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# OLACABS: RIDING ON A HIGH[1]

*Saju B., Harikrishnan K. and Joseph Jeya Anand S. wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*



In December 2014, top management at Olacabs, a pioneer in the taxicab aggregation business in India, confronted several critical issues that were posing serious challenges to the company.[2] The Indian government had temporarily banned cab services offered by aggregators due to an incident involving an Uber cab (one of Ola Cabs' competitors) driver's assault on a female passenger.[3] Subsequently, new regulations were put in place to protect passenger safety, which stipulated that cab aggregators must obtain a licence under the radio taxi category by making further investments in company-owned cabs.[4] This was a major blow to Ola Cabs as the company was a technology platform provider that connected customers with cab owners. The situation forced Ola Cabs' management to revisit the company's growth strategy, and to consider how it could maintain growth momentum in light of the dynamic nature of regulatory frameworks that clashed with the existing business model.

The situation required quick resolution as Ola Cabs was going through a major phase of unprecedented growth and had set ambitious targets in terms of revenue. The company had been growing at a rate of 40 per cent month on month, and had more than 50,000 cabs in its network that spread across 28 cities.[5] Expanding at a rate of five to seven cities per month, Ola had envisaged a plan to have a presence in 200 cities by the end of 2016.[6]

## COMPANY BACKGROUND

Olacabs, the brainchild of Bhavish Agarwal and Ankit Bhati, both alumni of the Indian Institute of Technology, was floated under ANI Technologies Pvt. Ltd. in 2010.[7] The company called itself a "full-blown personal transport solution that a user could blindly trust."[8] In August 2011, it received US$330,000 in angel funding to fuel its expansion.[9] The investor community took note of Olacabs' business model when Tiger Global Management, one of the world's leading private equity players, invested almost US$30 million in two rounds of funding between April 2012 and November 2013[10] (see Exhibit 1). Olacabs' business model was that of a marketplace aggregator, and used technology to disrupt the existing system of taxi services to help customers connect with all types of taxicabs and rental cabs. The market in India was largely unorganized but for a few radio taxi service providers in major cities. Most of the general car rental and private taxi operators were underperforming in terms of scale of operation and customer service. They provided few amenities to customers in terms of technology interface for booking or detailed information on the condition of their cabs. Many operators were

notorious for "fleecing" customers by intentionally taking long routes (for customers who were not familiar with their surroundings) or charging more during (supposedly) busier times (known as dynamic pricing). Non-availability of services during late night hours and long wait times were other issues that added to the frustration of customers.

Olacabs sensed a huge market opportunity in this chaotic industry and leveraged technology to provide a solution to end the predicament of customers. It devised a technology platform to shape a marketplace model in which the company did not own a fleet of cabs like typical radio taxi operators. This new model allowed customers to compare the different rates offered by various operators before picking a cab. Moreover, it provided the freedom to rent a car for outstation or local trips.

The company had grown rapidly in terms of number of operators who had signed up with the network, as well as in terms of the number of total cabs available, registering a whopping 100 per cent growth in number of cabs attached since the second half of 2013.[11] By October 2014, Olacabs had a valuation of approximately INR1 billion, supported by INR210 million in funding from Japan's SoftBank Capital. By December 2014, it had become the largest taxi aggregator in India, with a presence across 28 Indian cities, and a network comprising more than 11,000 operators and 50,000 cabs.[12] As a result, Olacabs was providing more than 200,000 trips a day.[13]

The company had identified its "big hairy audacious goal"[14] as "easing the pain involved in car rentals in India."[15] Its business philosophy was rooted in leveraging technology to enhance the entire ecosystem of car rentals by delighting customers. As of December 2014, Olacabs was operating three types of services: a) luxury sedans; b) mid-range sedans; and c) economy-range hatchback cars.[16]

## CAB MARKET IN INDIA

Despite its massive population of 1.2 billion, India had only 12 passenger cars per 1,000 people[17] and had about 1.8 million registered commercial passenger cars (see Exhibit 2). As a personal transportation system, taxicabs were not widely available in many Indian cities except Mumbai and Calcutta. Auto-rickshaws (three-wheelers) were the preferred mode of personal transport for many, but were only suited for very short rides.

