

# Finlatics BAEP Case Study

## Rapido

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Q. How will Rapido's zero commission-based business model impact its profitability and sustainability in the ride-hailing industry?

### **Impact on Profitability :**

1. Revenue Streams : Rapido's revenue from core operations may be considerably reduced in a zero-commission model since it would not get payment for each ride. In order to maintain profitability, the business would have to look into other sources of income like
  - 1.1 Subscription costs for passengers or drivers.
  - 1.2 Collaborations for in-app marketing or advertising with companies.
  - 1.3 Ancillary services such as insurance or rider maintenance.
2. Cost Control : Strict cost control will become essential as commission money would be removed. In order to minimize operating costs, Rapido would have to pay less for marketing, customer service, and technological upkeep.
3. Market Growth : Because the zero-commission model has cheaper expenses, it may draw in more drivers and riders and

grow its market share. But maintaining this expansion would mean making large infrastructure and technological investments, which would have an effect on short-term profitability.

**Impact on Sustainability :**

1. Driver Retention: Because the zero-commission model offers higher earnings, it is expected to draw in and keep a larger number of drivers, improving consumer satisfaction and service availability. However, if there isn't enough alternate revenue to offset the cost of operating a large fleet without receiving payment for each ride, it could put a strain on finances.
2. Customer Loyalty: Reduced rider prices may result in more devoted customers and more utilization, building a robust user base. The difficulty, though, is turning this commitment into long-term, steady revenue.
3. Competition and Market Positioning: Rapido's zero-commission business plan might present it as an affordable substitute in the cutthroat ride-hailing market, upending established companies. However, Rapido's capacity to expand this model without sacrificing customer satisfaction or financial stability would be necessary for long-term viability.

In conclusion we can say that Rapido's market penetration and user base may be increased by the zero-commission business model, but it presents serious obstacles to long-term sustainability and profitability. To effectively maintain this model, the business would need to diversify its sources of income, reduce operating expenses, and concentrate on customer and driver retention tactics.

Q. What is Rapido's current market position as determined by its SWOT analysis, highlighting its strengths, weaknesses, opportunities, and threats in the ridesharing industry?

# SWOT ANALYSIS



## Strengths:

1. **Niche Market Focus:** Rapido primarily focuses on bike-taxi services, which allows it to serve a unique segment of the market with lower operational costs compared to traditional car-based ride-hailing services.
2. **Cost Efficiency:** Due to the use of two-wheelers, Rapido offers a more affordable and quicker transportation solution in congested urban areas, appealing to cost-conscious customers.

3. Large Customer Base: Rapido's focus on affordability and accessibility has helped it build a strong customer base, particularly in tier 2 and tier 3 cities where public transportation options might be limited.

### **Weaknesses:**

1. Regulatory Challenges: The bike-taxi model faces legal and regulatory issues in various states across India, which could limit Rapido's expansion and operational stability.
2. High Competition: Despite its niche, Rapido faces intense competition from other established ride-hailing giants like Uber and Ola, which have larger financial resources and brand recognition.
3. Dependence on Drivers: Rapido's reliance on a large number of individual drivers means that fluctuations in driver availability can directly impact service quality and customer satisfaction.

### **Opportunities:**

1. Expansion to New Markets: Rapido has the potential to expand into more cities, both within India and internationally, where the bike-taxi model could be introduced as an innovative transport solution.
2. Diversification of Services: By offering additional services such as delivery (Rapido already has a delivery vertical), the company can increase revenue streams and reduce reliance on ride-hailing alone.
3. Partnerships and Collaborations: Collaborating with local businesses, public transportation networks, or integrating with smart city initiatives can enhance Rapido's market presence and service offerings.

**Threats:**

1. Regulatory and Legal Hurdles: Continued legal challenges and potential bans in key regions could severely impact Rapido's operations and market expansion plans.
2. Competitive Pressure: Larger ride-hailing companies may enter the bike-taxi segment or increase their focus on it, leveraging their existing user base and resources to outcompete Rapido.
3. Economic Instability: Economic downturns or fluctuations in fuel prices could affect both driver participation and customer usage, impacting Rapido's profitability and sustainability.