






Analysis of Low-Cost Hotel Business Model in the Face of Global Expansion and Maintenance of Quality Standards

Asep Ridwan Lubis¹, Hari Mulyadi², Masharyono Masharyono³, Ridwan Purnama⁴, Mufidah Zahroh⁵, and Nabil Fatya⁶

^{1,2,3,4,5,6}Universitas Pendidikan Indonesia, Bandung, Indonesia
asep.ridwan@upi.edu

Abstract. This study analyzes OYO Rooms' business model in facing global expansion challenges and maintaining quality standards. This research uses a qualitative approach with a constructivist paradigm and applies The Magic Triangle framework for analysis. The analysis includes the strengths and weaknesses of OYO Rooms and solutions to increase its competitive advantage. Improved integration of application systems, more attractive promotional strategies, development of cooperation with more hotel partners, standardization of non-branded hotels, and readiness to adjust business operations to regulations in various countries are needed in the face of global expansion. The results of this study are expected to help OYO Rooms overcome various challenges and increase its competitiveness in the global hospitality industry.

Keywords: Business Models, Franchising, Global Expansion, Quality Standards.

1 Introduction

Technological development is common throughout the world and has become familiar to society. One form of technology that continues to develop rapidly today is the Internet [1]. This development has impacted various sectors, such as the economic and business sectors, especially in the hospitality business. Technology plays an important role; utilizing technology can provide convenience for hotel operations, improve service quality and efficiency, and reduce operational costs [2]. A clear example of the application of technology in the hospitality business is OYO Rooms. OYO Rooms is an online hotel room booking platform that has specific standards. It was established in 2013 in Gurgaon, India, by Ritesh Agarwal. The company has expanded to over 800 cities in 80 countries, managing more than 43,000 hotels and 1 million rooms worldwide. OYO Rooms has secured over \$3.2 billion in funding from renowned investors such as SoftBank, Airbnb, and Microsoft. With a final valuation of \$10 billion over the past few years, OYO Rooms has grown rapidly to become one of the largest hospitality companies in the world [3]. OYO Rooms' success and rapid growth demonstrate the positive impact of strong support from major investors and its technological innovation.

Through its app-based platform, OYO Rooms offers online booking services with complete facilities and affordable prices for customers.

While OYO Rooms has achieved great success with its innovative technological approach, the business faces challenges, especially global expansion. Global expansion requires careful service quality management in each location, as each market has different characteristics and preferences. In addition, complaints about the quality standards of some hotels are also a focus of attention to maintain reputation and customer trust. In this context, it is important to evaluate the strengths and weaknesses of OYO Rooms' business model in the face of these challenges and suggest adjustments that can be made to overcome these issues and maintain a competitive advantage.

2 Methods

The method used in this research is qualitative research. Qualitative research is conducted to gain an in-depth understanding of a particular phenomenon. This phenomenon can include various things experienced by the research subject, such as behavior, perceptions, motivations, actions, and so on, which are explained comprehensively in words that describe the actual situation. The data obtained in this study were processed using qualitative methods, with data analysis that is more inductive and qualitative. The results of qualitative research emphasize understanding meaning rather than generalization [4].

This research also uses the constructivism paradigm as the basis for qualitative research. The constructivism paradigm believes that knowledge is not only obtained from the experience of facts but is also a rational construction of the studied subject. The human view of social reality is seen from the subject's perspective, not the object. In other words, knowledge arises from experience alone and results from rational construction [5]. The research analysis is descriptive to provide an accurate and systematic description of a population, situation, or phenomenon [4]. Descriptive analysis is used to analyze the OYO Rooms business model with The Magic Triangle approach in the context of global expansion and maintenance of quality standards. The combination of research methods provides an opportunity to gain deep insight into how OYO Rooms faces the challenges of global expansion and complaints about quality standards in its business model. The analysis in this study refers to The Magic Triangle proposed by Oliver Gassman as shown in Figure 1. The Magic Triangle is a framework used in business model development [6].

