

# Scope of Platform Business Model in Accommodation Market in Mumbai

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## Abstract

*This paper aims at understanding the scope of platform business model in accommodation market with special reference to Mumbai. The main objective of the paper is to analyze the market for such business in the existing marketplace. It also aims to study popular areas in Mumbai to compare the rates for hotel and alike places and the platform model accommodation market. This paper makes suggestions to various related parties to increase the scope of this type of business opportunity.*

**Keywords:** Platform business, accommodation market, hotel, places to stay

**Paper Type:** Theoretical paper

## Introduction

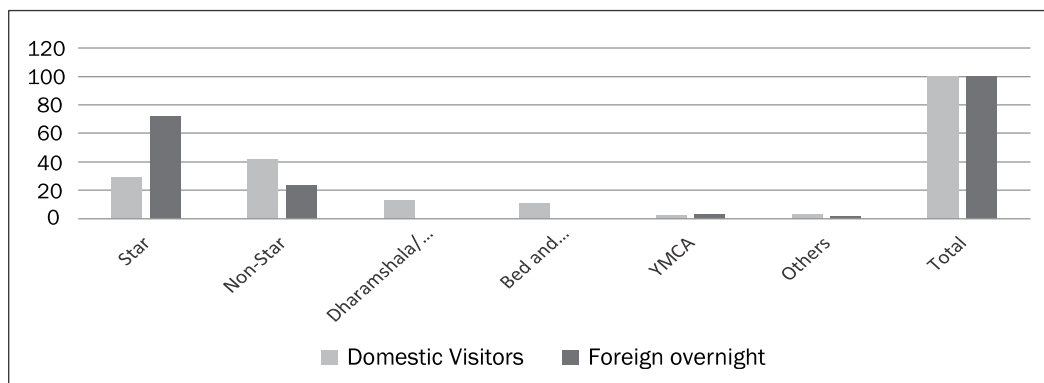
**Accommodation Market:** Accommodation means a place to stay, live or work. With the increase in movement of people from one place to another for the purpose of work, leisure, holidays, study, research, medical purposes, events etc. need of place to stay away from home has increased. Traditionally people used to stay at either relatives place or hotels. Hotel is a place that provide accommodation, meals and other services to the travelers. They charge high tariffs from people especially at the time of peak seasons and for prime location. Hotel industry has flourished leap and bounds in last few years. With the increase in demand of hotels and such places to stay, a new business model has recently been introduced. The idea was inspired by an incident where there was international design conference to be held in San Francisco. The problem was that there were not enough hotel rooms available to accommodate the participants. This problem led to a business opportunity where local people earned by hosting participants. This business is flourishing and becoming popular with increase in demand for accommodation and want to understand the local culture by travelers especially to the cities of importance.

**Maharashtra Accommodation Market:** Mumbai is the financial and entertainment capital of India and state capital of Maharashtra. Mumbai airport is the busiest airport in India. According to a report published by Maharashtra tourism department, Maharashtra contributes maximum to the domestic tourism in the country. According to the statistics, no. of rooms in hotels fall short during peak time i.e. non-monsoon season. The other places where tourists stay (data until 2015) are-

**Table 1: Distribution of overnight visitors and place to stay**

Place to Stay	Domestic Visitors	Foreign Overnight
Star	29.3	72.4
Non-Star	41.3	23.6
Dharamshala/Gurudwara	13.3	0
Bed and Breakfast	10.6	0
YMCA	2.4	2.7
Others	3.2	1.3
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Compiled from - <https://www.maharashtratourism.gov.in/docs/default-source/maharashtraunfold/mtdc-tourist-survey-report-14-15.pdf?sfvrsn=2>

**Chart 1: Maharashtra Accommodation Market**

Source - Based on data compiled from <https://www.maharashtratourism.gov.in/docs/default-source/maharashtra-unfold/mtdc-tourist-survey-report-14-15.pdf/sfvrsn=2>

