



A STUDY OF THE BATTLE OF DOMINANCE OF OLA VS UBER

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ABSTRACT:

In this paper, an attempt has been made to do comparative study of two of such taxi aggregators that have radically changed the way "the great Indian middle class" commutes daily- OLA and UBER. Currently, both OLA and UBER cabs are following the strategy of expanding their operations and building customer base in key metropolitan cities across India. India's major attractiveness lies in its market size and increased purchasing power resulting in uplifting lifestyles. On the other hand Indian consumers are smart, very demanding and highly price-sensitive with no brand loyalty; managing such market is not an easy task. The motive is to increase market share and achieve economies of scale and at the same time providing customer satisfaction. This article seeks to understand the dynamics of India's taxi market by studying various factors like the pricing, market share, revenue models, etc.

KEYWORDS:*Battle, Dominance, Ola Vs Uber, India, attractiveness, price-sensitive, taxi market.*

INTRODUCTION:

The mini cars, most popularly a Tata Indica, are the cheapest service offered and can seat maximum 5 people. Sedan is also offered for a slightly higher price, and then SUVs usually recommended for 6 to 8 people. The business class has the option of availing prime high end cars, which completes the luxury level. The latest development from Ola is the introduction of new Ola Autos. The frequency of these autos is much higher than the usual Minis and hence, most of the time, customers can find an auto within two minutes. This service was started on a trial basis in Bangalore in 2014 and now has been expanded to cities like Chennai; Delhi etc after the trial proved successful. Easy accessibility and convenience are the terms that are synonymous with Ola Cabs. The option of cashless payment using the Ola Money facility and its unique referral program are few characteristics that have helped this company revolutionize the new local transport in India [1]. The legality of Uber has been challenged by the government and other taxi companies, who allege that it hires drivers who are not licensed to drive a taxicab which is unsafe and illegal. Also, some taxi driver unions have called Uber

drivers "pirate taxis". However it is now common for taxi drivers to as well to work for Uber; especially during "surge" periods when they have high chances of earning multiple times what they would have under the taxi umbrella [2].

REVIEW OF LITERATURE:

Uber and OLA entered the taxi services as aggregators to provide app-based taxi services to passengers in major metropolitan cities in India. Both Ola and Uber offered passenger's air-conditioned taxi services at comparatively cheaper fares. Assured taxi service at a door step to be summoned on the mobile app gave the passengers the much needed comfort coupled with reasonable fares. In many cases the fares offered by Uber and OLA were found to be less than the fares charged by 3-wheeler auto rickshaws [3]. No wonder, in less than a year's time there was a major shift of passengers from traditional black & yellow taxis and autos to the newly introduced air-conditioned app-based taxis offered by Uber and OLA.

This major migration of passengers from traditional taxi/auto services to app-based taxi services obviously created panic amongst the taxi/auto owners/drivers as they witnessed losses in their daily revenues and their very survival threatened [4]. On the other hand, the passengers - hitherto harassed and exploited by the taxi/auto drivers - had a smile on their face as they got comfortable journey ride at a most affordable price. This changing scenario in taxi services brought to the fore the issue of much-needed competition in the field of taxi services. Uber/Ola app-based taxi services with use of modern technology and smart phones triggered the competition and offered the consumers an attractive option to choose. Although Uber/Ola taxi fares were largely found to be attractive and affordable to the passengers, there was also some irritant which the passengers did not like and that was the Surge Pricing by Uber and Ola [5]. The algorithmic pricing by Uber and Ola at peak hours showed huge spurt in the fares which the passengers often found unpalatable. In fact, the very algorithmic fare structure lacked transparency and became the point of debate.

OLA:

1. Strengths:

- Grabbed the First mover advantage as a taxi aggregator in India
- Acquired Taxi For Sure which made it No. 1 in India
- High awareness among public due to aggressive TV, online and print media marketing techniques
- Huge customer base & due to network effect it is increasing.

- Rapidly expanding and online application
- Multiple rounds of venture capital investments have made the brand financially strong.

2. Weaknesses:

- Drivers are the face of the company and hence their misbehavior directly affects its brand image
- Monetization is very difficult as the demand is huge; amount of cash burning is huge

3. Opportunities;

- Potential is high as Unorganized market is huge (~90%)
- Increasing internet penetration & Smartphone users
- Rising disposable income of the people
- Huge demands as the customers look for more and more convenience in terms of hassle free drive and no tension of finding parking.
- Acquisition of smaller players in the market

4. Threats:

- New competitors entering the market
- Uber has deep pocket and hence can burn cash heavily
- Presence of many national players in the market
- Future is unclear due to lack of government regulations in developing countries.
- Customer loyalty is questionable in this industry.

Uber:

1. Strengths:

- Well-recognized brand
- Unlimited fleet of vehicles available. Regular Taxi service regulations are not applicable for Uber.

