

CAB AGGREGATORS IN INDIA: A CASE STUDY OF OLA AND UBER

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Abstract

Over the past few years, there has been an unprecedented growth in the Indian taxi industry. The demand for taxis in India is on the rise owing to the hassle free travelling experience offered to the passengers. Taxi is giving a stiff competition to both public transit and private car in the current times. India currently is witnessing a revolution in Indian taxi market. There is a downward trend in the usage of traditional taxis by the customers. With the growing smartphone penetration and active internet users, there is a surging demand for app based taxis. The objective of this paper is to gain insights about the present scenario of taxi industry in India and to compare desi and videsi taxi rivals i.e. ola and uber. The present study uses existing literature to explore the data extracted from databases of extensive repute such as Emerald, Science Direct and Taylor and Francis amongst others. Through the study, it is found that in India, as of now, ola is racing ahead of the global leader uber on different fronts.

Keywords: Cab aggregator, India's Taxi Market, OLA, UBER.

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1. INTRODUCTION

A major chunk of the population these days prefer residing in the urban areas owing to the wide range of facilities available there i.e. good job prospects, better educational infrastructure or easy accessibility to everything. There is a continuous migration of the residents from rural to semi-urban and urban areas. According to United Nations Population Fund (UNFPA), world population living in urban areas would reach around 5 billion by 2030 and this urbanization would occur majorly in Asia and Africa. Day by day, the mobility requirements of the people are changing. There are numerous modes of transportation available that support the consumers' mobility such as trains, buses, metros in metropolitan areas. However, longer travel time taken and the non-flexibility of these modes have reduced the demand for the same among the people and the taxis offering the desired flexibility, comfort level and privacy are considered more convenient by the consumers (Salanovaet *al.*, 2011). Taxi industry, by providing employment opportunities to a large number of people and by providing access to convenient transportation modes, aids in boosting the urban transportation systems, in economic and mobility terms respectively (Poóet *al.*, 2018).

Dynamic lifestyle of the consumers coupled with the rising disposable income is mainly attributing to the growth of taxi services in India. Consumers are getting attracted towards the taxi market due to the hassle free experience provided during travelling as well as other offerings like various payment options, convenience in app based bookings, GPS enabled taxis, proficient drivers etc (Business Wire, 2017).

Taxi industry in India is worth approximately ₹ 48000 crores and is expected to grow expeditiously in future (Panigrahi *et al.*, 2018). Within the taxi market segment, there is a burgeoning demand for the online cabs, especially in metropolitan areas and tier I cities which can be asserted from the very fact that monthly taxi rides surged by 30 percent in a year i.e. from 50 million in July, 2017 to 65 million in July, 2018 (Redseer, 2018). In 2018, ridesharing from the app based sources and online modes resulted in revenue amounting to US\$371mn (Statista, 2018). By FY 2020, the sale of taxis is expected to contribute around 15-17 percent of passenger vehicle volume in India (The Economic Times, 2017).

2. OBJECTIVE

The objective of this paper is to gain a better understanding about the current scenario of the taxi industry in India and to compare desi and videsi taxi rivals i.e Ola and Uber.

3.METHODOLOGY

The research and review paper have been obtained from databases of extensive repute such as Science Direct, Emerald and Taylor and Francis amongst others. Relevant research papers were extracted using keywords such as Cab aggregator, India's Taxi Market, Ola, Uber.

4.EVOLUTION OF THE TAXI INDUSTRY

Indian taxi industry is fragmented and unorganized to a great extent. The taxi market in India is divided into two markets i.e. the unorganized market and the organized market. Individual car owner and agencies operating in a single or very few cities make up the unorganized sector. The organized sector, on the other hand, consists of the owners, affliators and aggregators (Redseer Consulting, 2014).

