

A portrait of Mr. Ritesh Agarwal, Founder and CEO (Group) of OYO Hotels & Homes. He is a man with dark hair and a beard, wearing a dark blue blazer over a dark shirt. He is sitting in a red chair, with his hands clasped in front of his chin, looking thoughtfully towards the camera. The background is a large window with a view of a city skyline.

EXCERPTS OF THE INTERVIEW OF

MR. RITESH AGARWAL
FOUNDER AND CEO (GROUP), OYO HOTELS & HOMES

A youth icon and a role model to young entrepreneurs, shared how OYO has become synonymous with innovation. He also revealed that after successfully capturing the budget hospitality space, he is focused on adopting a multi-brand approach to satisfy changing needs of today's travelers. On being enquired about competition, he echoed that he welcomes competition as it helps to stay on toes and compels to innovate. He also shared that innovative solution to any problem requires an open mind, readiness to accept failures, willing to learn, unlearn and relearn as a mantra to become a successful entrepreneur.

1. OYO has become synonymous with innovation. OYO Townhouse and OYO Home are a few examples of innovative thinking. This innovative approach has made OYO the biggest hotel chain in South Asia worth \$ 5 billion in a short span of six years. What unique best practices have you adopted to make this happen?

Thank you for the kind words.

I would like to clarify that we don't comment on our valuation. We have never looked at valuation as a measure of success. We look at the impact we are making, and measure it by the scale of having over 1 million keys under management across 800+ cities in 23,000 hotels and 125,000 vacation homes. Over 500,000 heads rest on OYO pillows every night globally and we are proud to have created over 300,000-plus direct and indirect employment opportunities worldwide in the 80+ countries we operate currently. That is the measure of our success.

Our biggest differentiator is the full-stack fulfillment led model, where we fully acquire hotels and homes, on franchise, franchise or lease, renovate it and bring it up to OYO standards, use our technology and operational capabilities to ensure seamless management of the property - revenue, pricing, day to day guest experience, etc., and then use an omnichannel distribution strategy, across online and offline channels, leading to over 90% of our demand.

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This enables us to ensure high-quality customer experiences and at the same time high yield for asset partners by maintaining 70-80% occupancy, which is often an issue with an asset-light model. Our full-stack fulfillment led model makes it easy for us to onboard thousands of properties every month and deliver top-notch occupancy, an industry standard that's hard for others to beat.

Technology is deeply embedded in OYO's DNA and we are the first company anywhere in the hospitality sector in the world, to introduce technology-based solutions on the suppliers' side to help them manage end to end operations. Technology continues to be a key growth driver and competitive advantage for OYO. We use innovative technology solutions end-to-end to facilitate standardization of services, amenities and in-room experience, thereby helping maintain service standards. This is further enhanced by the diverse talent that includes people with design background, tech experts, and more. We have an in-house stack of proprietary technology powering 20+ applications for all our stakeholders, including customers, asset owners and employees. Backed by 400+ microsystems and over 1,300 full-stack engineers spread across multiple locations, we are able to deliver a consistent and standardized experience to travellers. Our quality of service is also far stronger than the competition here or in many other parts of the world. We focus heavily on service quality and invest in it, both in the form of technology and talent. We have 26+ OYO Skill Institutes where we train hundreds of hospitality enthusiasts every month.

company by inculcating the ability to make sure that the company and mission come first. This is not just true for the management but also for all OYOpreneurs. We think as long as everybody in the organisation can have the same cultural perspective and the same mission, it can make companies special and stay innovative and ahead of the curve.

Another way through which we instill innovation is in hiring the right leaders. We have never lost any single senior leader in the history of our company when large Indian startups have faced huge churn due to the innovative philosophy of ' Distributed Leadership ' to empower and expedite decision making in the company, and retaining top talent from the beginning. This robust, resilient and diversified group of leaders, that have stood by the organization and personified distributed leadership, hold the key to OYO's fast-paced growth and success.

We approach every new market not as an Indian startup setting up shop in the country, but like a local entrepreneur building and localizing the OYO business model to make it work in that market. We understand that each market is unique in its own way, so we localize the product experience and interiors of our buildings, and our overall approach. This is another example of innovation at OYO.

2. Due to consistent increase in the disposable incomes of Indian middle class, the Indian tourism and hospitality sector is witnessing a healthy growth. Besides, international tourists arrival in India is expected to reach 30.5 million by 2019. In such a scenario, what are your plans to exploit these opportunities? Are you having any plans to go for diversification in near future?

India continues to be one of our key home markets (along with China and the US) with existing coverage spanning over 300 cities, 10,000+ buildings with 200,000+ rooms. As we continue to work towards our goal of becoming not just the largest but also the most preferred chain of hotels, homes and managed living and workspaces in the world, it is important to have a clear growth strategy, pivoting on the company's core value proposition of providing quality living spaces - best locations, affordable prices and high quality, and led by a multi-brand approach.

After successfully capturing the budget hospitality space with our first brand OYO Rooms, we focused on a multi-brand approach, with curated offerings for changing needs of today's travellers .

