



# E-Commerce Platform and Its Disruptive Strategies: A Case on Oyo Rooms - Chain That Connects Budget Hotels

<sup>1</sup>Awa Shukla, <sup>\*2</sup>Supriya Singh

<sup>1</sup>Dr. Babasaheb Ambedkar Open University, Gujarat, India.

<sup>2</sup>Institute of Management, Nirma University, Gujarat, India

\*Corresponding author Email: [supriya.singh@nirmauni.ac.in](mailto:supriya.singh@nirmauni.ac.in)

**Abstract.** Disruptive idea can bring in a huge change in any industry. Risk taker and innovator are two basic characteristics of an entrepreneur's personality. Solving the problems of people with some innovative ideas in a much easier way than existing is the aspect that differs an entrepreneur from a normal businessman. This is an exploratory study of travel and tourism industry. A single case can disrupt the whole industry and can provide a contemporary approach to the industry forcing all the rest of the players to change the perspective of business. This paper discusses the disruptive strategies of Travel and Tourism industry with the help of strategies used by Oyo Rooms who are market pioneers of online facilities for hotel booking. An entrepreneur's personality counts a lot in the success of any organization hence the journey of Oyo founder from his childhood is also covered so that the reader can also understand the personality behind the great idea. The sense and thorough understanding of recognizing the tourist or traveller's problem in a much deeper way is the only thing that made Ritesh Agarwal an outstanding entrepreneur of travel and tourism industry.

**Keywords:** Travel, Tourism, Disruptive, Online, Strategies, Entrepreneur.

## 1. Introduction

Travel and tourism industry carries a huge scope for start-ups. As per the World Travel and Tourism Council, India ranks 8th in the world's ten leading markets. In the year 1994, The United Nations defined tourism as "the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated within the place visited". Jafari calls tourism "The study of man away from his usual habitat, of the industry which responds to his needs, and of the impacts that both he and the industry have on the host's socio-cultural, economic and physical environments". A tourist is also well coined by many of the authors one of such definitions by Smith in 1989 is 'temporarily leisured person who voluntarily visits a place for the purpose of experiencing a change'. The entrepreneurial ecosystem in India has been praised all over the world for producing 8 unicorn companies in a single year, 2018 which rose to mindboggling 42 in 2021. A good amount of literature can be found on various platforms discussing the positive side and growth of Start-ups in India. An Ecosystem encompasses availability of funds and facilities, Favourable resources, part of the government in building an ease of doing business in the country, etc. With over 40,000 start-ups who generated approximately \$130 Billion of value from 2014-2018 and total 27 Unicorns (billion start-ups), India has ranked third largest in the world in start-up Ecosystem. Schemes like 'Make in India', 'Start-up India', etc. by Government of India have played a noteworthy role in vitalizing entrepreneurial spirit and easing the issues faced by entrepreneurs in India. These efforts by government and other enablers motivate the current generation to put on their efforts in the right direction. Out of 8 unicorns noticed in 2018 one was OYO rooms – a T&T based company. The emergence of advanced technologies, mobile payments, web access, etc has exposed the travel and hospitality to a new level of the competitive market. With the advent of bookings and feedbacks of customers via the web has given an upward graph to this industry. The advanced technology like Artificial Intelligence, Virtual reality, Big Data, augmented reality etc. are dominating the market to a certain extent and the impact will undoubtedly rise at a higher pace. It's a transition phase that the world is going through. A phase of moving from offline to Online, i.e. the internet and technology are the things which are making a drastic shift in the Tourism sector. Few examples are discussed below to give a little idea about the same. Facial recognition check in in Marriot china, Use of Chatbots for Hotel and travel bookings, Travelmate – A suitcase that automatically follows its owner, etc. Real perspective and importance of Indian hospitality and tourism sector can be examined with the help of tremendous success stories of technology and web-powered travel companies, these travel tech companies basically provide a platform for linking a huge network of service providers situated in different nations, ease in the online reservation system, Internet bookings, and etc.

