

CAB AGGREGATION INDUSTRY IN INDIA – AN OVERVIEW, CURRENT SCENARIO, ISSUES AND POSSIBILITIES FOR CONSOLIDATION

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ABSTRACT: One of the best examples that can be quoted for disruptive innovation, that the industry witnessed very recently is Cab Aggregation using Mobile Application, which is a result of technological progress making the transportation, especially within the city limits affordable and trouble-free for all categories of people. These are also usually referred to as Taxi Aggregators, Cab Aggregators or Car Aggregators and in management research terminology they are cited as Ride-sourcing / Ride-hailing companies. With the arrival of the Uber and Ola these services became very popular in all the major cities. This disruption in one way provided a solution to the so called Taxi transportation industry, which till then was much unorganized and not so affordable. With their ground-breaking business models Uber and Ola primarily concentrated on matching the demand and supply, thus creating a win-win situation for the drivers, customers and aggregators themselves. Initially when these companies started, their primary business model followed was to connect the drivers and customers, gaining some commission out of the transaction. Then the major challenge that these two companies realized is that many drivers signed up themselves for both Uber and Ola to get the rides. To avoid this trend both Uber and Ola is now trying to shift its business model to partly inventory, where it will own some of the cabs lending them to its drivers who work exclusively for them. With this the paper aims to present the overview of the Car Aggregation industry in India, current scenario, issues and finally looks at the possibilities of consolidation referring the recent developments happening in the industry. Also the paper finally provides the recommendations that can be implemented to improve services which will benefit ride-hailing companies like Uber and Ola as well as the customers utilizing the services and the drivers. This paper, having covered the topic extensively even with the recent developments in the industry can help the future researches as a ready reference. RIDE Model, R- Research, I- Innovate, D- Deploy, E- Execute has been designed and proposed for the benefit of future researches and interested researchers in this area are encouraged to use this model further as reference for their empirical study.

Key Words: Aggregator; Taxi Aggregator; Cab Aggregator; Consolidation

Mobile Application is software designed to run on portable devices like smart phones and tablets

INTRODUCTION

The impact that the Cab aggregators created in the industry can be clearly noticed from News papers, exclusive television shows, live blogs and the various articles that appear almost daily. On a high level if we look at the reason for such a bustle is that they provided a solution to the problem that is lying unnoticed. Though people are facing the difficulty they are living with it since years. If we try and recall how we used to book a cab, in Pre-aggregator era gives us memories calling all the cab agencies one by one anxiously on a high demand day. And we have to wait till the cab arrives with no proper information of the expected time of arrival, and the issues with the behavior of the drivers, higher pricing, improper billing and finally we always experienced they took the longest routes most of the times for their revenue. With the arrival of the Uber and Ola, all the primitive issues seem solved but as we discuss further they again look as if all cropped up in a different way. However the new business model have given the end user peace of mind and a little luxury especially to the Indian middle class who always aspired to own a car are not at least getting an affordable cab ride .

The increase of the smart phones in India and the higher usage of mobile internet made the task easier for the aggregators. In fact this is one of the thought triggers that made them to think innovatively to build the mobile application, where the users can book a cab with just a finger touch. Based on the availability the cab will appear in few minutes usually. It is the other way also now, the increased usage of the mobile app (Application referred as app generally) to confirm the cab amplified the mobile internet usage to certain extent. Another reason for the rapid development of the cab industry is the growth of the IT/ITES industry. The employees of the companies especially working with the call centers log-in and log-out at odd times to support the client business round the clock. To facilitate the employee commute between Home and office, also from safety and security perspective the companies started providing cab facilities. Slowly with the improved income levels and having got used to the comfort, these young employees started using cabs mostly even for their personal travel. But the important aspect to note here is the Taxi

industry is still unorganized and the demand is growing. With this, looking at few workable scenarios in hand, it is a clear business opportunity unaddressed from entrepreneur perspective and at the same time service not up to the expected standards from customer standpoint, Cab aggregators popped up as a sure shot solution.

