

# FINLATICS CASE STUDY ON OYO ROOMS

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## Segmentation, Targeting, and Positioning of OYO

OYO employs a combination of demographic, regional, and psychographic segmentation tactics to understand the changing demands of its clients in a competitive market.

Targeting strategy is the foundation of the product development process. OYO employs a customized targeting strategy for several product categories.

OYO uses a value-based positioning strategy for its customer by providing:-

- Standardized budget hotels
- Luxurious productive place

### Analysis Based on BCG Matrix:

The **Boston Consulting Group (BCG) Matrix** classifies business units or products into four categories: Stars, Cash Cows, Question Marks, and Dogs, based on **market growth rate** and **relative market share**.

#### 1. Alignment of OYO's Strategy with the BCG Matrix:

- **High-Growth Segments (Stars):**
  - **Spiritual Destinations Expansion:** The decision to launch 400 properties in major spiritual destinations (Ayodhya, Varanasi, Tirupati, and Katra-Vaishno Devi) aligns with a high-growth market segment. Religious tourism is booming in India, with a consistent inflow of domestic travellers.
  - These locations have significant potential for growth as OYO taps into the rising demand for affordable and standardized accommodations at pilgrimage sites.

- **Established Segments (Cash Cows):**
  - Properties like **OYO Townhouse** and **OYO Vacation Homes** serve as cash cows, generating steady revenue in urban centres and vacation destinations.
  - OYO can use profits from these stable segments to fund its expansion into high-growth markets like spiritual tourism.
- **Emerging Markets (Question Marks):**
  - Segments such as **Palette (luxury)** and **OYO Life (long-term stays)** may still be in the growth stage but require significant investment to gain market share. Their success depends on how well OYO can position these offerings in competitive and niche markets.
- **Low-Growth Units (Potential Dogs):**
  - Certain niche segments, such as **SilverKey (corporate stays)**, may not exhibit rapid growth or high market share, especially post-pandemic, as remote work has reduced demand for corporate accommodations.

## 2. Insights from Positioning:

- OYO's multi-brand strategy allows it to diversify its offerings across different customer segments, from budget travellers to luxury seekers, improving market reach.
- By investing in spiritual destinations, OYO positions itself as a key player in a rapidly growing sector, improving its competitive advantage in the long term.
- The company must focus on operational efficiency and customer satisfaction to retain its **Cash Cows** while nurturing **Stars** and managing **Question Marks**.

## Competitive Edge of OYO's Business Model in the Hospitality Industry:

### 1. Asset-Light Model:

- OYO's business model operates on an asset-light approach, partnering with property owners rather than owning the properties. This reduces overhead costs, allowing rapid scalability and flexibility.
- It enables OYO to quickly adapt to changing market demands and invest in new markets like spiritual tourism without heavy upfront investments.

## 2. **Technology Integration:**

- OYO leverages advanced technologies, including AI-driven dynamic pricing, booking systems, and customer relationship management, to optimize occupancy rates and improve customer experience.
- Its app and platform provide seamless booking and personalized recommendations, making it a preferred choice for tech-savvy travellers.

## 3. **Standardization of Services:**

- OYO focuses on offering standardized, affordable accommodations. This consistency across locations makes it highly competitive in budget and mid-tier segments.
- Even in luxury offerings (e.g., Palette), OYO emphasizes uniformity, appealing to customers seeking reliability.

## 4. **Targeted Market Segments:**

- The segmentation strategy, targeting budget-conscious travellers, corporate clients, and religious tourists, allows OYO to address diverse customer needs and expand its market base.
- Its entry into high-potential spiritual destinations enhances its brand presence among domestic travellers and creates opportunities for partnerships with local businesses.

## 5. **Global Presence with Local Customization:**

- OYO operates globally while tailoring its services to local preferences and requirements. This balance of scale and customization ensures relevance in diverse markets.

## 6. **Value-Based Positioning:**

- OYO's pricing strategy, combined with convenience and standardization, creates significant value for customers, making it a go-to option for cost-effective and reliable accommodation.

## **Recommendations for OYO:**

- Focus on **spiritual tourism** to strengthen its position as a leader in this high-growth sector, leveraging marketing strategies like partnerships with pilgrimage organizations.

- Monitor performance across **Question Mark** segments like luxury and corporate stays, reallocating resources to more promising areas if needed.
- Continue leveraging technology to improve operational efficiency and customer retention, especially in high-demand areas like religious and urban destinations.
- Expand partnerships with travel platforms, local businesses, and tourism boards to further enhance its reach in competitive markets.