## 2. Early Life

Personality traits of an entrepreneur have a direct correlation with the success of his venture. Few of the qualities of a successful entrepreneur are Drive and Energy, Self-confidence, Long term involvement, Money as a measure, Persistent problem solving, goal setting, Moderate risk-taking, dealing with failure, Use of Feedback, Taking initiative and seeking

personal responsibility, Use of resources, competing against self-imposed standards, Internal locus of control, Tolerance of ambiguity and uncertainty.<sup>14</sup> Though out we will point out various entrepreneurial characteristics of Ritesh Agrawal - the CEO and founder of OYO Rooms which is one of the fastest and constant growing online and offline hotels network of India. This story is about a journey of Ritesh Agarwal from a small-town boy to a multibillion entrepreneur. He hails from Cuttack district of Odisha India. Born in 1993.<sup>6</sup> He belongs to a middle-income provisional store business family and attended the 'Sacred Heart School' in Raygada, Odisha.<sup>4</sup> As a child his found his type of fun in playing around with computers which were way different than his age of kids.<sup>4</sup> His interest in computers made him explore new activities and hence he developed a keen interest in software. The excitement started with learning something more and just kept on increasing. He started coding when he was just 8 years of age, learnt some basic programming languages in school and managed to learn some advanced programming on his own with the help of internet.<sup>4</sup> As a young kid he always believed that he will be able to do something big and unique.<sup>5</sup> Initially he wanted to become a pilot but once he heard a new word 'Entrepreneur' from his sister, when he searched for the word on internet he found the meaning as 'Somebody who solves a problem and makes a business along with it' this fascinated him.<sup>9</sup> After that day whenever a teacher or anyone asked him about his career choice he always answered "an entrepreneur".<sup>5</sup> Post his tenth grade he went to Kota Rajasthan for further education, due to his high interest in entrepreneurs he started traveling miles to the Delhi to attend the entrepreneurial conferences and listen to the entrepreneurs, he got inspired by a couple of entrepreneur's like Indigo and Royal Enfield, who were working for consumer segment and providing world-class experiences.<sup>5</sup> He decided not to be a school kid anymore and decided to be an entrepreneur. He then moved to Delhi, worked for a couple of entrepreneurs whom he heard in the conferences and would go back to Kota for his examinations and scored well enough.<sup>5</sup> these dreams led him to apply for "The Thiel Fellowship". He became the first Asian to become a Thiel fellow and received a hundred thousand dollars to pursue his dreams.<sup>5</sup> that was the turning point of his life. This is an example of risk-taking ability and self-confidence of Ritesh. He went to the US for the fellowship, Form Thiel fellowship in the United States he learned two big lessons that were 'thinking very big' and 'being innovative'.<sup>5</sup> His heart always lied in solving problems back in India hence he returned back in 2014 with an ambition of doing something completely new. Today Oyo claims to be South Asia's Largest Hotel Chain.<sup>15</sup> Before building Oyo Ritesh started 'Oravel stays' in 2012 unlike Air BNB of India, which didn't work well and failed in a short time. An entrepreneur learns from his own mistakes, Ritesh had that drive and energy which kept him moving ahead. Ritesh apprehended the biggest issue for any traveler while their tour was to search for reasonable and available hotels. People always ended up in finding not so good hotel spaces to stay in and were forced to pay for higher prices due to lack of a systematic platform. At that point in time, he saw a big opportunity in small hotels which people could franchise and lease and use technology to operate very efficiently. At that time in the hotel business worldwide there was "No hotel chain in the less than 100 rooms segment, and there were 90% of assets worldwide which were less than 100 rooms".<sup>5</sup> He spotted the opportunity which needs to be worked and solved for. He thought for the reasons why someone could not trace this big opportunity until that date and came up with 2 reasons: 1. Either many people have seen this opportunity and tried and failed; 2. No one has tried this at all.<sup>5</sup> for an entrepreneur it's very important to be optimistic which got him started. He was definitely an opportunity seeker and also knew the importance of taking the calculative risks. This motivated him to create an online portal, a social community, to fetch information concerning all good hotels together on a single platform. As an outcome, in the year 2013, he re-launched 'Oravel' as "OYO Rooms". The name OYO stands for "On Your Own". Oyo is an idea to build the world's largest chain of proficient, standardized and affordable hotel rooms. The business mantra is a combination of class, quality, and cost.