- Operational cost is quite low. As it relies on customer-to-driver interaction, a dispatcher is not needed.
- Very little competition.
- Dual rating system boosts safety and trust.
- Convenient system for the drivers. They can work for flexible hours and can even choose to be a part-time employee. Drivers can also reject unwanted clients.
- Lower prices as compared to traditional taxi operators.
- High valuation of Uber encourages many people to invest in it.

2. Weaknesses:

- Easily imitable ideas. Nothing will prevent competition from presenting the same product/service.
- Ethically questionable between Uber and the drivers. It is expected that loyalty between Uber and its drivers is quite low as it lacks real connection.
- Uber and its customers have no bonding. Incentive remaining with Uber is low.
- Cost of operating vehicles is very high. But, the drivers do not earn much.
- There are privacy concerns. Uber records where customer gets the taxi from and where he goes with it.

3. Opportunities:

- Customers are often dissatisfied with traditional cab companies because of their high prices and long waiting time and hence can exploit new and big markets in countries like India.
- Can tap growing markets in suburban areas where taxi services are not available.
- Estimated Time of Arrival can be reduced with rise in the number of Uber drivers which in turn will make Uber more liked by the customers and hence, the startup will get more revenue and drivers will also be profited.
- Cheaper electric cars can be used which will reduce the cost and increase the driver's profit margin.

4. Threats: • Low-profit margins causes dissatisfaction among the drivers. This might lead to bad publicity, which can in turn discourage the new drivers from joining Uber.

- Increasing competition will ultimately decrease prices. This will discourage drivers from joining the startup in new markets, resulting in loss of customers. Ultimately, Uber's revenues will decline.
- As new markets and drivers are joining, fraud and scandals are also increasing. It's damaging for the brand.
- Self-driving cars, e.g. Google Cars, can probably eliminate the need for Uber.

Bitter Rivals: Ever since Ola and Uber came into action in India, they have been in a head on competition. Since their emergence, both of the companies have been closely tracking their competitor's strategies. One key strategy of Uber regarding charging for fake bookings and delayed cancellation has levied against Ola in India [6]. Now comes the deep pocketed backers that Ola has been able to excel in. A lot of A-list investors such as Softbank, Tiger Global, DST Global and many others fund Ola. In fact, Didi Kuaidi of China which happens to be the world's largest app based cab provider, ahead of even Uber in the Chinese market, happens to be a backer of Ola [7]. Both Ola & Uber have been constantly offering cleaner, reliable and cheaper services than traditional taxis.

Special Programs by Ola and Uber: Ola Pragati is an initiative lead on by Ola to get drivers on board. The initiative helps drivers to avail a car loan from SBI and drive for Ola. Drivers that perform the best are called as OlaStars and are further awarded with additional benefits such as fuel subsidy, cash back and scholarships for their kids. Whereas Uber also followed a similar initiative called Uber Dost and also runs loan melas (fairs) to attract in new drivers. Their rewards include free insurance, benefits on health, education subsidy for kids, etc [8]. Coming to the service offerings by both the companies - different sizes of cars that offer different slabs of fares. For instance, the cheapest rides offered by both, namely, OlaMini & UberGo (hatchbacks) cost Rs. 5 to Rs. 8 per km. Except for the 20% that goes out for commission to the company; the rest of the income ends up with the drivers [9].

On April 4, 2016, Ola launched bus shuttles and further offered e-rickshaw services as well. The fares for these taxis vary from Rs. 23 per km for a sedan to Rs. 16 per km for a hatchback, but increase when ride demands are high. During the time of odd-even car plan in January launched by the Delhi government, Uber fares rose up to three times. Both the companies catch up on each other's updates really quickly. On March 3, 2016 a new category was introduced by Uber under bike taxi services and Ola launched the same within 24 hours. Other examples may include introducing auto rickshaws and cab pooling. Uber offers a lot more options in terms of mode of payment to the customers as compared to Ola [10]. Uber gives the option to pay via Paytm wallet, Airtel wallet, cash, debit & credit cards. While Ola introduced its own wallet Ola Money and also gives the option of paying via cards and cash. According to some reports by industry watchers, in India, Ola remains as