The taxi began operating in India in the name of kaalipeeli taxis in Mumbai in 1911. These taxis functioned in the conventional manner where the customers would be required either to wait for the taxis on the streets or to go to the taxi stands in order to hire a taxi (Bhalla *et al.*, 2018). The taxi industry has been witnessing a sea of change from the traditional taxi services to the radio cabs to the cab aggregator services. Until 2003, the Indian taxi market was largely unorganized. Customers, at that time, were having access to either prepaid taxis running under the control of state governments or the private operators, both providing inferior quality services at a high cost (Venkatesh&Easaw, 2015). Thereafter, radio cabs came into light with the introduction of Mega cabs in 2001. Radio taxi is a "taxi that operates through radio signals". Upon receiving the call from the customer, the operator interacts with the driver through the radio signals for locating the nearby cabs (Khupse, 2017, p. 474). Radio cabs work under the fleet ownership model whereby the companies have full ownership of the cabs they are operating (Joshi & Mehta, 2015). Then, the country witnessed the coming of affliators in the market. Affliators such as savaari, taxiguide.in are connected with various car rental agencies and provide numerous deals and packages (Redseer Consulting, 2014). Followed by the affliators, aggregators entered the Indian

taxi industry. Aggregator is defined as “a person, who owns and manages a Web-based software application, and by means of the application and a communication device, enables a potential customer to connect with persons providing service of a particular kind under the brand name or trade name of the aggregator” (Panigrahi *et al.*, 2018, p. 31). App based cabs is relatively a new phenomenon which will exert a favourable effect on the urban transportation in the coming years (Harding *et al.*, 2016).

4.1 OLA vs UBER

In India, consumers today, want everything at just a click away with minimal effort on their part. The consumers are getting used to of ordering each and everything through the mobile apps. Owing to the consideration of this very fact by Ola and Uber resulted in huge success for both the aggregators. Increase in the usage of smartphones on one hand and decrease in the data tariff rates with the advent of Jio on the other has led to a surge in online activities that consumers indulge in (Redseer, 2018). Both Ola and Uber target these tech savvy customers in order to increase their own market share. Along with this, the level of reliability and absence of friction in the process of ride request contribute equally towards the ongoing success of the cab aggregators (Banerjee & Johari, 2019). Following China and North America, India emanated out as the third biggest cab aggregator market in 2016 thanks to the growing internet users in the country. (Muralidhar, 2016).

Ola , a trade name for ANI Technologies Pvt Ltd, is the discovery of AnkitBhati and BhavishAggarwal, both being the alumni of Indian Institute of Technology, Bombay. Ola, marked its inception way back in 2010 in Bombay and later on shifted its headquarters to Bengaluru (WHIZSKY, 2017). The company, being the first in India to offer windows, android and iPhone application, assisted in tracking out the cab, apart from offering the convenience in cab booking (Tripathi&Leepsa, 2017). Ola was the first to provide the cab aggregation services in India in 2010, thereby enjoying the first mover’s advantage (Business World, 2016).

Uber Technologies Inc, a US based transport networking company, was found by Travis Kalanick and Garrett Camp in 2009. Uber entered the Indian territories in 2013(Kumar

&Sentamilselvan, 2018). Followed by United States, India happens to be the largest market for uber (Surie&Koduganti, 2017).

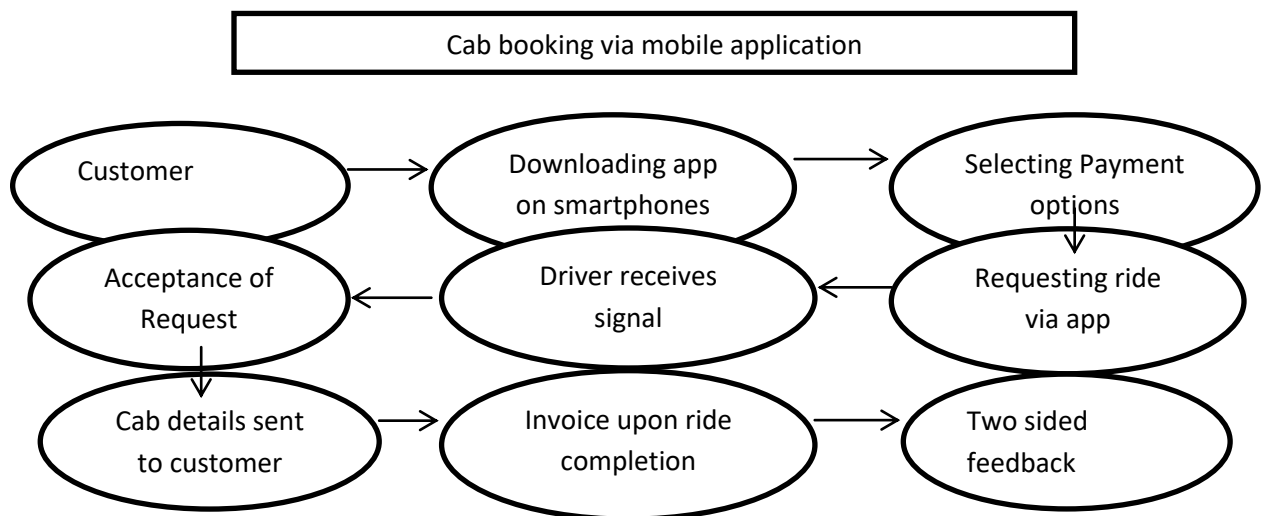
For strengthening the position in market, Ola is in continuous process of companies' acquisitions. In March 2015, Ola took over Taxi For Sure for \$200 million. With the motive of strengthening own mobile wallet app, ola acquired a mobile payment start-up company called Qarth in 2016 (Tripathy&Leepsa, 2017).