Objectives of the Study

1. To Present an Overview of the Cab Aggregation Industry in India
2. To examine and study various issues both from the Cab aggregators and customers perspective.
3. To analyze the possibility for consolidation in the industry looking at present scenario.
4. To summarize the proposed model RIDE for the benefit of future researches

Limitations of the Study

- It is a secondary data based study, hence conceptual research which is not carried out empirically.
- Also the RIDE model proposed by the researcher is of its kind which is very appropriate to the present aggregation industry, and researchers are encouraged to take this study further in their own capacities.

Methodology

- The study is conducted purely based on secondary data base.

OVERVIEW OF TAXI AGGREGATION INDUSTRY

Taxi transportation industry in India is quite unique and diverse when compared to the other countries. It is the growing industry attracting many start-ups to join with its huge potential. Broadly this business historically can be divided into pre-aggregator era and post-aggregator era. The Cab Aggregators mainly addressed all the major open problems say like the availability of the cabs at right time, behavior of the drivers, security with the tracking the vehicles using the technology.

Cab Aggregators basically do not own the vehicles, the only thing they do is the coordination between the customers and the drivers using the technology like GPS / GPRS (Global Positioning System / General Packet radio service). Taxi Industry is basically divided into organized and Un-organized business. Till 2007 almost all the industry is not so formal, as most of the business is being handled by Individual Car owners.

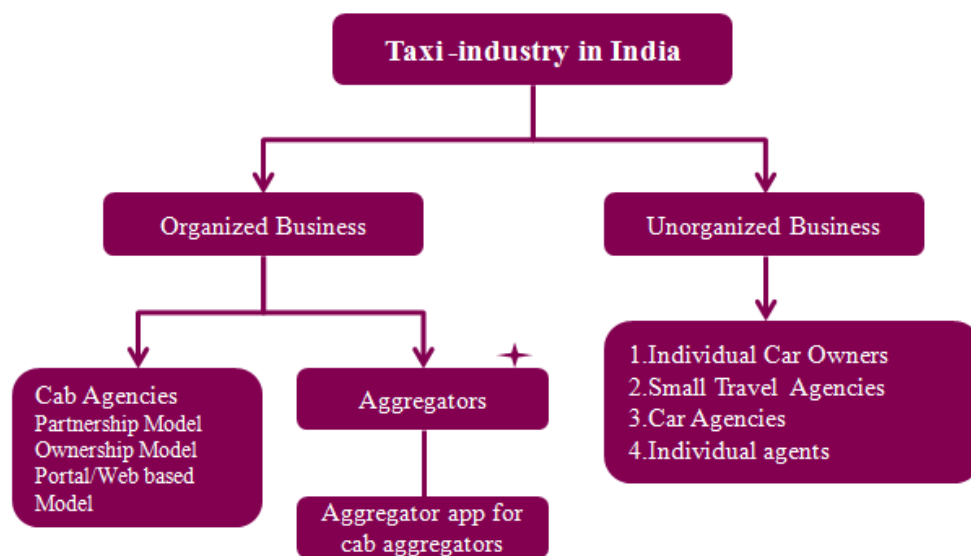


Figure 1.1 Taxi Industry in India

Source: Redseer Consulting presentation, published in Automotive dated April, 2015, www.in.com/automotive

Figure 1.1 has discussed in detail about the Taxi Industry in India. The taxi industry in India has broadly notified as an organized business and unorganized business. Unorganized industry basically constitutes of the small travel agencies operating in smaller cities or in tourist places, Individual car owners who are licensed for commercial purpose, Car agencies who own small number of cars and provide services to customers based on the pre-bookings and finally the Individual agents who don't own any cars but operate in coordination with all the car owners / agencies / travel agencies seeking some certain amount of commission per ride booked.

Organized industry primarily comes with a label / Brand which will bring in the sense of security and peace of mind to the customers. They operate with proper set up like office, trained supporting staff, Call center for bookings, professionally trained drivers and grievance cell to reach when needed. Largely we can segregate considering the current market into four categories