the undefeated champion in most rides per day. Being launched in 2011, two years before Uber entered India, Ola has had a head start over its rival. Having known the domestic environment and market earlier than its rival, Ola ramped up fast. Today, Uber serves in 26 cities in India, employing 250,000 drivers. Whereas, Ola is present in 102 cities with 450,000 drivers using the platform. Even though both companies have similar products/services and fares, they have individually adopted different strategies for long-term growth. On one side, Ola wishes to expand to more than its current 102 city radius; on the other hand Uber wants to go deeper in its current radius. India is a big name in terms of potential growth. Till now, 85% of the business of both the companies comprises from top ten cities of the country. Even though Indian market is much unorganized, 10% of the share of \$15 billion is in the hands of players like EasyCabs, Meru, Uber, Ola and more. In India, the battle in the taxi business will ultimately be between Ola and Uber. All the other competitors are bleeding as a result of their no-holds-barred battle. Siddhartha Pawha, CEO, Meru Cabs, says the objective of deep discounts (offered by Uber and Ola) is to kill competition. "Their fight is sign of desperation as billions of dollars are at stake." Meru, which has once been the leading player in the cab business in India, lost its position to Ola in 2015. It also approached anti-trust regulator Competition Commission of India in Bengaluru against deep discounting by Ola and Uber, which was dismissed later. "It is irrational pricing and unsustainable," says Rajiv Vij, CEO, Carzonrent, which runs EasyCabs. Carzonrent has put on hold part of its expansion plans. As said by Rajiv Vij, "The taxi market has been impacted due to pricing competition between Ola and Uber. We have not invested in growth for some time now. We believe some sanity will emerge in another one or two years as investors look for profits."

Price wars: Recently, both the companies have unfolded concrete price war which caused a windfall for consumers and upped the stakes for investors. In November 2015, Ola raised \$500 million more in response to Uber's highhanded presence and hence launched a new category called Micro in March 2016 which was even cheaper than UberGO; priced at Rs6 per km. Soon, Ola claimed micro as a category to be bigger than Uber's entire Indian business as a response to Alexander's boast. According to multiple industry executives, Ola's claims on Micro are unsubstantiated but the category has transformed the company's fortunes, at least for now. As reported in Mint on 15 June, 2016 Though Ola has reversed much of its last year's market share loss to Uber, but this reversal of fortune for Ola has come at a cost. While Ola opened up a big gap against its rival and has jumped since the launch of Micro, the company has also faced cash burns. In an attempt to match Uber's spending power, Ola has already raised about \$1.2 billion from investors so far, but needs to gear up to give actual competition to Uber's spending power. Uber has already raised \$3.5 billion from Saudi Arabia's Public Investment Fund and is likely to raise another \$2 billion in leveraged loan, as reported by The Wall Street Journal in June.

Heavy Investments: According to Mint's report on 15th June, 2016, Ola has initiated talks with investors, both new and existing, to raise another \$300-400 million. In order to be sure, investors are becoming cautious about their bets, even with online retailers such as Flipkart and Snap deal etc, struggling to raise funds at their current valuations. Both Ola and Uber need more cash as they invest heavily in client acquisition and retention, driver incentives and a gradual supply of (new) cabs. Analysts say because Ola is the sole Indian cab company of any scale, it has better chances of raising money than leaders in other businesses. Besides, one of its strategic investors, Didi, is flush with funds, having raised \$7 billion in June from a clutch of investors, including Apple Inc. and China Life Insurance Co. According to Mint's report as on 15 June, 2016. Ola has started a new leasing subsidiary, Ola Fleet Technologies Pvt. Ltd, and committed an initial investment of Rs.500 crore to this arm, while about \$7 million has been invested by Uber in its leasing partner, Exchange Leasing India Pvt. Ltd, between January and March, 2016.

“We have close to 80% market share and we will continue to build on our competencies. We are an Indian company with a much deeper understanding of the needs of Indian consumers, and our focus is to offer seamless experience to them. It is always good to have competition. It keeps us agile,” the Ola spokesperson said. Ola claims to have more than 450,000 vehicles providing services under it, including cabs, auto rickshaws and regular black-and-yellow cabs. Uber claims to have more than 350,000 drivers on its platform, but does not disclose the corresponding number. “The kind of customers you want to approach with your offering matters. For example, the upper middle class or premium customers are a thin segment. You need to get into the middle class. They are going to be hard-nosed about how much they spend on transportation every month. That means price points need to be lower to attract a larger audience, over a period of time, the volume will ensure the business starts making sense even at a lower price point” said Vinod Murali, managing director, InnoVen Capital India.

CONCLUSION:

The study of public transport solutions poses significant challenges beyond operational issues and modeling passenger flows for aggregators like Uber VS Ola. Technological issues seem to be less of a problem than legislative and organizational issues. However, one big takeaway from this article is the crowd sensing-based transportation services that can contribute to smoother and sustainable transportation in the years to come. This article seeks to understand the dynamics of India's taxi market by studying various factors like the pricing, market share, revenue models, etc. The paper is qualitative in nature and based on secondary data collected from different sources. India's major attractiveness lies in its market size and increased purchasing power resulting in uplifting lifestyles. On the other hand Indian consumers are smart, very demanding and highly

price-sensitive with no brand loyalty; managing such market is not an easy task. Companies need to constantly be on their toes and keep designing new packages and offers to allure the customers for long which at times result in a lot of cash burn.

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