- These include OYO Townhouse , the neighbourhood hotel, in the midscale segment targeted at millennial traveller aspiring premium economy accommodations.

functionalities that they look for when it comes to business & leisure stays.

- In addition to the above, SilverKey launched in April 2018, caters to the needs of the corporate travellers undertaking business trips for a short or long duration. With SilverKey, we are providing executive furnished accommodation to corporates for their personnel stay.
- Collection O is the newest category under OYO's hotel portfolio that caters to the requirements of discerning business travellers. The category offers bigger and spacious rooms with premium furnishing and linen, on-request laundry, unlimited breakfast, 24X7 in-room dining, high speed Wi-Fi, workstations in every room and OYO-trained customer service.

With Aditya Ghosh leading the India and South Asia business, we are certain that this region will see continued growth while staying true to the core mission and value proposition for customers and asset owners. We are also able to ensure a much higher occupancy, 75% on an average, across our network hotels and self operated brands like the OYO Townhouse, leading to better financial returns on all of their hard-earned investments. This gives us the unique ability to attain growth at scale, where the company runs like a well-oiled machine.

In addition to hotels and homes, OYO is also present in long term rentals business called OYO LIFE and co-working spaces called OYO Workspaces.

- **OYO LIFE**, targeted at millennials and young professionals in search of fully managed homes on long-term rentals, at affordable prices. Under this category, OYO Offers end to end managed, comfortable, a high-quality living experience that eliminates the hassles of finding, accessing and managing everyday housing. For people opting for these fully managed independent residential units, OYO takes care of the entire experience - contracting, furnishing, cleaning, maintenance, and in-stay services (WiFi, etc.), a first in the industry. Since its launch in October 2018, OYO LIFE has more than 350 buildings, 17,000+ live beds and is adding 3000+ new beds every month making it one of the largest businesses for branded fully-managed housing for millennials globally.
- OYO Workspaces was officially launched recently with a multi-brand approach to cater to the massive workspaces opportunity in India - Innov8, Powerstation and Workflo. Led by Rohit Kapoor, CEO, New Real Estate Businesses, OYO Workspaces is a fully controlled workspaces solutions provider, designed to meet the needs of over 80% of the working population in the country. At the time of launch, OYO Workspaces is all set to open the doors to its

estate brand while continuing its dominance in the hospitality industry.

3. Reports reveal that international hotel chains are going to increase their presence in India and will account for around 47 per cent share in the Tourism & Hospitality sector of India by 2020 & 50 per cent by 2022. How do you intend to deal with this increase in competition and do you see collaborations happening in coming times?

Today, OYO is the largest hotel chain in South Asia with approximately 14x the size of the second largest player in the Indian hospitality market. It is also the third largest hotel chain globally. In addition to operating at healthy hotel-asset-level profitability, we are

benefiting from improving operating efficiencies while maintaining customer loyalty, with over 90% from repeat and word of mouth customers. This can be attributed to a seamless product experience, efficient operations, and solid distribution capabilities. *Having said that, we are still only 5% of the overall market of 4 million hotel and guest house rooms in India.*

We in fact welcome competition as it helps us to stay on our toes and continue to innovate for guests and asset owners.

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4. Franchising is tough as it demands clear standards and high level of discipline across properties located in different cities. How do you mitigate such challenges?

In order to provide our guests a perfect place in every space and continue to maintain quality as we scale, we have invested in four key competencies in the last six years.

- **Sophisticated leasing and franchising process:** At OYO, we have developed the ability to scientifically identify and onboard strategic buildings within a shorter time period (vs. others). The approach and strategy of our Business Development (BD) team is powered by Orbis. The app was built in-house to assist the team in identifying the right lead, pitching the right deals to owners and having the building transformed to OYO standards. All this work is performed with the help of the App within three meetings, which is in stark comparison to the industry standards. The app is equipped with multiple features including route planning, meeting management, deal prediction and learning and Quiz Sections to continuously disseminate knowledge and upgrade the skills of our BD managers.
- **Best-in-class renovation capabilities:** Our deep renovation capabilities have empowered us to add



Hotels has powered the transformation of thousands of buildings across territories while promoting sustainable infrastructure in the hospitality sector. We utilize AI-led design approach while evaluating guest feedback and identifying their most-preferred designs. Our efforts are supported by in-house design labs - OYOXDesign and Townhouse Design Team . Our full-scale, capability-led model allows it to undertake a 360-degree transformation and renovation while upgrading the existing structure of an asset - from flooring, plumbing, air conditioning, painting, electrical fixtures to utilities upgrade.