The data collection techniques in this study are direct observation through observation of the OYO Rooms user experience and literature study by collecting data from literature sources relevant to the research. The literature study aims to complement the data obtained from respondents through observation. Using this triangulation technique in data collection, researchers can test the credibility of data obtained from direct observation with data from literature studies. This allows researchers to gain a more complete understanding and strengthen the analysis of the OYO Rooms business model. Combining direct data from users with additional information from literature studies, researchers can more comprehensively identify patterns, trends, and potential

improvements in the OYO Rooms business model. The triangulation technique is an approach to collecting data from various techniques and sources to test the credibility of the data and increase the researcher's understanding of the phenomenon under study. Triangulation aims not only to find the truth but also to deepen the researcher's understanding of the findings so that the data obtained becomes more consistent and valid [4].



Fig. 1. Magic Triangle

3 Results and Discussion

Based on the previous explanation, four dimensions can be used to analyze the OYO Rooms business model. The following is an analysis of each dimension of The Magic Triangle related to the OYO Rooms business model: (1) Customers (who): a business needs to segment customers to determine which customers are relevant to their business. Customer segmentation is a strategy used to understand consumer needs and behavior. This customer segmentation focuses on gaining a deeper understanding of the target market and determining the type of promotion most suitable for each customer segment [7]. OYO Rooms prioritizes market segmentation by paying attention to customers looking for affordable yet high-quality accommodation [8]. With this segmentation, OYO Rooms strategizes to use competitive prices without sacrificing quality to attract more potential customers. OYO Rooms can target foreign and local tourists as the focus of the customer segment. Travelers are customers with characteristics relevant to the OYO Rooms business model, where customers need a place to stay on a budget when traveling. (2) Value proposition (what): Analyzing a business's value proposition is an important step in understanding and meeting customer needs and expectations. Generally, a value proposition is a series of customer benefits a company provides. It aims to solve problems and create customer satisfaction with the products or services offered by the company. Each value proposition consists of a combination of specific products or services that meet the needs of specific customer segments, and the company can benefit customers. Simply put, value propositions are created with a focus on customer needs [9].

One of the value propositions at OYO Rooms is to standardize services to improve customer experience. In addition, the value proposition that OYO Rooms can apply includes designing simple and easy-to-use applications, adding contactless check-in features for a faster and safer check-in process, personalized booking features, vacation packages, discounts, membership programs, community services, and other supporting facilities. (3) Value chain (how) is a series of processes that deliver products from the initial stage (input) to the final stage (output), with activities that can be broken down and carried out more efficiently than other competitors [10]. The value chain at OYO Rooms refers to a series of processes that start from booking a room by a customer to a satisfying stay. Through the digital platform, OYO Rooms can provide convenience for customers in searching, booking, and paying for rooms online. Technology must also support this convenience to facilitate transactions and communication between customers and service providers.

After booking, OYO Rooms manages all room preparations before the customer arrives, including cleanliness, facilities, and service availability by predetermined standards. The preparation process involves coordination with partners or property owners who work with OYO Rooms to provide customers with a quality stay. When customers arrive, OYO Rooms ensures that the check-in and check-out process runs smoothly. It provides responsive and friendly services so customers feel comfortable and satisfied during their stay. The entire process, from booking to the stay experience, is part of the value chain at OYO Rooms, designed to provide added value to customers through efficiency, service quality, and advanced technology [11]. (4) Revenue stream (why): stream is the source of revenue that a business earns through various predetermined means, such as sales of products or services, profits from transactions, or other revenue models that are an integral part of the company's financial strategy. In this context, revenue streams include all revenue streams generated from business activities, including sales of products, services, or other transactions that generate net profits after deducting related costs [12].

