

## Sustainable Model For Growth Of A Homestay Start-Up – A Case Study Of Palette o' Green 'n Red Farm, KA

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### Introduction

Startups exist because of an innovative idea behind them. Usually, they address a need or a problem, and by using technology and insights, offer innovative solutions. They have an energy that draws entrepreneurs, offers potential for growth, connectedness, challenges, and risks. Startups are a necessity because they offer value, innovation, employment, belongingness, and financial returns. They differ from the cold structuredness of established companies.

A well-known definition of startup comes from Steve Blank and Bob Dorf, who state that “a startup is a temporary organization in search of scalable, repeatable, profitable business model.” Eric Ries, author of *The Lean Startup*, writes “a startup is a human institution designed to create a new product or service under conditions of extreme uncertainty.” He says that startups are not only about excellent ideas and technological breakthroughs, but also about people who create them. According to him, a startup is especially a human endeavor, and its success lies in innovations and technologies. Dave McClure, a founder of the accelerator 500 Startups, states that “a startup is a company that is confused about (1) what its product is, (2) who its customers are, and (3) how to make money”.

### Sustainable Growth

Traditional models of business focus solely on financial success and returns on investment for the stakeholders. This approach is not wholesome and sustainable. Since the publication of the Brundtland report entitled ‘Our common future’ by the World Commission on Environment and Development (WCED) in 1987, sustainable practices include economic, environmental, and social factors. ‘A business model for sustainability helps describing, analyzing, managing, and communicating (i) a company’s sustainable value proposition to its customers, and all other stakeholders, (ii) how it creates and delivers this value, (iii) and how it captures economic value while maintaining or regenerating natural, social, and economic capital beyond its organizational boundaries’ (Schaltegge, Hansen, and Lüdeke-Freund, 2016).

Business is sustainable when it lives up to “the Triple Bottom line” of economic prosperity, environmental equality, and social justice’ (Elkington, J. 1999). The triple-layered model of business sustainability is a framework that incorporates three fundamental layers, also popular as the “triple bottom line.” This model extends the conventional focus on economic performance to include societal and environmental considerations and creates a more comprehensive approach to sustainable business practices. The three layers or dimensions of the triple-layered model are:

**1. Economic Sustainability:** This layer focusses on the financial aspect of sustainability. It involves ensuring that a business is economically viable and profitable over the long term. Economic sustainability involves factors such as generating revenue, managing costs efficiently, maintaining profitability, and fostering financial stability.

**2. Social Sustainability:** Social sustainability refers to the ethical, social, and human aspects of business operations. It brings out the effect of a business on society, and includes its employees, clients/customers, communities, and broader societal well-being. Social sustainability involves fair labor practices, diversity and inclusion, community engagement, ethical sourcing, employee well-being, and contributing positively to society through its business practices.

**3. Environmental Sustainability:** This layer revolves around the effect of the environment on business activities. It emphasizes reducing environmental harm, conserving natural resources, and promoting practices that help environmental preservation and regeneration. Environmental sustainability involves initiatives to minimize carbon footprint, waste reduction, energy efficiency, adopting renewable energy sources, sustainable sourcing, and overall environmental stewardship. The triple-layered model of business sustainability recognizes that a sustainable business must not limit itself to financial profits but account for its effect on society and the environment. By aligning economic, social, and environmental factors into business strategies and decision-making processes, organizations aim to achieve a balance that benefits the business and its stakeholders as well as the planet. Several business models for sustainability have evolved and tools like 'Triple Layered Business Model Canvas' (Joyce and Paquin, 2016), are widely used.

### Study of 'Palette o' Green 'n Red' Farm

Palette o' Green 'n Red Farm offers a good case on how to bring a homestay into existence using eco-friendly concepts, resources, and plans. Incubation for this case was about 3 years, and validation period is in process for the last one year. Bringing a homestay to life is a complex process due to the diverse specialties involved in the process. The founders found themselves stretched in different directions at once, like legal aspects, architectural design, construction, sourcing, budgeting, labor issues, infrastructure planning, farming, livestock, human resource management, advertising & marketing, operations, finances, logistics, and local approving agencies.