### 3. Business Model

OYO's mission is "Creating great living spaces for the common man."<sup>5</sup> Ritesh at a mere age of 21, began this journey with a single hotel in Guru gram, in January 2013.<sup>8</sup> At that time most of the competitors of Oyo like Goibibo, Trivago, Makemytrip, etc used to follow agency business model. Oyo took a different stand and initially adopted Aggregator Business Model. In this model, a company gathers information about the suppliers of goods/service, partners with them and trades the good/service under their own brand name. This is done through a formal contract between the partners, i.e. aggregator whose brand name will be used and the service provider.<sup>9</sup>

### 4. Features of Aggregators

1. It is a twofold customer strategy in which the service providers and the users both are customers for the company.<sup>9</sup>
2. All the service providers render similar kind of services. Work of an aggregator is to collect and organize the information of the service providers of a specific industry under their own brand name.<sup>9</sup>
3. Both the parties under the contract act like partners hence the service provider owner enjoys the liberty of rejecting any terms mentioned by the aggregator if not acceptable.<sup>9</sup>
4. The aggregator carries certain quality and notable features that are to be maintained by all the service providers.<sup>9</sup>

In an online hotel room booking business, the biggest issue faced by the visitors was getting cheated with the online displayed photos and real-time experience. The pictures of the hotel rooms displayed on the website were mostly different from reality. The dissatisfaction of the visitors started from there, People felt cheated hence taking this problem as an opportunity Oyo made the first effort to balance this equation. The initiative to bring out the same room and facilities shown on the websites is been taken. Oyo's goal is to "change the way people stay away from home". It worked on the

discoverability of partner hotels among the users as well as standardized the services by its partners to benchmark its brand in the hospitality market.<sup>8</sup> It used to take hotels or homes on 'Manchise' (a contract which is a combination of franchise and management agreement) or franchise or lease.<sup>7</sup> Renovation of the property is done by Oyo as per pre-determined standards. Oyo is a complete asset manager; offers full-stack service of leasing, managing and renting all the properties under its banner.<sup>7</sup> Oyo ensures various quality checks which it verifies in a property before allotting its brand name to the place. The main principle of Oyo is a consistent focus on quality living spaces with the equilibrium of quality, location, and price. The year 2016 was the revolution of Oyo. In 2016, it evolved its strategy from aggregating assets to full-scale leasing and franchising of assets.<sup>5</sup> which led to tremendous customer repeats and the yield for asset owners higher than ever before.<sup>5</sup> This proved to be the strongest strategic move which made Oyo so successful. After that Oyo shut down the aggregating business and adopted franchising as their success mantra.<sup>5</sup> converted majority of their assets as exclusive, full, franchised or leased assets.<sup>5</sup> now the company follows a pure franchise business model, It makes the hotel partners run as a franchise. Oyo carries good brand equity in the market and even asserts to increase the partner hotels income by 100%. As per Peter F. Drucker "An entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or different service"<sup>13</sup> Innovative thinking of Ritesh and his team can be observed from the type of ideas they apply for managing themselves, their partners and user on the whole. Oyo-Rooms offers much more than just a hotel room to the visitor. Some of the innovative services are discussed as under.

## 5. Disruptive Ideas by Oyo

Oyo Wizard: It's a subscription-based customer loyalty reward program in the hospitality industry with special additional discounts, exclusive deals and cash-back offer for the subscribers. It has crossed 1.5 million subscribers in June 2019. This contributes over 25% of the total Oyo bookings.<sup>10</sup> 2. Oyo Town House: It is based on the needs of millennial traveller. Oyo claims it costs to be 20-30% lesser than exorbitant hotels. It's business-friendly due to various facilities like early-check in and late-check out facility, relaxed environment, leverage of cancelling and even rearranging the bookings as per clients meetings and conferences, Easy invoices, 24\*7 kitchen service, specially designed areas for business appointments, conferences, and presentations with access to high-speed internet and printing access. Their extraordinary efforts have earned them big MNC's as their business travel partner Reliance Industries, ITC, Zomato, Future Group, Uber, etc.<sup>12</sup> 3. OPEN (OYO Partner Engagement Network) – It's an industry-first initiative by Oyo to support 9000+ asset owners all over India where they provide "better renovation assistance to asset owners in the form of easy to avail, hassle-free and collateral-free trade advances within 48 hours." The hotel partners can use AI and data powered CIB calculator that instantly tells them about the eligibility of their buildings for advances and renovation with accuracy, with certain applicable charges.<sup>14</sup> Apart from Hotel rooms, studio stays for internships, corporate stays, commercial places like office space can also be booked with the help of Oyo.<sup>8</sup> Not only this, Hotel for unmarried couple and spaces for long-stay events like weddings, parties, seminars, etc are available. Ritesh wants to be the world's biggest hotel chain by 2023.<sup>7</sup> Budget hotel segment was just a start, now it is also present in premium midscale segment and owns about 6 brands like OYO Rooms, Palette Resorts, Capital O, Townhouse, Collection O, Silver Key.<sup>7</sup> Rooms for unmarried couples is not common in India but Oyo by putting this classification gave an ease to choose a safe and secure accommodation to many couples. These were some of the innovative initiatives where optimum utilization of resources available with the venture was made. As an entrepreneur, it is very important to not to leave your roots and always be concerned about customer satisfaction. Customer is the King of the market and a venture is made successful by adding on the satisfied customers to the list. Under shown are the basic characteristics of Oyo due to which Oyo must have performed remarkably well.