1. Cab Agencies
 2. Partnership Model
 3. Ownership Model
 4. Web/Portal based Model
1. Cab Agencies – These types of agencies are mostly the established agencies with own vehicles / either coordinating with individual car owners, operating in bigger cities where there is a high demand. Also they survive on the annual contracts at smaller volume from mid-sized corporate companies. But due to lack of funding and proper strategy they continue to do their business surviving at a smaller scale.
 2. Partnership Model – Typically these are companies who work with multiple Car/Travel agencies to bridge the demand and supply. They don't own any cars, but they concentrate on generating leads to these car agencies registered with them, analyzing the market conditions. With their strategic abilities they try to create market offering various schemes/ideas/proposals/discounts to increase the customer base. Revenue generation will be through the commissions or the annual contracts. Saavari Company works in the similar mode of operation.
 3. Ownership Model – Agencies / Companies formed under this model own all the vehicles and they manage either lending the cars to the drivers with the pre-specified conditions or employ them depending upon the profitability in the market. Advantage of this model is the operational founders will have the freedom and independence to execute their strategy, as they don't have the constraint or dependency to secure vehicles based on the demand. Usually, policy upon this model is the more the demand becomes consistent the more the addition of vehicles to the fleet. Meru cabs are the suitable example for this model.
 4. Portal / Web based Model – Companies like these work on the on the lead generation handling all the customer bookings through a well designed website. They don't own any cars and play a lead generator role in the industry relying on the commissions for the revenue generation. Most of their strategy is to acquire more car agencies into their network, in parallel pushing their brand into the market.
 5. Cab Aggregators – Fundamentally these companies call themselves as technology companies, as they don't own any cars / taxis. Their expertise is to utilize the technology acting as an interface between the customers and the drivers. A Mobile application is developed using the maps to identify the request from the customer and then the nearest available cab is signaled to accept the request facilitating the transaction.

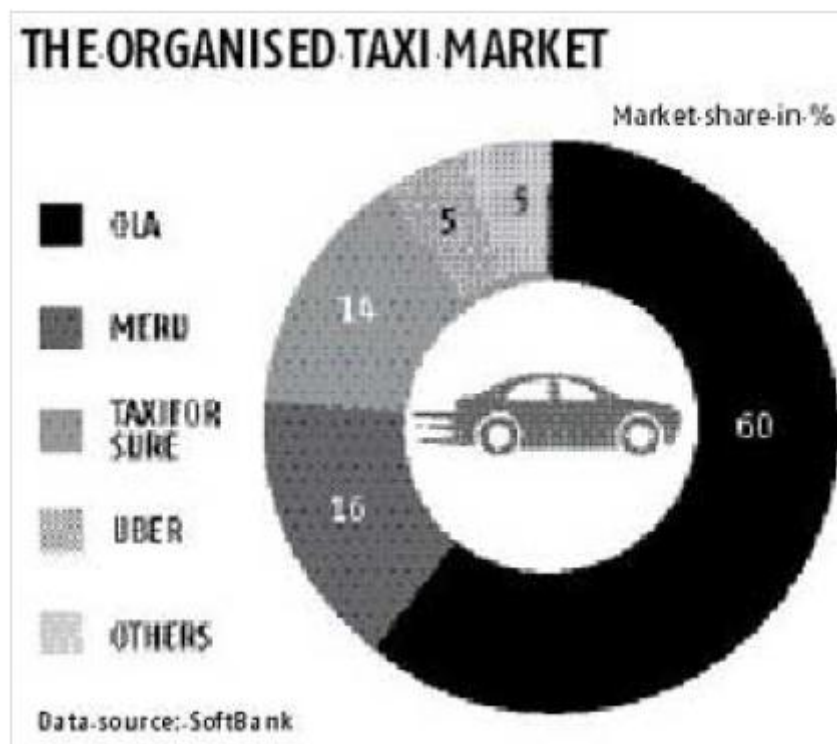


Figure: 1.2: The Organized Taxi Market in India

Source: Business Standard Article – 11 march 2015 – Has Ola set the stage for consolidation?

Uber and Ola are the two companies that are in the market limelight now as Car Aggregators.

Cab Aggregation Industry is still considered a budding industry, as only five percent is being controlled by the organized players out of the estimated \$9 billion Indian Cab market. The growth is expected to increase 30 percent every month and this substantiates the huge potential yet to be tapped in the market. The rise of the Cab aggregation industry not only solved the problem from customer perspective but also helped the drivers in making their earnings better. In addition it also attracted many young Entrepreneurs getting into this space slowly, in a way it almost became a kind of practice that one in two young entrepreneurs are thinking of trying their luck in this space. Ola and Uber became more popular and are able to capture the market share with the help of technology and their innovative business models. However as similar to any other industry, there is a fierce competition amongst the companies which reached a certain high point and are trying all possible strategies at the moment to sustain their position. Also people are coming up with new ways to facilitate the customers, innovating aggregation mobile apps for cab aggregators, with which a user can search from all available aggregators. Oyetaxi and scoot are examples for such unified aggregator apps(see figure 1.2).