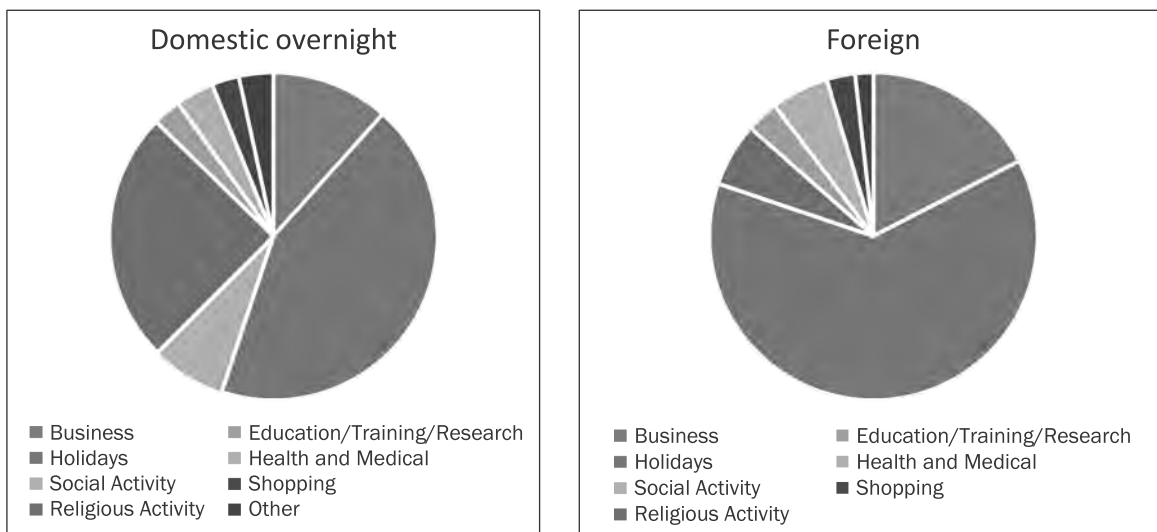
The other important aspect is the purpose of visit. Visitors from all over the world visit Maharashtra

**Table 2: Purpose of visit by sample visitors**

Purpose	Domestic Overnight	Foreign
Business	11.6	17.4
Holidays	43.5	62.8
Social Activity	7.4	0
Religious Activity	24.8	6.3
Education/Training/Research	2.8	3.2
Health and Medical	3.8	5.7
Shopping	2.7	2.8
Other	3.4	1.8
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Compiled from - <https://www.maharashtratourism.gov.in/docs/default-source/maharashtraunfold/mtdc-tourist-survey-report-14-15.pdf?sfvrsn=2>

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Thus, to accommodate such large number of visitors that are increasing day by day other accommodation options than hotels like Bed and Breakfast through platform business model can help to cater the problem of accommodation of foreign and domestic travelers in an economic way. This will also let them explore the local culture and feel at home.

**Platform business model for accommodation**

A platform business model enables related parties to create value and make money.

**Platform business Model = Creating value + Making money**

It allows economic exchange between two interdependent groups by bringing them together to create value. In accommodation market, such model is flourishing where an online portal allows tourists/travelers to search for a place to stay in a foreign land hosted by local people. This helps them to save money and explore the local culture. It is a social discovery model, which provide visitors more than a place to sleep. On the other hand, it allows host to use their available properties like private rooms, entire house/flat or dormitories to earn extra income. The platform help both host and travelers to connect with each other. Example- Airbnb

**Literature Review**

“On Safety: A Word from Airbnb”, one of the founders of the company Airbnb in his article has stated that safety issue of both guest and host are a big concern. There were some incidents, which led to need of better safety standards for both the parties. These initiatives include dedicated safety staff, private messaging service etc. This way by improving on safety norms and taking innovative steps safety issues in such business models can be handled. (Brian Chesky, 2011<sup>1</sup>)

<sup>1</sup> Chesky, B. (2011, July 27). On Safety: A Word From Airbnb. Retrieved from Techcrunch: <https://techcrunch.com/2011/07/27/on-safety-a-word-from-airbnb/>

In an online article titled “5 things you can learn from Airbnb's earliest hustles” has explained how the founders of Airbnb turned problem into an opportunity. The article emphasizes on how business models like Airbnb can be used to solve problem of living in a foreign land. To be successful, a business should carefully handle the host and customers to develop trust and to make maximum utilization of the resources available. (Moazed A, 2015<sup>2</sup>)