Standardization: OYO promises to provide the same amenities and experience across all its hotel rooms. To ensure basic amenities it partners with only such hotels which can initially fulfil or can be renovated to ensure its standard criteria's. Facilities like free WiFi, Television, breakfast, spotless bed sheets, branded toiletries, Public space CCTV, Clean and tidy rooms and so on. These standards are audited in stipulated days so that the customers are guaranteed an excellent experience.<sup>15</sup>

Affordable: OYO claims to offer hotel accommodation at the most affordable and budget-friendly prices.<sup>15</sup>

Creating tech as backbone: Latest technologies used by Oyo have helped in hiring by 20% and increase in returns.<sup>5</sup> Technology enables Oyo to provide well-organized operations, efficient management, and professional services for the customers. It claims that one can book a hotel room in just 3 taps, or within 5 seconds.<sup>15</sup> To enhance the user experience and increase the level of satisfaction of the customers Oyo is using data analytics and data science. They have also partnered with one of the leading telecom brand Bharti Airtel and opened "OYO Store" on the "Airtel Thanks App".

Customer feedback and prompt action: Learning from customer feedback is very important for any entrepreneur. Oyo has a feedback and rating system for the services provided by the hotel partners to keep a two-way quality check. Striving for excellence – The housekeeping staff is paid the same amount salary all throughout the year, this does not incentivize the top housekeepers motivated, In Oyo hotels, every housekeeping guy gets a mobile app in which he gets a room number and should go and clean, This removed the need of having a floor manager. The person cleaning the room gets the credit of cleaning the room faster and if he gets a 5-star rating from the customer the credit gets converted into cash. Because of this now all the housekeeping team has started thinking innovative; they bring ideas from the market to clean the room faster.<sup>5</sup>

Team Building: As a leader, Ritesh has recruited a good team of employees and knows the value of building employee relationship along with customer relationship. He has recruited people with great experiences and today Oyo has become one of the most demanded employers among youngsters.<sup>5</sup>

Perseverance and discipline: Long term involvement and self-discipline plays an important role in an entrepreneur's success, Oyo never changed the domain of their business or tried to enter a new type of business. Doing the same thing every day is also very important. It makes the work better and better with the experience. Find loopholes in the work and then rectify at the scale to create impact.

Oyo skill institutes: All these efforts resulted in employee and customer loyalty and user traffic on Oyo's portal. The customer of Oyo buys the services without concerning about who the partner is.

Marketing and Branding: The online hotel room booking market is getting competitive day by day. Oyo uses digital media marketing a well mass media to engross their customers and increase the number of new user on the portal. With the strong social media presence on applications like Twitter, Instagram, Face book, etc. it is able to communicate to masses with new and attractive offers, discounts and various campaigns. Oyo is also using its own mobile application to provide the best of its services through which clients can book the rooms, cancel, avail attractive deals, complain, etc. Oyo is also using endorsements and sponsorship as a tool of marketing. Recently Oyo joined hands with a famous reality shows Roadies season 16 streaming on MTV as hospitality partner.<sup>21</sup>

Domestic and Global expansion strategies of Oyo: Oyo's strategy simply revolves around providing a cool home away experience in best prices. It made its first overseas expansion in Malaysia in 2016 went to Nepal in 2017 and London in the year 2018.