In the era of Startups, Ola is amplifying the Indian economy's growth by around 2-4 percent. And global leaders in the aggregator industry like Uber are learning the ways of expansion and creation of larger customer base with minimum amount of investment (Gulati, 2019).

4.1.1 Payment Mechanism

Passengers are free to make the payment for the Ola cab ride via ola money, debit and credit cards, ola credit and through cash (Uthira, 2018). Uber, on the other hand, globally does not accept cash payments (Business Today, 2015). However, the company noted that Indian customers are more satisfied by making the payment through cash. Therefore, in order to tap the Indian market effectively, uber initiated option for cash payments. Uber accept trip payments through paytm, credit cards, debit cards and cash (Uthira, 2018).

4.1.2 Business Model



Source: Adapted from paper titled "Measuring the Performance of Taxi Aggregator Service Supply Chain", SAMVAD:SIBM Pune Research Journal.

The process of cab booking with both the aggregators is basically the same, the only difference lies in the add on values provided to the users. Customers have the access to pre-booking option in ola, which is not the case with uber, where booking is done on availability basis (Sarvepalli&Prakash, 2016). Cab booking in ola and uber involves usage of the smartphone application by the passengers for seeking a ride, after which passenger's location is sent to the drivers in proximity. When the request is being accepted by the driver, the customer can have a look at the cab's real-time location and how much time the cab would take to arrive (Rayleet *al.*, 2016) These transportation networking companies are earning revenue by means of pay for performance model (Uthira, 2018). The drivers here follow the principle that the more the drivers indulge in the work, the more the pay as a result and greater would be the incentives (Kashyap& Bhatia, 2018).

4.1.3 Double Sided Advantages

Ola and uber does not differ from each other in terms of benefits being provided. From the aggregator perspective, one of the biggest benefits offered by the ride hailing companies is that, in the process of additional procuring of assets, no sunk cost are incurred. Also, aggregator had to borne the app development cost only. Along with reduction in cost, ola and uber helps in effective utilization of the scarce resources by allowing cars, which otherwise would have remained idle in a non-digitised economy, to be used for providing taxi rides in case the demand for the same arises. Moreover, these companies provide ample job opportunities due to the easy entry process. On a similar note, Gulati (2019) pointed out that ola have received enormous rate of growth and as a result has created number of employments in India. On the other side, from the viewpoint of a consumer, trust and safety issue has always been a matter of concern. This concern has been overcome by both the aggregators by fully disclosing all the information relating to fares, drivers and their background and a trust is thereby established when nothing remains hidden from the customer (Dasgupta, 2016). Ola, launched Ola pink, a cab driven by the women drivers specially designed specifically for women traveller considering the safety issue. (Panigrahi *et al.*, 2018).

4.1.4 Drivers Incentives

In case of ola as well as uber, there is nothing like fixed wages or fixed working hours for the drivers but there is a fixed percentage of incentives given on successful completion of specified trips. Weekly cash based incentives value offered varies between ₹ 1000 and 3000 (Kashyap&Bhatia, 2018). Both the cab aggregators have adopted a similar way to incentivize the drivers. Ola undertook a program named “Ola Pragati” under which help is being provided to the drivers in getting the car loans from State Bank of India and drive for the company. Best performing drivers are named as Ola Stars and are in addition rewarded with benefits such as scholarship for their children, fuel subsidy and cashback offers. On a similar note, Uber undertook “Uber Dost” initiative (The Economic Times, 2016). Apart from that, Uber continuously organise loan fairs in order to attract new drivers towards the company and award the drivers with health benefits, educational subsidies and free of cost insurances (Shukla *et al.*, 2017).