### Existence Stage:

'Palette o' Green 'n Red Farm' was started by a novice entrepreneur who ventured into the homestay business in 2018. The vision of the entrepreneur was to improve the quality of life of city-dwellers by bringing as many of them closer to nature as possible, engage them in as many activities on the farm as possible, and feed naturally grown produce to as many as possible, within the framework of a sustainable revenue model. The first step of setting up the business was to buy a farm with an inherent unique feature that becomes its USP. It is important to have farming ancestry and income proof in Karnataka to satisfy the legal obligation under Endorsement 79 A & B. (This has since been removed and is no longer deemed necessary). Accessibility and proximity of the land to Bengaluru are important considerations. A mango grove of 2 acres, which was left to fend for itself for decades, was found on a hillside near Ramanagara, Karnataka. Registration and formalities were completed in July of 2018. An underground aquifer was identified and when adequacy of water was ascertained, the project showed promise of forward movement. This was an important benchmark for the survival of the business since lack of water was the 1<sup>st</sup> indication of a fold-up. Sustainability of social, economic, and environmental factors was an overarching consideration in conceiving the project. A SWOT and TOWS matrix was prepared to understand the site dynamics. (See fig 1). Market research was deployed, and the report was used to understand the surroundings, available resources, friends & foes, customer expectations and competitors. A business plan was made, finances rounded up, resources mobilized, and finally, the ground broke in late 2018 for construction.

SWOT Matrix		
Internal Factors	Strength	Weakness
	Hillside Views Mango grove	Interior Location, accessibility Slopes causing farming issues
External Factors	Opportunity	Threat
	Demand for Homestay vacations Demand for day activities	Mushrooming of resorts nearby Sabotage from neighbors
TOWS Matrix		
	External Opportunity	External Threat
	Demand for Homestay vacations Demand for day activities	Mushrooming of resorts nearby Sabotage from neighbors
Internal Strength	Strength - Opportunities	Strength - Threat
Hillside Views	Maximize the hillside environs through digital media	Provide bespoke design, infrastructure and services that offer differentiation
Mango grove	Insert U-pick, plantation, composting and other farming activities for the guests.	Communicate with neighbors to mitigate sour relationships
Internal Weakness	Weakness - Opportunities	Weakness - Threat

Interior Location, accessibility	Offer rides from the city to ease the situation.	Explore the interiors of the locale and draw guests due to raw, remote location.
Slopes causing farming issues	Use Permaculture practices to address farming issues.	Offer incentives to neighbors for participation in business.

**Figure 1**

Unforeseen events cause hardships to start-ups and if severe, can lead to failure. Covid 19 was such and dealt a severe blow to the project. March of 2020 saw a complete shutdown during the middle of construction. Construction resumed later, but with limited resources and manpower, the progress dragged. The master planning, infrastructure planning, and architectural design were meticulously thought out. The project was entirely customer centric. Customers in the hospitality industry have varied backgrounds, and customer profiling must meet universal acceptance. In other words, the design should satisfy all customers, which is a tall order and consumes time and effort to produce one. A few projects were studied for inputs for design and operations, and a suitable course of action was taken befitting the context. (See fig 2).

Destinations for inspirational ideas\			
	Name of Destination	Categories	Features
1	Auroville, Puducherry	Design, Construction	Sustainable infrastructure - Water, Energy, Waste, Construction techniques, Farming
2	ProtoVillage, Hindupur, AP	Construction Techniques	Sustainable construction - materials, techniques, composting, solar power
3	Sri Sathya Sai Ashram, Puttaparthi, AP	Operations	Discipline, quietness, spiritual quality of place, self-sufficiency

**Figure 2**

For start-ups to succeed, the founder must be constantly engaged with all activities on the farm with vigor, innovative mindset, and clear focus on the vision of sustainability. The founder must supervise, check for quality, build teams, resolve differences and problems, account for time and money, and bring together various specialists to arrival at the 'Existence' stage.

Bringing the idea into existence is a challenging task, and a deep level of intervention in all phases of work will strengthen the emotional connection to the project. This brings value and leads the way into the quality of operations and maintenance cycle that follows. At PGR Farm, the founder moved into the farm in the initial stages, and while living alongside the workforce, worked on all aspects of construction, infrastructure, financing, logistics, and farming. This made a significant contribution to the business and quality aspects.

As per government norms on homestays, the farming activities on homestay must be live and must be continuous, subject to natural conditions. Observation of nature and its cycles is important for farming, and sustainable farming concepts impose additional responsibilities on the business. Plantation of new vegetable and fruit trees becomes necessary to service the 'farm-to-table' concept. The founder of PGR Farm has worked extensively to know natural farming practices and permaculture and has acquired adequate expertise to provide guidance to local farmers on composting methods, nourishment of the soil, treatment of diseases, prevention of pest and fungus through organic methods.

In May 2022, the project reached 80% completion, and a soft launch was done, with an invitation extended to friends, family, and a few prospective customers. During this event, various aspects like water management, waste management and recycling, energy usage, solar water systems, food preparation and service, activity areas, were used and evaluated. Based on critical feedback from the users, changes and modifications were addressed. By November 2022, the business was formally launched and opened for customers.

### Survival Stage

The business was advertised on various digital platforms enumerating its accommodations and amenities. The accommodation provided on the farm were a cottage, a suite, dormitories, and tents. All the details of the accommodation were advertised on Airbnb and the company's website.

