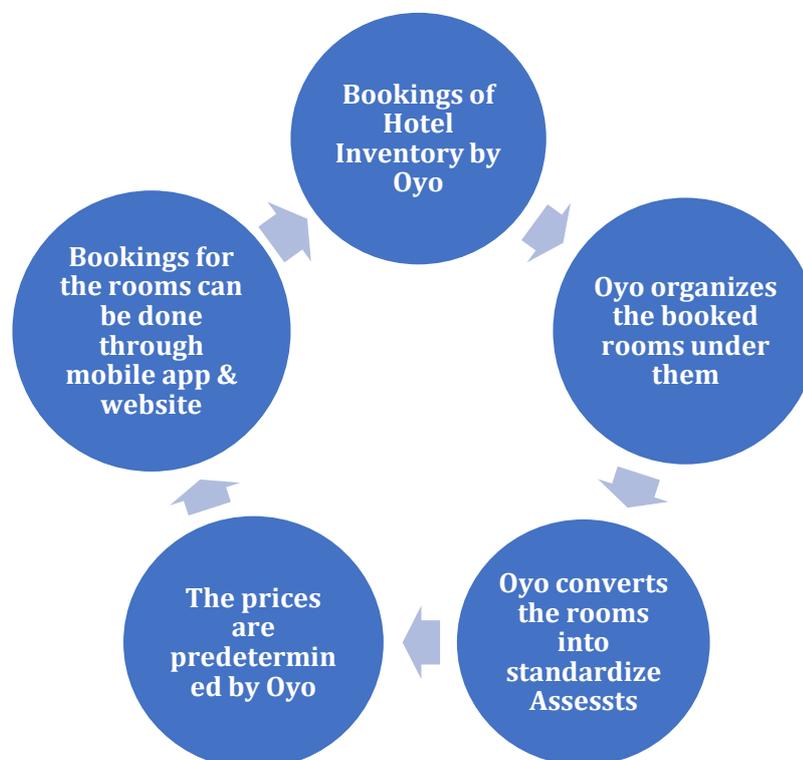
Products and Services of Oyo: Followings are the list of products available from the Oyo hotels and homes for the customers.

- a) Oyo Townhouse: These are the midscale hotel popularly known as the neighbourhood hotels mostly visited by the millennial travellers looking for both premium and economy places.
- b) Oyo Homes: Basically a home management system, that offers private homes at different locations.
- c) Oyo vacation homes: It's a specific vacation management home
- d) SilverKey: specifically for the corporate travellers on business trips.

- e) Capital O: Premium hotels with trademark oyo level quality on offerings.
- f) Palette: These are the upperend resorts category catering to the needs of luxury travellers.
- g) Collection O: It is one of the new segment of hotels that cater the needs of the discerning travellers on business.
- h) Oyo Life: These are the long term rental arrangements normally availed by the millennial.

Apart from these, newer concepts like the Power station where designer and sophisticated office spaces are offered and Weddingz.in that deals with the event planning and bookings and Oyo total holidays for packaged tours are being introduced in to the market.

Business Model: Oyo rooms majorly works on the concept of Aggregator Business Model where they partner with different hotels across countries in order to provide rooms under their own brand. For the hotels to become the partners of Oyo, they need to qualify in terms of quality in rooms, services, staffs, security and pricing aspects (Gupta 2017). The key differentiator becomes the use's experiences for the Oyo rooms as they focus more on providing a holistic approach towards the customer's service unlike the competitors who look for standard of hotels and pricing only. The work flow of Oyo rooms usually goes through the following steps.



Source: Author's Own Interpretations

Successes Story: With the World's two most populous countries of China and India under its belt, Oyo has risen to become the World's third largest hotel chain with more than 8.5 lakh rooms in its inventory. Recent big ticket fundings from investors like the Softbank, Greenoaks Capital, Airbnb etc. it has expanded to over 800 cities across 23000 hotels globally till 2019.

As per their fact sheets, more than 5,00,000 heads rest in their pillows on a daily basis where as Oyo has provided jobs to more than 3,00,000 people across countries of India, China, USA, UK and Indonesia etc. (Sahay 2019).

Their Aggressive expansion strategy have been well paid up when they have become the second largest group of hotels in an unknown territory like China merely within 18 months of launching (Gooptu 2019).

Controversies surrounding Oyo rooms: Indeed, the Oyo has witnessed unprecedented growth in the recent years and has got a prominent share of popularity and business. Still, its growth path is affected by many controversies and debates that can be listed as below.

a. The relationship with the hotel partners have been always under scanner when it comes to the business model as many of the hotel operators in recent time have complained about not payment of the due as per the promised rates. The instances of delayed payments to the partners and in some cases no payment related complaints have been registered against the young enterprise which is affecting its credibility and might affect its growth prospect in coming years (Kajarekar, 2019).

b. Alleged large scale breach of contract and complaints regarding jeopardising the safety of the customers have also surfaced when the Federation of Hotel & Restaurant Associations of India (FHRAI), warned the Oyo rooms about promoting some illegal and unlicensed premises (such as B&B apartments, rooms in chawls, flats etc.) under their brand and endorsing them as hotel rooms through their websites & apps which can have serious consequences regarding the safety of the customers also (Chaturvedi 2018).

c. In 2019, there was a talk about a controversial initiative of using an online digital register for the customers in the Oyo properties that can do real time data sharing with the government sources but against the privacy of the customers (India Today 2019).

d. Also, many complaints of use of the rarest of rare techniques like the Predatory pricing are being raised the Oyo rooms where they are trying to undercut all competitors out of the market by setting the prices at very low levels (Chaturvedi 2018).

e. The practice of aggressive technique of hiring and firing of employees being practised by the Oyo rooms is also a matter of concern for many as it is affecting the stability and growth of individual employees in a negative manner (Salman 2018).

Way forward: From a sim card seller to a college dropout to become a millionaire at a tender age of 22, certainly the journey of Ritesh Agarwal is an inspirational saga for others when it comes to dream, dream bigger, and make it a reality. The incredible journey of a boy from the naxal hit areas of a backward state like Odisha to become one of the leading hotel brands of the World within a very short span of time often attracts controversies but when it comes to the bottom line the Oyo hotels & homes is in a constant path of growth and more laurels are on its way in the glorious future ahead.

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