

# A REVIEW ON ASSET LIGHT MODEL AS A STRATEGY FOR BUSINESS REVIVAL POST COVID-19

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## Abstract

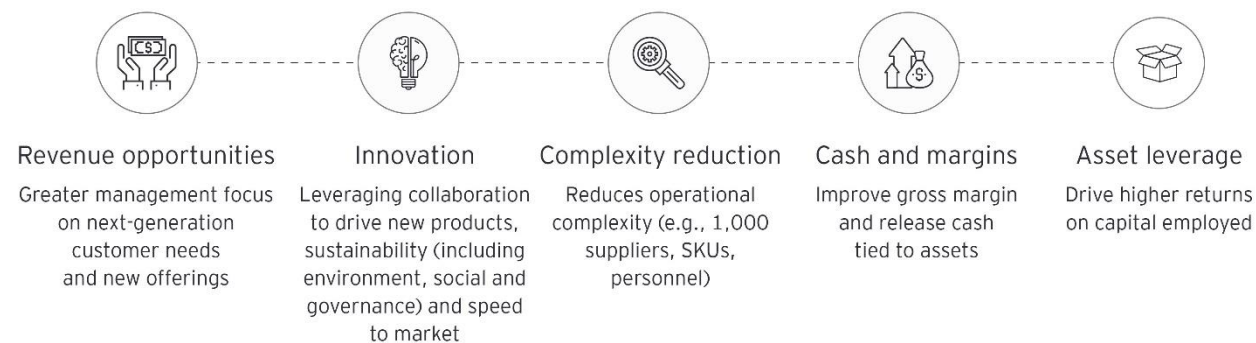
The change in the business environment due to Covid-19 has a global impact on the performance of business and downfall in the economic conditions. The businesses have experienced a rapid transformation and paradigm shift in its activities and change in the business pattern due to which there is a huge requirement of CAPEX in the business for its survival, growth and sustainability. The corona period didn't only effect the business CAPEX but also had an impact on its OPEX too that resulted in imbalance of business activities and many businesses to shut their activities. This study is an attempt to review Asset Light Model as a business strategy for the business to recover from this imbalance in their funds and revival of the business. In this study comparative case studies are quoted to understand the implementation of this strategy and its success using the secondary sources. Fly Light Model is a strategy that will help the business to reduce its Capital Expenditure, increase EBITDA and ROE and have sufficient funds to manage its day to day operational expenses for the smooth flow of the business activities.

**Key Words:** Asset Light Model, Fly Light Model, Sharing Model, CAPEX, Business Revival, OPEX.

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## Introduction

Asset light model is a plan of action where a business possesses somewhat less capital resources contrasted with the worth of its activities. It is popularly adopted by various new businesses due to its capacity to get the organization to rapid growth when contrasted with conventional plans of action. Possessing the functional piece of the organization and re-appropriating for some other resources required for the business is ending up helpful as it is letting new companies to increase in a quicker pace and grow business quickly. To understand it with more clarity for instance, a business instead of purchasing the land will enter in to a contract with the land owner and share a percentage of profit arising out of the business performed on the contracted land which will save the blockage of capital.



Source: www.taxguru.in (6)

**Asset light vs asset-heavy**

The difference between an asset-light and an asset-heavy company is like comparing ‘new school’ with ‘old school’. They have a lot of differences, some of which are listed below.

**Table 1- Showing the differences between Asset Light and Asset Heavy Business Model**

<b>ASSET LIGHT BUSINESS MODEL</b>	<b>ASSET HEAVY BUSINESS MODEL</b>
Less capital expenditure is required to start the business.	Large capital expenditure is required to start the business.
They own fewer capital assets compared to their operational assets.	They own more capital assets.
They are usually not vertically integrated	They are usually vertically integrated.
They are more flexible in a fast-changing environment.	They are less flexible.
They do a lot of outsourcing.	Most operations are done in-house
This model is ideal for scaling up.	It is a bottleneck that will hamper your pace when scaling up.

Source: TaxGuru.in (6)

**Literature Review**

RentSher is the main Asset-light Rental commercial center in the eco-framework which is likewise empowering momentary rental. The total rental stock put on its not difficult to-utilize and adaptable stage is claimed and provided by its organization of sellers. It is utilizing innovation to guarantee most extreme productivity, and this was certainly not a major concern - truth be told, it turned into the new test. (1)

Grofers - An on-request grocery conveyance application which targets refuting a client's tedious experience of shopping works the backend tasks of associating with the closest conveyance faculty, who then heads to the merchant's actual commercial center to get the ideal things to the client. What makes Grofers a supportive hand is that clients can likewise plan a conveyance time rather than the speedy moment conveyance. (1)

Colive exploits the resource light model by giving property holders a commercial center to their created lodging and by promoting it to a steadily developing interest for slick and reasonable lodging close to major instructive and work

environments. It accentuates on local area based residing in stylish houses with a comprehensive valuing which includes all bills, allowing the client to be without bother. (1)