As we notice in the below table, the organized players started entering into the Cab industry from 2000, but the so called disruption in the sector only happened in 2010 with the launch of the Ola n Taxi for sure in 2011 and Uber in 2013.

Growth of the organized taxi market in India

Timeline

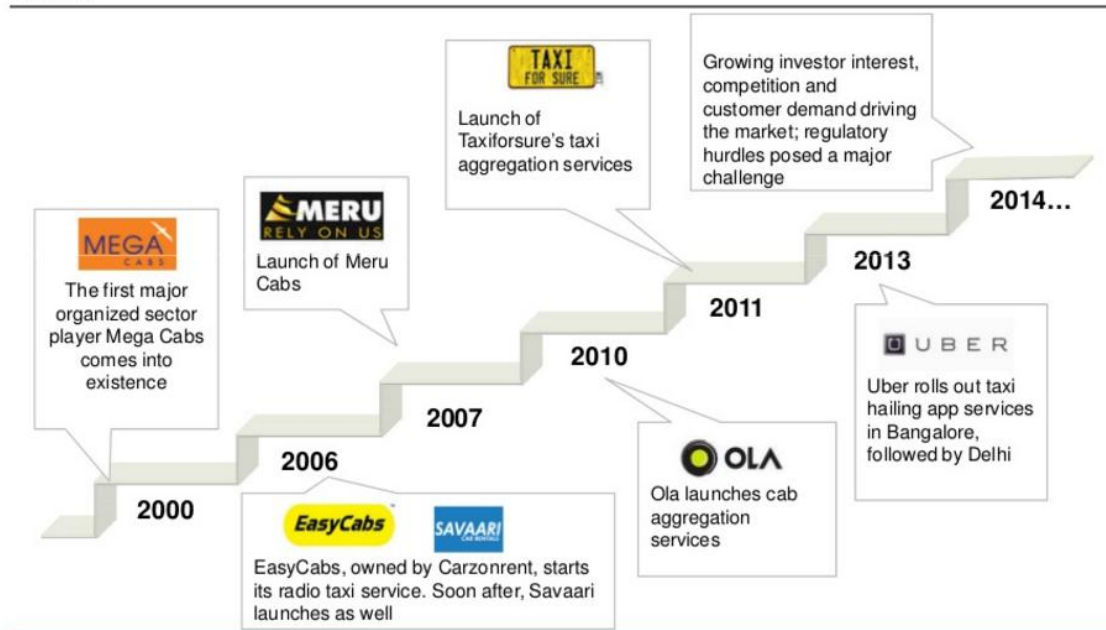


Figure: 1.3 Growth of Organized Taxi Market in India

Source: Redseer Consulting presentation, published in Automotive dated April, 2015, www.in.com/automotive

