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Ola gears up for the Australian market

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On a warm April morning, Kostas Karras picks up a passenger from The Rocks in the shadow of the Sydney Harbour Bridge in Australia. On the windshield of his blue Mazda CX7, the 42-year-old genial driver has put a new sticker with a greenish yellow circle: Ola. India's leading ride-hailing platform has driven to Down Under in its first overseas expansion. In what is seen as an audacious foray, Ola launched in Perth in February and in Sydney in March. Last week, Ola, which raised \$1.1 billion in 2017, expanded to Melbourne. The company plans to extend its presence to other cities, including Brisbane, Gold Coast, Adelaide, Darwin and Hobart, over the coming months. What has made Ola go to Australia? Uber, which entered the market in 2012, has shaken it up. Taxify, a European company, launched operations late last year.

Then there is competition from local players such as GoCatch, iHail and GM Cabs. Chandra Nath, who took over as vice-president and head of international, Ola, six months ago, told ET Magazine in Sydney that the time was right to take the company global. "It was obvious when I joined that the scale of our operations — a large engineering team and 125 million users across 110 Indian cities — was robust enough to go global," he says. "We spoke to regulators and government agencies and were attracted by the principles of fair competition in Australia. It is also a large market with diversity — this made the decision easy, given our experience in India." Satish Meena, senior forecast analyst at research and advisory firm Forrester, says Australia is an easy choice for Ola because of the limited number of competitors. Regulatory challenges are also less in Australia than in European countries. "Ola is continuously trying to expand by adding more services like grocery, shuttle and vehicle options in India but most of them are either not giving them enough value in terms of revenue or have failed. So expanding to another geography is the next logical step," he says. Meena feels that South Asian countries like Bangladesh and Sri Lanka present challenges similar to India in terms of profitability, while Southeast Asian markets are already crowded. "Europe and the US are difficult to manoeuvre. This makes Australia a preferred choice for Ola." According to Ola, 15,000 drivers have signed up on its platform in Australia. Co-founder and CEO Bhavish Aggarwal says the company sees immense potential in the country, which embraces new technology and innovation: "With a strong focus on driver-partners and the community at large, we aim to create a high-quality and affordable travel experience for citizens in Australia." In a bid to draw drivers to its platform, Ola is charging only 7.5% of fares as commission; Uber charges 22%. "While the fact that we are charging a lower commission from the drivers is attracting them quickly, listening to them and making changes based on their advice are giving them a sense of empowerment," says Nath. The driver Karras, who uses Taxify and Uber platforms apart from Ola, agrees: "Ola helps increase my income the most. Also, from Day One, Ola authorities have been more responsive than others and show a human touch. I have already spoken to them at least 10 times and met them thrice in these few weeks. With the other companies, there have only been automated responses." Aman Kumar, chief business officer for Kalagato, a business intelligence and data analytics firm, says Uber is now less aggressive, after Dara Khosrowshahi replaced its volatile CEO Travis Kalanick in mid-2017, and that may work in favour of Ola in the Australian market. "Uber is no longer an aggressive company and its priorities too have changed. The new CEO is willing to compromise for the sake of sound fundamentals and business sense." Kumar says Australia is a cosmopolitan market and could become a great testing ground for Ola products before the company decides to move to other countries. "The profile of taxi drivers in the Australian market is different from that in India — many, including overseas students and new immigrants, do part-time driving. That makes the dynamics of the company's relationship with its driver-partners very different." According to an independent report compiled by the audit firm Jain Ambavat & Associates in March 2017, which was part of Ola's disclosure to the registrar of companies, Ola is projected to turn profitable by 2018-19 and rake in \$1 billion as profit by 2021. These projections are part of the company's valuation report dated March 18, 2017. The report further stated that the firm would achieve a net operating profit after tax of Rs 1,170 crore in 2018-19. In the subsequent two years, profits after tax are projected to grow to Rs 3,327 crore and Rs 6,423 crore, respectively, according to the report. However, Ola's Australia operation is unlikely

to be profitable anytime soon, says Kartik Hosanagar, professor of operations, information and decisions at the Wharton School, US. He says Ola's expansion to Australia marks an interesting, new phase for Indian tech companies. "We are starting to see Indian entrepreneurs building global companies. Zomato and Practo have already led on this front." Australia, he adds, is going to be a competitive market for Ola. "Uber has been there for five years and is doing well with over a million rides a month. Ola is a late entrant. They have to discount aggressively to lure customers and offer high commissions to lure drivers away from the incumbents." Also, Ola needs additional revenues to justify the valuations. Ola's venture into Australia will illustrate whether and how the company will expand further internationally. Forrester's Meena warns about the troubles Ola is facing in India where "high-frequency customers are moving to Uber". This will remain a challenge in Australia as well, he says. Meena says in India, Ola's ticket sizes have declined to `120-150. This is because of the success of share rides and autorickshaw rides, which are difficult segments to become profitable. Australia, according to him, offers an opportunity for Ola to increase the average spend by customers. "That will, however, depend on the overall customer experience in which, I feel, Ola might struggle in Australia." Ride Now John Renouf, 55, a schoolteacher in Sydney, started out as a weekend driver about two years back to make some extra money. Now, he owns a cab and is more a taxi driver than a teacher. "Ola's low commission rate has a big positive impact on the earnings of drivers like me," he says. Ola is not used much during the peak office hours in the morning, he says, but picks up in the evening and afternoon. "That will probably change as more and more people start using the platform." Like Renouf and Karras, there are many who work part-time or on weekends as cab drivers. Manish, an engineer who did not want to share his second name, is a manager in an IT firm in Sydney. He moved to the city a decade back from Mumbai. "Life is expensive here and I turn my car into a cab during the weekends for some extra income," says Manish, who is now an Australian citizen. After driving with Uber for over a year, he has recently switched to Ola. "The platform is new and I feel there are still some teething troubles regarding support for drivers. This will be sorted out soon, hopefully, as the company ramps up its operations here." The taxi industry in Australia has been fighting for a level-playing field with ridesharing companies for some years. "The emergence of rideshare players in a highly regulated market has created inequities, which the Australian government needs to address," says Nick Abraham, deputy chief executive officer, New South Wales Taxi Council. Rideshare companies don't have strict regulations: while they can remove drivers following bad ratings, cab companies find it difficult to take action against them. The cost of operation of taxis and authorisation of drivers, which includes, among other things, knowledge of English, are tougher for taxi companies. The competition is intense, and Ola is going all out to make the brand visible. At the Sydney airport, Ola signage greets travellers at the baggage claim carousel. To celebrate its Melbourne launch, it is offering free rides for a week. The company has introduced a number of initiatives, including daily payments and community town halls for drivers. It has a local support team and is tweaking the app to offer better availability of rides for customers and get faster feedback from them. The Australian team is being ramped up with the appointment of Natasha Daly as marketing director and office spaces are being rented out in different cities. Meena says while Uber is the main competition for Ola, they can, at some point of time, extend the understanding between SoftBank and Uber to consolidate. Not in India, says Uber COO Barney Harford. He told ET on Friday that unlike markets such as China, Russia and Southeast Asia, where the company exited operations to local competitors, it is in a position of "strength" in India: "We are here for the long run and will not look to make a minority stake deal." Ola's future might be uncharted but the global ride is on.

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