HungerBox - This startup with a dream of taking care of its corporate partners has come all firearms bursting by being presumably the most innovation driven food administration organization. Hungerbox targets satisfying the corporate clients' requirement for a productive F&B supplier for its workers by bringing innovation into kitchen and cafeteria the executives. (1)

Swiggy - Swiggy is an exemplary illustration of organizations going resource light. While their main significant speculation is towards tasks framework and conveyance vehicles, it acquires each of the items sold by it by the different café situated in the functional region. All in all, Swiggy depends on commissions by each request from its collaborated eateries, all while allowing the client to browse their favorite restaurant. (1)

Yan Zhou in his article has mentioned that the profit model of the asset light is driven by monetary system, and the corporate working model should match the monetary technique. There must be a intrinsic link between monetary system and the profit model for the effectiveness of the financial strategic framework. (2)

### **Objectives of the study**

1. To understand the theoretical framework of Asset Light Model.
2. To use Asset Light Model as a strategic tool for the revival of the business.

### **Research Methodology**

The study is a qualitative analysis based on the secondary data and the sample used in this study are the companies those who are following asset light model. Case study method is used for exploration of phenomenon with context of understanding Asset Light Model and its application and also to review its success rate over various businesses adopting this strategy that can be useful to uplift the business effected during this covid-19 pandemic.

### **Discussion:**

Asset Light Model is a strategy that is adopted by the entrepreneurs to grow and revive business with the limited capital. The corporate giants are adopting this model by just focusing on their expertise, sharing rest with others and reducing the CAPEX in the business. The main advantage of this model is its the return on investment for the investors and promoters of the company because the funds are not blocked in CAPEX. The Return on Asset will be very high, it also controls the fluctuations of the profits and scalability driven cost will reduce.

Few companies that adopted this model are Grofers to deliver online grocery, OYO rooms in hospitality industry, OLA cabs for ride sharing, Fasoos in cloud kitchen model, Swiggy and Zomato for online food delivery.

This strategy is also known as Fly Light Model that is useful for the companies to easily exit in case of their failure, under this model the capital investment and assets owned will be less which gives the opportunity for the businesses to exit easily from the business. It is rightly said by Dr. Vivek Bindra that “Only a light kite will fly high”. Under this strategy the business will not have any burden on its capital expenditure as they will share their expenses by partnering, outsourcing and franchising their business model.

**Table 2 Showing the List of companies and it benefits using Asset Light Business Model**

Company	Employees	Offices	Networth	Liabilities	Revenue
UBER	117600	14 Offices in 12 Countries	50.9 Billion dollar	62484 Million dollar	72 Billion dollars in 2020
Alibaba.com	22000	72 Offices in 34 Countries	98.4 Billion dollar	1.5 Billion dollar	11.1 Billion dollar in 2020
Whatsapp	Less than 200 Employees before acquisition by Facebook	06 Offices in 04 Countries	19 Billion dollar	26588 Million dollar	05 Billion dollars in 2020
OYO	15713 Employees	01 Office in 80 Countries	9 Billion dollar	3.3 Million dollar	10 billion dollar in 2020
NETFILX – Web-series company	12135 Employees	14 Offices in 10 Countries	30.48 Billion dollar	26349 Million dollar	7.16 Billion dollar in 2021

Table 2 will give us the clear idea about the companies those who have adopted this model are very successful in their business in spite of holding very less assets in the business.

- OYO rooms have no hotel of their own but are operating more than 43000 hotels in partnership and are successful in their business.
- If we study about UBER they do not own car but operates in the taxi service, they don't have their own taxi or drivers, there is no burden of fuel cost nor car loan EMI. They do their business on Fly Light Model through which UBER creates opportunities for themselves and their partners to earn from the business.
- Alibaba the most famous and valuable retailer of the world holds no Inventory (Self), no Godown, Space but supply to the entire world. The main strength of Alibaba is the powerful and largest Retailer Network.
- NETFILX, the web-series company that took an competitive advantage during this pandemic in expanding its business has very less employees and operates in the entire world with its 14 offices across 10 countries. They do not have huge CAPEX in their business, they do not pay any fees and charges to the actors, no endorsement fees and their OPEX is also very less comparatively with other media houses and its revenue in 2021 is about 7.16 billion through Subscription fees, Banner placement and listing fees from producers.
- WhatsApp operated with less than 200 employees following fly light model and they do not own any mobile server they made the user mobile phone devices itself for storage, they do not have burden of operating expenses as well as their capital investment.