Current Business Model of Taxi Aggregation

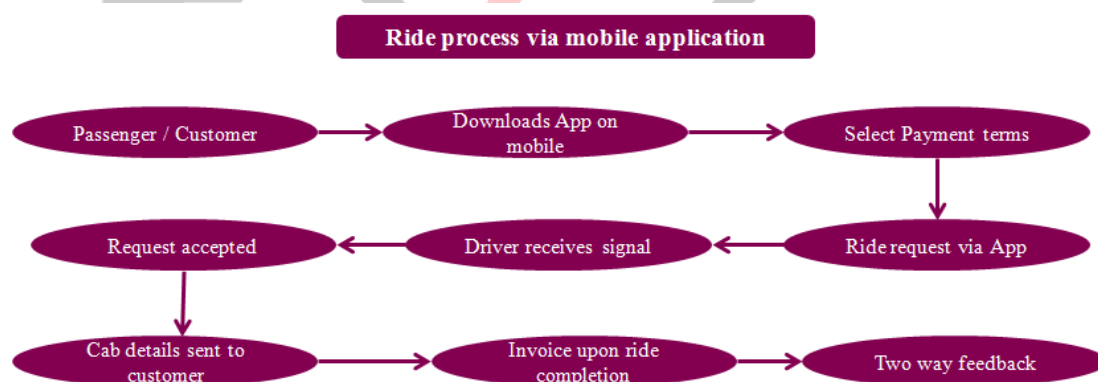


Figure: 1.4 Ride Process via Mobile application

Source: Author Derived Model based on G.Venkatesh and George Easaw, "Measuring the Performance of Taxi Aggregator Service Supply Chain", SAMVAD: SIBM Pune Research Journal, Vol X, ISSN(Print) 2249-1880, ISSN(Online) 2348-5329, December, 2015, pg:26-37.

The ride booking process with the Ola or Uber fundamentally is the same but with the little differences or advantages as they claim as value additions to the users. Say Ola has a Pre-booking option where as Uber accepts only on the basis of availability. To book a Cab, user has to initially download the mobile application on his data facilitated smart phone. Then he has to enable the location tracker, so that the application can trace the location of the user. Next step s/he has to choose

the payment terms out of the available ones like Credit card, Cash, discount coupons and even mobile wallets. Further can confirm the ride looking at the availability of the cabs, usual experience is it will be in few minutes. Upon booking driver receives the details of the request and customer receives details of the cab even with photograph, cab number, expected time of arrival for easy identification. This can be tracked online till the cab arrival and ride completion. After the ride is complete, if the payment option is selected as cash, upon invoice customer needs to pay by hand, else it will be automatically deducted for other options like credit card or mobile wallets. It is always recommended to have the non-cash options to save time, safety, clarity and also to avoid issues like change tendering.

Finally important thing is the feedback – Uber and Ola both take this very genuinely, and as soon as the ride is completed, customer is requested to provide feedback via app and also driver is provided the option to give feedback as well. In a way this has made mandatory, if in case this was not given immediately, when the app is opened for next booking it will block the screen to feedback. Uber will consider all this feedback and for a specific driver if the feedback is less than a value, say 4.7 (assumption here for better understanding), then he will be asked to leave the network. Ola treats this in a little different way, if the feedback is not ok or any complaints received then they will cancel the incentives accumulated for that week. This way both the companies are trying to maintain the standards to serve and benefit the customer better.

CURRENT SCENARIO AND ISSUES

Having understood the potential in the market, many players small and big are entering into the business. Out of them Ola and Uber are the significantly become popular and the rest of them are trying their best to survive. The major challenge these players are facing the initial customer acquisition, to achieve this they are playing the game through price reduction, free rides initially, discounts and referral bonus. Both these companies are trying all the ways to bring the drivers who own the cars into the network. Drivers are given the extra incentives if they go beyond the minimum number of rides and however they are free to choose their own login and logout time which is attracting more resources.

A) Business Model – Car Aggregators

Car aggregators, both Uber and Ola call themselves are technology companies instead of the traditional transportation companies which will exclude them from all the regular laws. They will act as an interface between the customers and the drivers. At the moment they have restricted booking only through the mobile application but earlier they were taking it through the call center and online booking via website also.

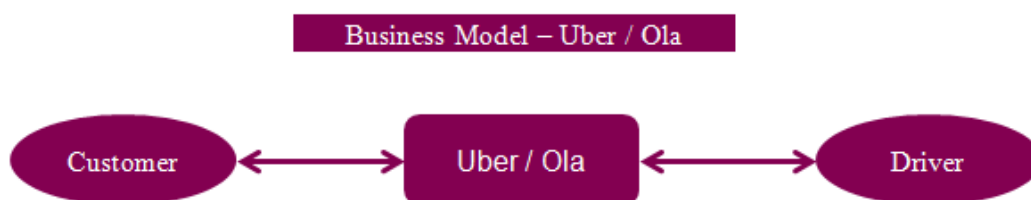


Figure 1.5 Business Model – Uber / Ola

Source: Author Derived Model based on G.Venkatesh and George Easaw, "Measuring the Performance of Taxi Aggregator Service Supply Chain", SAMVAD: SIBM Pune Research Journal, Vol X, ISSN(Print) 2249-1880, ISSN(Online) 2348-5329, December, 2015, pg:26-37.