In the case of OYO Rooms, the revenue stream is obtained through room sales made through the official OYO Rooms platform. These room sales are an integral part of revenue because OYO Rooms is a platform that provides lodging services to customers. In addition, OYO Rooms also earns revenue through collaboration with partners and sponsors. Partners and sponsors who advertise their services through the OYO Rooms platform contribute significantly to the company's revenue stream. Revenue also comes from various services offered to customers, such as vacation packages, special offers, and other services that can enhance the customer experience and add value to the transaction [13]. Based on this explanation, there are several business models implemented by OYO Rooms as shown in Table 1.

OYO Rooms has several advantages that make it stand out from other hotel platforms. One of the advantages of OYO Rooms is the ease of payment. OYO Rooms allows customers to make room reservations through their app or official website, but payments can be made directly at the hotel when customers arrive. This provides great flexibility for customers, as they do not need to make advance payments or use credit cards online. Customers can be more confident and comfortable making room reservations with OYO Rooms through this payment method, which improves the overall stay

experience [14]. In addition, OYO Rooms carries the concept of “manchise” or franchise management, which benefits hotel owners using the OYO platform. This concept makes it easy for hotel owners to advertise and assist the reservation process for customers because everything is handled by OYO Rooms, including operational standards that experienced hotel managers monitor. Another advantage of OYO Rooms is the fast and precise communication with potential customers, as OYO provides complete and accurate information to reduce customer questions. OYO Rooms also provides an audit system to ensure customer reviews and hotel conditions match reality, and OYO Rooms can assess consumer behavior, distinguish customers who have bad behavior, and blacklist them in case of violations, such as damaging property or behaving in a disruptive manner. These advantages make OYO Rooms an attractive option for customers and provide added value in hotel management for owners [15].

Table 1. OYO rooms business model.

No	Business Model	Description
1	Digitization	Digitization is a business model that refers to how companies use digital technology to create added value for customers and gain value for themselves [16].
2	Direct Selling	Direct Selling is a sales method in which products or services are offered directly to customers through face-to-face meetings [17].
3	Franchising	Franchising is a business model with several branches or kiosks and is spread across various locations, including in various countries, in addition to all these kiosks using the same name and products without any difference [18].
4	Pay Per Use	Pay Per Use is a service model where consumers pay based on how many resources they use [19].

The disadvantages of OYO Rooms include the adverse impact on hotel owners with three stars and below and damaging the hotel market price; this can be an obstacle because OYO Rooms is considered to disrupt the hotel market by offering more affordable services or, in a way that reduces the profits of other hotel owners. This impact could negatively affect the hotel industry and create dissatisfaction among affected hotel owners [20]. In addition, although OYO Rooms has a modern and sophisticated system, there are still some technical shortcomings. These technical shortcomings are the lack of integration of application systems, so there is often a mismatch of information between customer reservations and the status received by the hotel. Another drawback of OYO Rooms is that the promos offered are considered not too big compared to OYO Rooms competitors, so the promo becomes less attractive to some customers. The number of hotel partners also cannot be ignored from the shortcomings of OYO Rooms, where the cooperating hotel partners are still relatively few compared to other competitors; this can limit the choice for customers in choosing accommodation [15]. In the context of global expansion, OYO Rooms' shortcomings lie in the standardization of unbranded hotels, which can affect professionalism and meet customer

expectations. OYO Rooms also fails to adapt its business operations to the regulations in each country. It is a challenge for OYO Rooms to maintain consistent quality standards throughout its operations, especially internationally [21]. The SWOT analysis table related to the advantages and disadvantages of OYO Rooms is presented in Table 2.

Table 2. Analysis of the SWOT of OYO Rooms.