In the study on “Trust and reputation in the sharing economy: The role of personal photos in Airbnb” states that Security is big concern in this industry. It is a platform, which bring hosts and guests together, and facilitates transaction. A guest can trust host based on two factors - rating on the platform by other guests and by seeing photos of the host. From the study it is concluded that photo of host is a strong way of building trust of the guest as it gives them visual assurance and trust for the host. It also help in increasing the price of place listed. Other factor that a guest considers is the type of property. Thus, visual trust and reputation are highly correlated with choice of place by the guests. (Evan Ert, A.F, 2016<sup>3</sup>)

In the article published in E-paper titled “How Mumbai's Airbnb culture and economics compare with 9 other global cities” have identified the status, scope and problem faced by business model as Airbnb in Mumbai as compared to other important global cities of the world. Listing of properties in Mumbai is much less than of other cities, rent of properties are also high, the properties are still to be reviewed by the guests in short there is still a scope of growth of such business model in Mumbai. The rates of staff and labor is less as compared to the other cities of the world. (Livemint, 2016<sup>4</sup>)

## Objectives

1. To carry out business analysis of platform business model in accommodation market in Mumbai.
2. To compare prices of top 10 residential area in Mumbai based on existing accommodation places under platform model and hotels in the same area.

## Research Methodology

The research is limited to Mumbai as Mumbai is the capital of Maharashtra, which has the highest inflow of tourists in India. It is a secondary research. Data will be compiled from the authentic sources and analyzed.

### Objective 1 - SWOT Analysis

The platform based accommodation market deals with local people who have extra space available with them that can be used as accommodation and travelers who want to keep their trip economical and comfortable. Companies following this business model enables them to do this.

What do you do better than any other model?

- More economical and comfortable than any other accommodation model.

What unique or lowest-cost resources can you draw upon that others can't?

- Low cost homemade food provided by hosts.
- Low cost multi cuisine tiffin services.

<sup>2</sup> Moazed, A. (2015, JUNE 30). 5 things you can learn from Airbnb's earliest hustles.

<sup>3</sup> Evan Ert, A. F. (2016). Trust and reputation in the sharing economy : The role of personal photos in Airbnb. Elsevier, 62-73.

<sup>4</sup> Livemint. (2016, March 7). How Mumbai's Airbnb culture and economics compare with 9 other global cities. Retrieved from how India lives: <http://howindialives.com/news/tag/airbnb/>

- Choice of location.
- Choice of environment to live in.
- Handpick various services required during stay.

What is Unique Selling Proposition (USP) of such businesses?

- Promising more than simply a place to sleep.

The objective aims at identifying the strengths, weaknesses, opportunities and threats of the companies following such business model in relation to Mumbai.

<p style="text-align: center;"><b><u>Strengths</u></b></p> <p>What advantages does such organization have in Mumbai?</p> <ul style="list-style-type: none"> <li>● High reach through use of technology.</li> <li>● The cost of labor in Mumbai is low. Thus, good services can be made available to guests at a lower cost.</li> <li>● Cost of company is limited only to maintain and developing platform.</li> <li>● Mumbai is very resourceful in terms of skilled work force and experts.</li> <li>● Availability of kitchen spaces for guests.</li> <li>● Let's guests to explore unique and diverse local culture.</li> <li>● Fewer formalities on such a platform.</li> <li>● Due to large geographical location of Mumbai, it lets guests to stay in their desired area. It saves both time and travelling cost of guests.</li> </ul>	<p style="text-align: center;"><b><u>Weaknesses</u></b></p> <p>Its limitations?</p> <ul style="list-style-type: none"> <li>● It is an online market place with physical limitations.</li> <li>● High Rents in Mumbai/ Expensive real estate.</li> <li>● New market so fewer properties are user reviewed.</li> <li>● Low number of listing because of security issues and lack of time. ➤ Small flats and living space.</li> </ul> <p>What are people in your market likely to see as weaknesses?</p> <ul style="list-style-type: none"> <li>● Lack of legal interventions and predefined standards</li> </ul> <p>What factors lose you sales?</p> <ul style="list-style-type: none"> <li>● Safety</li> <li>● Trust</li> <li>● Lack of physical touch</li> </ul> <p>Consistency of quality delivered</p>
<p style="text-align: center;"><b><u>Opportunities</u></b></p> <p>What good opportunities can you spot?</p> <ul style="list-style-type: none"> <li>● Increasing number of tourists for various purposes.</li> <li>● High number of conventions, meeting and events in Mumbai.</li> <li>● Increasing digital literacy among residents and tourists.</li> <li>● Expensive alternatives.</li> <li>● Cultural diversity.</li> </ul> <p>Availability of multiple cuisines.</p>	<p style="text-align: center;"><b><u>Threats</u></b></p> <p>What are the obstacles?</p> <ul style="list-style-type: none"> <li>● Safety issues for host and guest.</li> <li>● Trust issues</li> <li>● Government laws on subletting etc.</li> <li>● Payment issues.</li> <li>● Lack of awareness for such alternatives.</li> </ul> <p>Issues with neighborhood etc.</p>