But now slowly the aggregators are shifting their business models to partly inventory by buying the cars, leasing them to the drivers. This will help the companies to have the exclusive drivers working on their network making the companies to meet the demand and supply better.

Triggers for expansion

1. Unavailability of the comfortable intracity public transportation is one of the reasons why people are looking at the affordable cab services and demand is growing day by day.
2. The cab services are competitively priced and it is projected in a way that nearly equal to autos
3. From security perspective, as the complete ride is traceable
4. All the booking process is through mobile application and the information is passed seamless from request to ride.
5. As the estimated time of arrival is shown in the application, usually few minutes from the time of booking, punctuality is maintained
6. Feedback mechanism is in place and strictly acted on complaints, the behavior of the driver, cleanliness of the vehicle etc are highly improved
7. From operator perspective, the highly growing interests from the angel investors are taking the business to next level.

B) Issues – Aggregator Perspective:

- No Cab Available - Though the Cab aggregators are using the best possible algorithms to match the demand and supply using mobile applications – sometimes lack of vehicles logged into the system at the moment is creating an issue of not able to meet the demand. This is also creating negative impression in customer's mind and the company is losing the customer to the competition
- Resources crunch - Lack of skilled drivers and non-professional behavior with the customer are bringing complaints at the last mile delivery, as the drivers ride fast to meet the targets or to gain more incentives making customers restlessness during the journey.
- Slower Data Connection - Customers who have the slower data connections sometimes are not able to book the ride which is a negative impact to the business
- Lack of proper regulatory laws - Though the cab aggregator companies do not come under the usual transportation laws, but due to non-availability of clear cut policies is creating lot of speculation in the industry. With this as there is no central policy across country, each state is trying to bring in few regulations, Say recently Delhi government on Surge pricing.
- Lifting employees – Few cases have been raised each other aloud, saying drivers registered in their network are being taken away by the competition, which is causing a lot of trouble in the industry
- False booking allegation – Recently Uber accused Ola of creating false rider accounts in their platform, and made false bookings which were cancelled within five minutes diverting all its drivers to a non-existent customer. According to Uber, with these fake bookings they are not able to serve the genuine customer.
- Non-Exclusive fleet – Few of the drivers signed up with both Uber and Ola. Aggregators are facing a snag where they were not able to access on a particular day how many vehicles will be there in their fleet.
- App crashes – Aggregators are facing some bizarre issues sometimes like at a particular moment there a large number of hits to its mobile application beyond its capacity, causing it to crash. Adding fuel to fire is the creation of the fake accounts, if it is true.
- Bleeding Money – Both Ola and Uber to capture the maximum market share are providing offers and discounts such as free initial rides, referral free rides and also good amount of incentives to its drivers per ride.
- Customer Acquisition – Initial customer acquisition and further finding a loyal one is the biggest challenge, as a slightest discomfort in the service is leaving a though in customer mind to switch the service.
- Increased Operating Costs – The expansion into newer markets and more and more initiatives to capture the market, is causing the consistent increase in the operating costs
- Undesired events – though the companies are taking all possible care in hiring the drivers and giving them the necessary trainings on behavioral, safety and security front there are incidents that are happening here and there, due to social media which are getting magnified in no time are causing lot of headaches to aggregators.