**Table 3: Showing Other Companies using Asset Light Models are**

Grofers –	Big basket –	Slay - -	OLA –
Grocery Delivery	Grocery Delivery	Cloud Kitchen Business	Cab Services
Faasos –	Zomato –	Swiggy –	Uber Eats –
	Food Delivery Partners	Food Delivery Partners	

Cloud Kitchen Business			Cloud Kitchen Business
Oven Story – Cloud Kitchen Business	Flipkart – Online Shopping Portal	Amazon - – Online Shopping Portal	The good bowl - Cloud Kitchen Business
Apple - Mobile Phone	Lunch Box – Cloud Kitchen Business	Instagram – Social Media Platform	Twitter - – Social Media Platform

There are so many companies those who have adopted this model in their business. If we see the above table that shows companies following these models among them, we notice companies from Cloud Kitchen business. The main advantage of this model in hotel and food industry is the requirement of less Capital Investment, No Storage Cost, No Dinning Space required, No Service Staff Needed and No Interior Cost.

Swiggy is an exemplary illustration of an asset light model. Its significant investment is for vehicles and other operational infrastructure as it obtains each item it sells from various food outlets and cafés for a commission for each order it possess.

Apple – Premium Mobile Selling Company also follows this business strategy; they do not have their own Mobile but FOXCONN is the company that will manufacture mobile phone for apple. They focus on brand building and marketing. Foxconn is expert in mobile manufacturing, it doesn't only supply the mobile device to Apple but also to many big players in the mobile phone industry.

The most common and useful types under Asset Light Based Models are discussed below;

**Franchising Model**– This is one of the most common format of asset light model where the franchisor will share his business rights and models of business to the franchisee for an upfront and royalty on sales and services. There are many businesses those who are established based on the franchising model such as Pizza Hut, Domino's, Subway, McDonald's and to share the best 10000+ distributors and 70+ franchisee's in India those who process products for Kamadenu Group and the master franchisor provides training support, technology, marketing support, proprietary tools - Trade mark, distributors and dealers to the franchisee's that benefits both in scaling their business. The CAPEX and OPEX is divided and shared among both which will increase revenue of their business.

**Outsourcing Model** – This model will help the companies to reduce their operational cost and improves the operational efficiency by shifting the companies task and workload to external vendor or partner. Apple Phone outsourcing its production FOXCONN.

**Asset Sharing Model** – Assets can be used as per their requirement by entering into lease agreement without huge investment of purchasing. Co-sharing Space / Co- Working Space is famous these days where common using things – pantry, canteen, printer, internet, meeting rooms are used by all the parties. Another best instance is OYO entering the agreement with hotels. Mahindra Logistics – Automobile industry, e-commerce, pharma, consumer durables and engineering, No Ware house, no vehicle, no manpower. CATHAY Pacific a Honkong based company along with DHL logistics – purchased / leased Airplane shared cost.

**Pay per Use** – This model will help in reducing the CAPEX of the company as the same asset will be shared between the strategic partners for the mutual benefit as per their requirements. For instance, Oil and Natural Gas Company sharing the oil tanks, storage places and huge machines that extract oil.

Licensing- In & Licensing Out – Pharma company will either license-in for activities of Manufacturing, Sales Marketing or they will opt for license-out their expertise and specialized products and formulas. This concept of used for Licensing, R & D, Brand Development.

### **Highlights of the discussion:**

It is noted from the above discussion that Asset Light Model is used by the start-ups and emerging business houses to reduce their CAPEX, operational cost and increase their revenue. Under this model few companies have less capital investment and more funds invested in operations of their business that enhanced scalability in their business activities.

This model helps in Scalability of business activities by strategic partnerships, Franchise business, Outsourcing and Licensing.

It is also noted that companies adopting this business strategy has less Loans, Debts and Liabilities as they go with light assets or less assets and share the burden of capital investment with others.

Companies following this model in their business have less risk and exit burden. This model also focuses on maintaining nominal fixed and operating cost in the business.

Apart from the above mentioned categories asset-light business model is also used in the sectors like technology, innovation, product development, facilitator business models, research and development and in manufacturing sector.

### **Implications and Conclusion**

In the prevailing business and economic conditions, asset light model will be very useful for the start-ups and for the existing business to overcome from this tempestuous situation post covid-19. It will help business as a survival strategy and will help in uplifting the business activities. Post pandemic we have seen a paradigm shift in the utility of technology in every business sector, huge capital investment is required to enhance of technology in the business wherein if the businesses adopt the principles of asset light model it will help to over the problem of CAPEX. It is essential to be deft adjustment of a dynamic market environment for the survival of the existing business.

Reevaluating, asset sharing and authorizing licenses will help the businesses in focusing more on their expertise as we saw in case of Apple and Foxconn, Restaurants and food delivery companies that will them scalability in their business operations.

The study concludes that, in this fast changing technical era, opting for Asset Light Business Model is an ideal decision. Organizations can work on their profits, become more coordinated, gain by the scale and redeploy their activities all the more rapidly. Having a resource light business, along with innovation and brilliant control strategies, can empower quicker and better development.

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