Apart from the accommodation, native vegetarian food is provided for the guests, with farm-grown fruit & vegetables and fresh milk. Guests are quizzed about their diet preferences either prior to or upon their arrival. These preferences are included within the available menu and served fresh and hot. The farm team is trained to offer heartfelt service and adjust to flexibility of timings of service.

While operating PGR Farm in a sustainable manner for the first year, the following factors are under study.

### Economic factors

**The financial metrics that best represent the stability and growth of the business include:**

- Revenue Growth: Change in revenue over a specific period.
- Profitability: Net profit margin or operating margin.
- Cost Efficiency: Ratio of operating expenses to revenue.
- Return on Investment (ROI): Gain or loss relative to investment costs.
- Cash Flow Stability: Consistency and predictability of cash inflows and outflows.

### Environmental Factors

Following factors are relevant to the business's environmental impact:

- Energy Consumption: Renewable vs. non-renewable energy sources.
- Water Usage: Total water consumption and conservation measures.
- Waste Management: Waste reduction, recycling, and composting practices.
- Carbon Footprint: Total greenhouse gas emissions.
- Other Sustainable Practices: Sustainable sourcing, use of eco-friendly products.

### Social Factors

**The Community Engagement Factors that best represent the homestay's impact on and involvement with the local community include:**

- Local Employment: Percentage of staff hired from the local community.
- Local Sourcing: Proportion of goods and services sourced locally.
- Community Development Initiatives: Participation in or funding of local community projects.
- Cultural Preservation: Efforts to preserve and promote local culture and traditions.
- Community Feedback and Participation: The level of community feedback and participation in homestay operations or events.

### Sustainability snapshot of the Farm

The 'Triple Layered Business Model Canvas' template used in this case study helps to understand the economic, environmental, and social considerations. This standard 9-step template offers high level insight into the external and internal factors impacting the business. (See Fig. 3). The key factor in the Economic model is to correlate the expenses to income, minimize the expenses and maximize the income. The Environmental model provides an understanding of the effect on the existing habitat and helps set benchmarks for its preservation. Deriving economy in the consumption of resources, maximizing use of alternate resources, reuse and recycle, and setting benchmarks for these are the other key factors that the model offers. The Social model espoused the interconnectedness of the business with the local community in terms of knowledge transfer, like vermicomposting, and waste treatment. New projects threaten local communities from fear of higher traffic, consumption of natural resources, disruption of natural habitat, mishandling of waste and others.

### Triple Layer Business Canvas

Economic Business Model Canvas				
7. Partners	8. Activities	1. Value Proposition	4. Customer Relationship	2. Customer Segments
Educational &  Vocational Institutes,  Cultural, Entertainment  Clubs	Accommodation	Affordable, accessible retreat, home grown food	Add value during their stay, offer incentives, discounts	City dwellers, Professionals, Tourists
	Farm Activities			
	6. Resources		3. Channels	
	Small HR team Solar power, Water		Airbnb, Website	
9. Costs			5. Revenues	
Fixed Assets, HR, Maintenance			Rentals, Sale of Mango	

Environmental Business Model Canvas				
<b>4. Supplies and Outsourcing</b>	<b>3. Production</b>	<b>1. Functional Value</b>	<b>6. End of Life</b>	<b>7. Use Phase</b>
Energy, water, vegetable, fruit and grain	Vegetable, Fruit	Nature connectedness, idyllic environment, organic food	Recycle 90% of materials	Solar power, Solar heating, Water recycling
	<b>2. Materials</b>		<b>5. Distribution</b>	
	Interactive public spaces		Awareness through media	
<b>8. Environmental Impacts ( - )</b>		<b>9. Environmental Benefits ( + )</b>		
Habitat preservation		Energy/Water/Waste Management		

Social Business Model Canvas				
<b>2. Local Communities</b>	<b>6. Governance</b>	<b>1. Social Value</b>	<b>4. Societal Culture</b>	<b>3. End User</b>
Employment, Small Business opportunities	Transparency, Cooperative, Flat, Inclusive	Spreading sustainability concepts through real life illustrations	Family connectedness	Affordable vacation,
	<b>7. Employees</b>		<b>5. Scale of Outreach</b>	Refreshing Experience
	Empowerment		Local to global	
<b>8. Social Impacts ( - )</b>		<b>9. Social Benefits ( + )</b>		
Disruption in local societal fabric		Knowledge transfer to local farmers		

Figure 3

### Future Considerations

The business has survived the first year of operations and obtained positive and negative reviews, and useful feedback from the customers. Benchmarking must be set for the three parameters discussed in the paper, and targets reviewed periodically. While preserving the core values of the business, added value must be constantly offered to the customer. Farming, educational, cultural, and recreational are some activities for customer engagement. New avenues for revenue must be generated from more sources.

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