C) Issues – from Customer Perspective

- App only – As the cab aggregators are now only allowing booking through the mobile application, it is necessary that a user should have a smart phone with mobile data connection. The segments of users who are still not used to this technology are finding difficulty with this process.
- Higher pricing – If we observe the recent reviews in the social media or opinions that are appearing in the newspapers, it is all about the higher prices that are charged on peak hours. Companies call this a surge pricing meaning the prices will go up depending up on the demand at that particular moment. This is causing lot of confusion in the users as they are not still clear on the concept and idea of over pricing is creating worry among the customers.
- Pre-bookings not honored - Few of the companies like Ola offer pre-booking facility where a customer can book the vehicle well in advance, but due to the non availability of the cabs at the time, they are not honored. These repeated failures in keeping up the requests are creating a negative opinion among the customers and in fact lot of trouble at the last moment surprise.
- Service Rejections / Driver denials – There are cases where the drivers ask the customers to cancel the booking; even before they come to pick up they call to check, once they get to know the destination is not on their route. Further after cancelling, when users try to book another cab the same driver is assigned as he is in the nearby location.
- Rainy Day crisis – Customers face lot of difficulty during the rains in getting a ride, especially in major cities as drivers are reluctant to accept requests as they fear heavy traffic jams and water logging.
- Pick up guidance – Drivers are supposed to follow the map and reach the pickup point taking assistance of GPS, but experience of customers are different from this. Customers say they themselves have to become GPS every time they book a ride as the drivers are not skilled enough in using the navigation systems properly.
- Hygiene – Cabs that appear are not properly cleaned and bad odors are the common issues that users complain usually. Drivers sometimes do not turn on the AC even after repeated reminders.
- Artificial Surge pricing – While booking a ride, customers notice many cabs around the location but the pop up says that they have to pay higher price as there is a demand. Many users experience this in places like train stations, as and when the train arrives though there are many cabs, surge pricing is shown, but if the customer is waited for few minutes then there might be a possibility to get a booking on usual pricing.

D) Consolidation and possibilities in near future

Recent deal that happened in the taxi transportation industry is the Ola and the Taxi for sure. Ola acquired TFS for \$200 million in a cash and equity deal. This marked the beginning of the consolidation of the Cab aggregation industry making Ola the top player in the taxi aggregation industry. However both Uber and Ola are burning cash to sustain themselves in the market as leaders and not making any significant profits. With this the question now with the industry analysts is, it is not who makes the profits more is the point, it is only the question of who got the deeper pockets and willing to continue to pump in cash into the market looking the returns from long term perspective.

Industry analysts also predict that in near future, the small cab companies which come under the unorganized player category might become a part of one of the aggregators as it is becoming tougher day by day to compete with the companies like Uber and Ola. After this deal only bigger players left in the market are Ola, Uber and Meru cabs who have got their own business strategies and strengths. Ola, with this acquisition added the whole of the taxi for sure fleet and the cross learning between both the teams will help them grow better.

The important change that is noticed after the Ola and Taxi for sure deal is that Ola announced that the charges will be increased in peak hours and in fact the price surging has already started. This marks the beginning of the discounts era and more incentives for the drivers, as the Taxi for sure acquisition has given Ola some luxury to become strong on the pricing front. The availability of the cabs at any point of time for sure will be appreciated by the customers, but if the quality of service is not maintained it will soon have to lose its crown in the market.

PROPOSED MODEL – RIDE

The proposed model by the researcher is a practical model of its kind which is very appropriate to the taxi aggregators who are using technology extensively in their business.