- Hotel Operations: Delivering quality-assured experiences is at the heart of what we do at OYO Hotels and Homes. We are committed to offering customers good quality, affordable and predictable living experiences while empowering over 10,000+ franchise partners and asset owners with the operational expertise and technology capabilities. We focus heavily on service quality and invest in it, both in the form of technology and talent. We also have over 26 OYO Skill Institutes (India and China) where we train hundreds of hospitality enthusiasts every month. We are benefiting from improving operating efficiencies while maintaining customer loyalty, with over 70% of the topline in India coming from repeat customers and over 90% from repeat and word of mouth customers.
- Higher yields for asset owners: All the above mentioned facets come together and create an ecosystem of efficiency through which we are able to deliver higher yields for our asset owners. Every hotel or asset that becomes a part of OYO's chain, witnesses an increase in average occupancy from 25% to 65% in a brief span of three months. We have a team of revenue managers who are able to derive and drive the best pricing mechanism in the industry with the help of advanced machine learning and AI tools, so as to optimise for best outcomes for customers and partner franchisees alike. On an average, over 75% of hotel owners associated with OYO Hotels have seen an increase of 20-30% in occupancy, a 2.5x jump in RevPar and significant jump in profit, for every asset operating as an OYO branded building. Also, currently 1 out of 6 every asset owners has more than 1 asset with OYO – this is a testimony to the confidence of our asset owner community on the brand.

5. India is emerging as a leading global startup hub characterized by the increasing numbers of entrepreneurs, incubators, international and local venture capitalists etc. According to an estimate number of start-ups is going to increase at least four times in 2020 in comparison to 2014 in India. According to you, what factors will play a major role in this transformation? Despite the fact that the number of start-ups are on the rise but when compared to the USA or Israel or Estonia, start-ups per capita in India is much less than these nations. In your view, what strategy should be adopted to address this issue?

India is right at the cusp of a seismic offline to online shift, especially in tier 2 and 3 markets . There is a large young demographic with a potential to impact and transform these opportunities. The government is also working towards supporting entrepreneurs & a start-up ecosystem via targeted schemes and initiatives. We have young people who are looking to build their own products and companies than look just for job-security. If we can truly become an innovation-led economy, we will be a global force to be reckoned with.

I think there are three things that matter the most to succeed is – product, the scale of ambition and the ability to execute ideas. Nowadays, a lot of young companies are growing really fast and have made a tremendous impact with their unique ideas. I feel the entire ecosystem of startups has matured to develop and execute a unique idea to profitability. Today, for a young student graduating from a university and think about being an entrepreneur is much easier. There are incubators, venture capital firms, and also mentors who dedicate their time to guide and support them along with government initiatives. I feel the hunger and aspiration growing among young Indians will lead to a completely new and successful ecosystem.

6. Each entrepreneur has a dream of building a multi-billion dollar organization. But, the question is how to convert this dream into reality. According to you, what are the things an entrepreneur needs to do to scale his startup on a sustainable basis?

I think from the very beginning, OYO has not been a commercial endeavour. It's been really a mission for all of us. We are committed to our mission of delivering a chic hospitality experience at hard-to-

our mission of delivering a chic hospitality experience at hard-to-ignore prices with a focus on creating beautiful living spaces and changing the lives of over 3.2 billion middle-income people globally.

While one is in the process of coming up with a truly innovative solution, it is essential to keep an open mind. One should accept failure, and be willing to learn, unlearn and relearn again. We have always believed that an overnight success story is backed by at least five years of dedicated hard work and perseverance. Often, it is not the most complex solution, but the most creative one that can help solve a problem. The importance of innovation cannot be overstated. For any business and start-up, in particular, it is vital to inculcate the spirit of curiosity and lateral thinking to succeed in the long run.

At times, we tend to get carried away by what we think are good ideas, but in reality, they may not serve the customer's purpose in any way. It is crucial that we understand the customers' requirements and direct our efforts towards providing the best possible solution to their requirements.

Also, I think perseverance is an irreplaceable trait. There is always light at the end of the tunnel. Way too many people give up early without realising that impactful or big things take time. It's important to keep putting in effort. So the belief of every overnight success is a five-year-old story and being able to continuously invest in the same thing continuously every day just to make it a little bit better than yesterday is what I have learnt over a period of time.

7. As a youth icon and mega successful entrepreneur, according to you what traits a good leader should have?

One of the things I learned while building OYO is about creating an ecosystem of innovation by empowering people and making them partners in success. Every employee at OYO is called an OYO preneur and we are ardent believers in empowering people and teams. We have never lost any single senior leader in the history of our company when large Indian startups have faced huge churn due to the innovative philosophy of 'Distributed Leadership' to empower and expedite decision making in the company, and retaining top talent from the beginning. This robust, resilient and diversified group of leaders, that have stood by the organization and personified distributed leadership, hold the key to OYO's fast-paced growth and success.

Every morning is challenging when I have to be amidst the stalwarts of the respective fields when there are questions to be answered and tasks to be resolved. I need to be on top of my game and stay abreast of the industry scenario, and the business to be able to respond and counsel sensibly all my stakeholders. For me, the drive and conviction to make things happen are important while working in an environment that's as dynamic and challenging as ours.

At OYO Hotels & Homes, I call myself the chief clarity officer. Which means that my job is to share what to do and advise on what not to do. More important is, what not to do than what to do. So setting out the principles which enable everybody to decide how they can run their jobs. I always keep myself in the customer's shoes and ask if it will add value to their experience. That makes it very easy for people to focus, and that focus has the means of creating value for customers and asset owners alike. At the core of it, we have to be solving a problem in a sustainable and scalable manner.