4.1.5 Coverage

The desi company, ola, is the clear market leader in India despite having stiff competition from the global leader Uber. At present, Ola is carrying out its operation in 110 cities whereas its foreign competitor, uber has been successful in expanding its reach in 26 cities only (QUARTZ INDIA, 2018). Ola focus has been on tier II and tier III cities along with metro cities while uber has always concentrated on the growing markets (Business World, 2016).

4.1.6 Price Wars

The transparency in price fixation is missing in both the transport networking companies. At times, both resorts to predatory price mechanism and come with amazing price offers to attract a large number of customers whereas at times, like during the peak hours such as bad weather conditions or special events where the demand for cabs eventually rises, both ola and uber follows a surge pricing model and charge higher price than is usually charged (Moon, 2015; UNCTAD, 2017). Ola and uber differed completely in the pricing strategy. Uber service offering in India includes Uber Black, a large sized car providing the experience of luxury travel in Audi, BMW at premium prices, UberX offering the services through mid-size sedans like Swift desire and Etios at an expensive fare and uberGo, a small sized car giving the rides at lowest prices

(Business Today, 2015). In a similar manner, ola provide rides through ola luxury, ola sedan, olasuv, ola mini and ola micro (Maheshwari, 2017). Ola base ride fare for ola mini and sedan vary from ₹ 80 to 100. Ola sedan services are comparatively cheaper than the Uber black luxurious offerings (Maheshwari, 2017). With the sole purpose of beating Uber's cheapest cab ride UberGo , Ola introduced Ola micro, a low cost ride charging ₹ 6 per km as the ride fare (WHIZSKY, 2017).

4.1.7 Investments

From the day ola commenced its business in India, it has got the fund support from the biggest investors in the market. Ola got the series A funding from Tiger global and series B funding from Matrix Partners and Tiger Global (Business Today, 2015). Apart from the current investors, ola got the back of Steadview capital, Softbank and DTS global in the third, fourth and fifth series (WHIZSKY, 2017). Uber, also is funded by many investors. Recently, Softbank, also invested in uber and is presently the largest shareholder of uber (Business Standard, 2018).

4.1.8 Services Offered

For the purpose of commuting within the city, Ola offers numerous fleet variants such as ola bike, ola cabs in micro, mini, prime sedan, prime suv and luxury types and ola share with the motive of satisfying different kind of customers. Besides providing in city services, ola also offer outstation and rental services. Ola introduced another variant, ola auto, few years back in October, 2014. Diversifying itself, ola entered the food delivery segment with Ola Cafe app, wherein the buyer makes the order through the app and delivery is made by ola cabs swiftly (Business Today, 2015). Similarly, Uber services vary from UberX, Uber XL, Uber Pop, Uber Black, Uber SUV to Uberpool. In addition to the ridehailing services, uber also give courier delivery facilities through UberRush and food delivery services via UberEats (Basu, 2017). Uber as well as ola treats the safety of customers on a priority basis and therefore came out with an in-app 'SOS' button (Business Today, 2015).

5. CONCLUSION

Indian taxi industry is flourishing at a fast pace. Taxis are getting a lot of traction from the customers. Moreover, the public transit users and the private car users are also slowly and

steadily shifting towards the taxis owing to the range of benefits offered to the travellers. Within the taxi industry segment, the cab aggregators are doing exceptionally well. Presently, there are two major players in the aggregator market i.e. ola and uber. A comparison of the home based aggregator and foreign based aggregator revealed that the home based aggregator,ola has a wider reach and offers better prices to the customers. Ola is backed by some of the biggest investors in the market and offer a wide range of services such as ola rentals and ola outstation. As of now, ola is a clear cut leader in the Indian market. However, in order to maintain the leadership in future, ola need to constantly upgrade in terms of technology, service providing, otherwise that time is not far away when ola will be surpassed by uber.

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