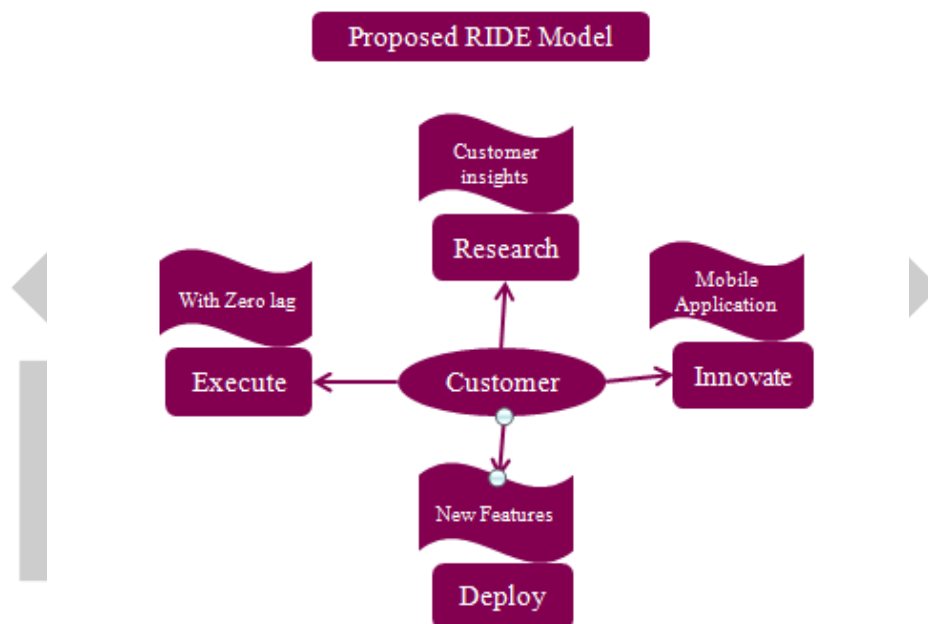


Figure: 1.6: Proposed RIDE Model

Source: Author Derived Model based on G.Venkatesh and George Easaw, "Measuring the Performance of Taxi Aggregator Service Supply Chain", SAMVAD: SIBM Pune Research Journal, Vol X, ISSN(Print) 2249-1880, ISSN(Online) 2348-5329, December, 2015, pg:26-37.

1. **Research** - Firstly, according to this model the companies are recommended to do continuous research on the expectations of the customers. As the users are the key stakeholders in this business, by moving closely with them will help organizations to understand the new trends that are coming the market. Apart from the expectations, the issues customers face, and any new features that they wanted to see in this business or in the mobile application. The continuous engagement of the customers in making the business better feel that they are treated special and it also helps to add more loyal customers.
2. **Innovate** – In this step, if the companies check the innovative feasible solutions that can be incorporated into the mobile application primarily using the technology based on the inputs received while doing the research. Also if any changes that might be strategically helpful for the betterment of the business can be included immediately.
3. **Deploy** – All the new features that were developed in the previous step, now needs to be originally established into the mobile application by sending a version update, after a detailed testing.

4. Execute – The success of the whole model depends on how quickly the companies are able to execute the process, as in this fierce competition, if a company holds a decision for a day or two, it might be most wonderful opportunity lost from customer acquisition perspective. These days if a customer wants to download an app and if felt not so ok, it will just take a few seconds to uninstall the same and install the competitor's app onto the mobile. This being the reason why it is strongly recommended to act swiftly however, hasty decision might create a negative impact on mobile app applications.

For the better understanding of the model, it is further supported with an example – consider the case of Uber or Ola in the market.

If we surf through the internet with a researcher mind, the common issues raised are mostly on the service quality, the driver's response, non availability of the cabs, Guiding the drivers to reach the pick-up point although the location is specified correctly, extended expected times though while booking the app shows few minutes but the actual turn up may take more time. A quick look at most of these gives us a clear understanding that all these are common and known old problems and still exist. Once all the issues are identified if the aggregator is able to bring in some new innovative approach to provide solutions implanting them in their mobile application, which will be the biggest differentiator. Also the key thing to be noted is that how promptly and genuinely this approach is executed will help the player to become the market leader. It is recommended that this model should be followed continuously to retain their position in the market.

MANAGERIAL IMPLICATIONS

With the detail review and understanding of the present Cab aggregation industry, current scenario and issues, below listed are the few of the recommendations that can be considered for implementation

1. To facilitate the customers who are not yet used to the technology using smart phones and mobile internet, if they are provided an option to call and book at least for some time educating them in parallel on app usage, that segment of the customers are not lost.
2. Bringing in most drivers into the network giving them proper training on how to behave with the customers right from receiving them while they board will help build the brand and loyalty as the last mile delivery is crucial in this business.
3. With the introduction of the Surge pricing, the affordability factor is lost. Companies have to look at ways like increasing the number of kilometers served per day to increase their revenue instead of hiking the prices suddenly.
4. Introduce the concept of travel miles for the loyal customers; these offers will attract the customers to stay on the network for long time.
5. Ride sharing concept – need to be advertised more as this is similar to the Car-pooling where employees end up waiting longer even if one person is delayed, as this is a network driven thing via app, whoever is ready on that specific can be picked up immediately.

CONCLUSION

The paper tried to precisely cover the taxi aggregation industry in India how the aggregators innovatively provided the solution innovatively using technology. Also it covers the current scenario and the issues faced by both the companies and the customers. Ola and Uber changed the face of the industry. Briefly it touched the consolidation that is slowly happening in the industry and analyzes only the companies that focus on the better service quality will only foster in the future. The RIDE model is proposed for the benefit of the future researches explaining why continuous research is needed to understand the customer and how the gaps in the expectations can be innovatively fulfilled using technology. Companies that align themselves as quickly as possible to the changing trends are the ones that will sustain their position in the market.

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