**Objective 2 - To compare prices of top 10 residential area in Mumbai based on existing accommodation places under platform model and hotels in the same area.**

The top residential areas in sequence in Mumbai according to a survey published online are:

1. Bandra - It is known as queen of suburbs and it is the most happening place in Mumbai.
2. Andheri - It is the largest suburb of Mumbai. It is a well-developed area with most of the factories situated nearby.
3. Juhu - It is one of the prime locations of Mumbai because of its scenic beauty.
4. South Bombay - It is the place of the richest. Real estate price are sky rocketing in this area.
5. Powai - It is known for planned township with all the amenities nearby.
6. Goregaon - It is a well-connected area of Mumbai. The famous film city is situated in this area.
7. Navi Mumbai - It is a well-planned part of Mumbai. It is little far away from most of the attractions in Mumbai.
8. Worli - It is one of the islands connected with the main city. It is one of the posh residential locations of Mumbai.
9. Lower Parel - It is near Worli. This area is developing at a very fast pace with malls and residential projects coming up.
10. Chembur - It is located on harbor line. It has witnessed some of the great residential projects and well connected to all the parts of the city.

**Table 3: Average rate of Accommodation available at different places in Mumbai with local hosts:**

Area	Private Rooms	Shared Rooms	Full Flat 1 BHK
Andheri	2000	1022	5000
Juhu	2000	1400	5500
So-Bo	2303	1150	6000
Powai	1086	870	2000
Goregaon	1200	1000	2400
Navi Mumbai	1000	830	1500
Worli	1800	1200	4000
Lower Parel	1500	900	3800
Chembur	1300	800	3800

Source - Data compiled from-www.airbnb.co.in

\*This data is subject to change in Demand, Season and other factors. It is an approximate data.



**Table 4: Average rate of Accommodation available at different places in Mumbai with Hotels:**

Area	<3 star and Non-star	3 star	5 and 4 star
Andheri	2844	4653	7934
Juhu	2585	4000	7000
So-Bo	3000	4092	6929
Powai	3800	5000	7934
Goregaon	2500	4376	6633
Navi Mumbai	1685	3814	5140
Worli	2000	3900	6000
Lower Parel	1853	3000	6900
Chembur	1700	2970	5400

Source - Data compiled from- [www.trivago.in/Hotel-Comparison](http://www.trivago.in/Hotel-Comparison)

*\*This data is subject to change in Demand, Season and other factors. It is an approximate data.*

According to the data presented above, staying with local host is much more economical for travelers. This model can be targeted to the travelers that mostly visit Mumbai for other than vacation purpose and to the big families on vacation.

### Recommendations to the Government

- Government should try to bring this business model under the purview of suitable tax.
- Suitable regulatory body shall be made responsible to device regulatory norms for such business model.
- Safety norms for both host and guest should be clearly laid down by the regulatory authority.

### Recommendations to the E-commerce companies

- E-commerce companies working on this model shall maintain a proper rating for hosts and their profile should be updated.
- Companies should only allow such guests to book that have fulfilled laid norms.
- Such companies should appoint a physical verification team that visit owners from time to time.
- They should try to exploit their edge on technology over their competitors.

### Recommendations to the retail property owners

They should maintain their property in good condition that can be used to earn extra income.

- They should take an initiative to list available properties on available platform model companies.
- They should comply with all the safety norms suggested.

- Pricing of property should be done carefully. Prices may vary from time to time based on demand and supply factors.
- Hosts should give in detail all the benefits attached with hiring their property.

## Conclusion

Thus to conclude, Platform based accommodation model has a good scope in Mumbai. With conducive environment for business and benefits to the participants. This business model is the future of accommodation market in special reference to Mumbai.

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