Analysis Type	Categories	Description
Internal Environment Analysis	Strength	Ease of payment
		The franchise management concept provides benefits for hotel owners.
		Fast and precise communication with potential customers
	Weakness	Audit system to ensure customer reviews and hotel conditions
		Ability to assess consumer behavior
		This business model hurts 3-star and below-hotel owners.
External Environment Analysis	Opportunities	Lack of application system integration and mismatch of hotel information
		Promotions that are less attractive than competitors
		Lack of adaptation to country regulations
	Threat	The growth potential of the affordable hotel market
		Opportunity to increase the number of hotel partners
		Improvement in global expansion
		Possibility of better integration of application systems for customers
		Competition with other hotels
		Changes in market prices
		Risks related to technical weaknesses and system integration
		Difficulty in maintaining quality and adapting to global regulations

Solutions to overcome the challenges faced and increase their competitive advantage: OYO Rooms can make several adjustments and changes to their business model, including OYO Rooms, which can improve the integration of their application systems to ensure consistency of information between customer reservations and the status received by the hotel. This improvement effort will help OYO Rooms reduce information mismatches that often occur. Furthermore, OYO Rooms can strengthen its promotional

strategies by offering promos and service packages that are more attractive and competitive compared to other competitors so as to broaden the appeal to customers. In addition, OYO Rooms needs to develop cooperation with more hotel partners to expand the range and choice of accommodation for customers. This will help OYO Rooms overcome the shortcomings of the limited number of hotel partners. Cooperation development should focus on expanding into strategic markets and considering local environmental conditions and competition to optimize business growth.

Meanwhile, in global expansion, OYO Rooms must focus on standardizing non-branded hotels to improve professionalism and consistently meet customer expectations across its operations. Efforts that can be made include ensuring that all hotel partners comply with the quality standards set by OYO Rooms, increasing supervision of quality and service standards in all properties listed on the platform, providing training and certification to hotel owners to ensure understanding of the standards that must be adhered to, and providing incentives or awards to properties that consistently provide superior service and meet standards. Such standardization is expected to maintain a business reputation and improve customer experience. OYO Rooms also needs to improve its readiness to adjust business operations to regulations in various countries. One of the efforts is collaborating with local stakeholders such as the government. This cooperation is important to understand local regulations to ensure that OYO Rooms complies with these regulations so that it can maintain consistent quality standards and meet local regulatory requirements worldwide. By making these adjustments, OYO Rooms can overcome its challenges and increase its competitiveness in the hospitality industry.

4 Conclusions

Technology has played an important role in various sectors, including the hospitality industry. With its innovative business model, OYO Rooms, an online hotel room booking platform, has shown great success. The platform offers various conveniences for customers, such as ease of payment, franchise management concepts, fast and precise communication, consumer behavior audits and assessment systems, and various other attractive facilities. Although OYO Rooms has achieved great success, the platform still faces several challenges, especially regarding global expansion. The main challenge that OYO Rooms faces is the detrimental impact on owners of 3-star and below hotels and the damage they cause to the market price of hotels. In addition, OYO Rooms also has some technical shortcomings, such as sub-optimal integration of application systems, less attractive promos, limited number of hotel partners, sub-optimal standardization of non-branded hotels, and inadequate readiness to adapt business operations to regulations in various countries. To overcome these challenges, OYO Rooms needs to adjust and change its business model.

OYO Rooms' efforts include improving application system integration, strengthening promotional strategies, developing cooperation with more hotel partners, increasing the standardization of non-branded hotels, and increasing readiness to adjust business operations to regulations in various countries. By making these adjustments, OYO Rooms is expected to overcome the challenges and increase its competitiveness in the

hospitality industry. This research can be extended by analyzing the OYO Rooms business model in specific countries, comparing the OYO Rooms business model with other online hotel room booking platforms, and conducting further research on the impact of OYO Rooms on the hospitality industry. The results of this research can be applied to help OYO Rooms improve its business model, provide information for investors interested in investing in OYO Rooms, and help other hoteliers understand OYO Rooms' business strategy and develop competitive strategies.