## 6. Strategic Alliances/ Partnership

An association of 2 or more groups coming together mutually to realize strategic objectives is referred to as a strategic alliance.<sup>23</sup>With a customer base of more than 10 million customers, Oyo is India's largest hospitality company to partner with. Promotional offers, local experiences, hospitality services, product innovation, content generation are opportunities that to provides to the hoteliers who are called as "Oyopreneurs".<sup>16</sup> Oyo has featured partnerships with more than 5000 brands few of them are Zoomcar, Mobikwik, Paytm, Myntra, Ola, etc. Recently Oyo has become second-largest hotel group in China with around 450,000 rooms in 10,000 hotels across 320 cities of China. It has generated over 100,000 jobs in the hospitality industry. They have recently done a strategic partnership with China's largest Online Travel Aggregator 'Ctrip'. This collaboration will help both the companies with an increase in asset owners, better marketing strategies across borders, talent and technology, user traffic, etc.<sup>17</sup> Oyo underwent a strategic partnership with the 'Saudi Arabia's Ministry of Haj and Umrah' by signing a memorandum of association to help the Saudi government in upgrading, executing and auditing the desired standards for reasonable and quality rooms or accommodation in the existing spaces for the pilgrims of 'Makkah' and 'Madinah', Technology and proprietary applications will play a major role in the same.<sup>18</sup>

## 7. Mergers and Acquisitions

the Acquisition of Leisure Group Oyo has become 'world-leading holiday homes manager'. They have approximately 115, 000 entirely managed holiday homes, straddling from Spain to Norway. To expand its wings wider Oyo has acquired many organizations like 'Innov8', 'Coworking' in March 2019, and platforms like Weddingz, AblePlus Solutions Pvt.Ltd., Novascotia Boutique Homes in the year 2018.

## 8. Joint Venture

Oyo has launched two unique accommodation solutions for the Japanese market.<sup>201</sup>. "Oyo Hotels Japan GK" a joint venture with Tokyo-based "Softbank Corp." and "Softbank Vision Fund" for better home away experience. <sup>202</sup>. "Oyo Life" for rental accommodation.<sup>20</sup> with the support of leading investors like Softbank Oyo has its presence in about 10 countries globally. Apart from the above mentioned it is also operating and serving in countries like Indonesia, Nepal, The Philippines, Malaysia, United Kingdom, The UAE, Scotland,etc. with existence in more than 500 cities. Globally Oyo is creating more than 12000 opportunities and has become a 5 billion dollar company recently. Global presence of Oyo is been much shown in the below-given picture.\ OYO room's are into the planning of implementing a digital record register, this mechanism will share the customer's real-time data with the government directly<sup>22</sup>; this happens to be a plan for customer protection but here also comes a question of privacy of the clients. As per Wikipedia Oyo is more famous amongst unmarried couple then married ones. Hotels are also great destinations for secret business meeting hence this step of Oyo can turn into a negative

## 9. Conclusion

Hospitality is delivered from the type of feel you provide the guest. This feel and satisfaction are the factors that Oyo is working with; it aims to render an unforgettable experience. It is the mind-set of an entrepreneur which makes him big. Ritesh was an ordinary boy hailing from an ordinary family but it is his will power to grow up and ability to dream big which is his biggest strength. The tourism industry in India has seen many ups and downs for years with the advent of technology and digital assistants. The quality of work and service have improved, enhancing the number of visitors and even the employment level. Guarantee is a big word as it depicts an unbreakable promise, many negative comments also can be found while browsing through the internet. It is inseparable part of any business, ups and downs, positives and negatives, entrepreneurs have to get themselves rolling on everything that comes in their way. Oyo as an organization proves with its

growing trend that it keeps the promise what it does. Ritesh has confronted similar challenges as others, but it is the approach which makes him stand different in the crowd. The graph shows a growing sign since years and working with such efficiency will surely make Oyo the world's largest in the hospitality and tourism industry. As a company there are many parameters of performance. Here authors have tried to showcase the characteristics of an individual entrepreneur as a leader and have not tried to analyse strength and weaknesses of OYO as a company.

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