References

1. Syahfitri, W. Analisis Pengaruh Kualitas Layanan, Fasilitas, dan Efektivitas terhadap Keputusan Pengunjung pada Penyedia Booking Online (Studi Kasus pada Hotel OYO Rooms Indonesia di Kota Medan). (Universitas Medan Area, 2021).
2. Sahfitri, V. Perancangan Sistem Reservasi dan Promosi Hotel Berbasis Website. *J. Inform.* (2020) doi:10.30873/ji.v20i1.2025.
3. Rifki, M. Pengaruh E-Service Quality dan E-WOM terhadap Customer Trust dan Dampaknya terhadap Repurchase Intention pada Pengguna Oyorooms. (Universitas Islam Negeri Syarif Hidayatullah, 2021).
4. Fiantika, F. R., Maharani, A. & Ambarwati, K. *Metodologi Penelitian Kualitatif. Rake Sarasin* (2022).
5. Murdiyanto, E. *Metode Penelitian Kualitatif (Sistematika Penelitian Kualitatif). Yogyakarta Press* (2020).
6. Gassmann Oliver, Frankenberger Karolin & Csik Michaela. The Business Model Navigator Testimonials. 55 Models That Will Revolutionise Your Business. *Pearson Educ. Ltd.* (2014).
7. Devarapalli, D., Virajitha, A. S. & Sunanda, G. S. V. V. S Sravya, A. S. Analysis of RFM Customer Segmentation Using Clustering Algorithms. *Int. J. Mech. Eng.* **7**, (2022).
8. Alhamdi, R. & Sipayung, N. O. Analisis Review Hotel OYO di Padang dari Situs Pemesanan Kamar di Booking.Com. *J. Menata* **1**, 23–27 (2022).
9. Novel, S. M. P. B., Nuringwahyu, S. & Zunaida, D. Pengaruh Value Proposition terhadap Customer Satisfaction dan Customer Loyalty (Studi pada Mi Fans di Malang). *JIAGABI* (2021).
10. Setiawan, A. & Satyarini, R. *Identifikasi dan Analisis Value Chain pada Usaha Kecil Yang Dikelola Oleh Mahasiswa. Research Report - Humanities and Social Science* (2015).
11. Bhatia, A. Channeling Creativity into Competitiveness through Value Chain Analysis in Tourism. *Amity Res. J. Tour. Aviat. Hosp.* **1**, 1–6 (2016).
12. Yuliani, N. & Yunianto, A. Strategi Pengembangan Bisnis pada Toko Online Mart . lo . Gue dengan Pendekatan Businesse Model Canvas. *Ikrath-Ekonomika* (2021).
13. Izzat, A., Natasha, I., Kaymilia, N. & Nabilah, K. F. Case study: OYO Hotels. (2022).
14. Kusumawati, F. Tren Virtual Hotel Operator (VHO) di Yogyakarta (Studi Kasus Hotel OYO). *Media Wisata* (2020).
15. Nurtesena, A. A., Agni, A. P., Cantika & Fauzan, M. F. Strategi Marketing OYO. (2019).
16. Sudirman, A., Marganingsih, A., Widaningsih, N., Saleh, L. & Tasnim, M. Technopreneurship (Inovasi dan Kreativitas Digitalisasi Bisnis). *Media Sains Indones.* (2023).
17. Kurniawan, W. Pengaruh Online Marketing dan Direct Selling terhadap Minat Beli Produk Fort.Id. *Performa* (2021) doi:10.37715/jp.v6i2.2074.

18. Puspitasari, A. D. & Mulyani, A. S. Perkembangan Bisnis Franchise. *JISOS J. Ilmu Sos.* **1**, 985–992 (2022).
19. Fardani, A. & Surendro, K. Strategi Adopsi Teknologi Informasi Berbasis Cloud Computing untuk Usaha Kecil dan Menengah di Indonesia. *Semin. Nas. Apl. Teknol. Inf.* (2011).
20. Tarigan, N. Pengaruh Keberadaan Oyo dan Reddoorz terhadap Occupancy Hotel Harper Wahid Hasyim Medan. *J. Akomodasi Agung* (2021).
21. Sardar, R. OYO Rooms: Demystifying the Success of India's New Age Hospitality Start-Up. *AMC Indian J. Entrep.* (2019) doi:10.17010/amcije/2019/v2i2/145360.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