The Indian taxi market was worth US$6 billion and had a compound annual growth rate of 20 per cent, of which only about 5 per cent belonged to the organized market (as opposed to approximately 75 per cent in developed countries) comprising radio cabs, private car rental operators and cab aggregators.[18] The market was projected to grow to $25 billion by 2025.[19] The cab industry in India comprised the following segments: a) point-to-point city taxis; b) car rentals including self-drive cars; c) airport and railway station cabs; and d) outstation and long-distance cabs.

Different states had different regulations regarding taxi fares and driver certification procedures. There was a general shortage of skilled drivers to meet the requirements of the growing number of discerning customers in many cities.

### Radio Taxis versus Emerging Aggregators: The Cab Wars Begin

The origin of the radio taxi industry was firmly rooted in the ownership model, wherein companies owned each fleet and drivers paid 20 to 30 per cent of fares — roughly INR1,000 to INR1,400 per day — to the company.[20]

Operators were required to own a minimum number of 500 cabs in order to obtain a radio taxi licence as per the Motor Vehicles Act, which also required driver verification and stipulated that each driver hold a badge to drive a commercial passenger vehicle.[21] Hence, radio taxis were not allowed to use any cabs that did not have a commercial permit. Obtaining a taxi permit cost around INR200,000 in Mumbai (and at least INR50,000 in many other cities) and the process was often delayed by the rigid bureaucratic system of the Regional Transport Office (RTO), which worked at a snail's pace. Moreover, radio taxis had their fare meters calibrated every year by RTO authorities; as a result, per kilometre charges could not be altered at will. In contrast, the new breed of aggregators faced few entry barriers and claimed that they were not bound by those regulations as they were technology platform providers and not "typical cab operators." In addition, it was easy for these aggregators to apply dynamic pricing by updating meter charges using electronic billing systems, which led to price wars. This practice was nearly impossible a few years back before 2012.

The aggregator model had been a disruptive innovation brought about by Internet companies and accelerated by the surge in the use of smartphones and online payment facilities. This model had witnessed the emergence of many online firms in India, such as travel aggregators (e.g., makemytrip.com), bus ticketing portals (e.g., redbus.in), movie ticket aggregators (e.g., bookmyshow.com) and online commerce sites (e.g., flipkart.com, snapdeal.com, etc.). These firms clocked unprecedented growth in run rates by ousting many offline rivals, and attracted millions of dollars in valuations.[22] By leveraging the aggregation model, these companies had redefined traditional business strategy in their respective categories and redrawn industry structure in their favour. Though most of these ventures had not turned profitable as of December 2014, they were banking on significant future growth potential.[23]

Cab aggregation, even globally, was a new phenomenon and lacked solid business models. Cab aggregators connected taxi operators/drivers with a large number of customers by giving them better chances for effectively utilizing a depreciating asset. Using web- and mobile-based technology, aggregators improved drivers' chances of securing more trips per day and expanding their choice of trips. Customers were assured of competitive rates, accurate billing and enhanced safety since cabs could be tracked in real time with known driver identity.

The growth of aggregators prompted the Association of Radio Taxis in India to demand government interference to regulate them.[24] The main point of contention was that aggregators could freely change taxi fares and had low operations costs as they did not own their fleets. Many drivers employed by traditional cab companies and radio taxi operators found aggregators like Olacabs, TaxiForSure and Uber more attractive in light of the seemingly higher earning potential they offered.[25] As a result, small operators found their operations were becoming financially unviable.

## OLACABS' BUSINESS MODEL AND KEY SUCCESS FACTORS

### Cab Booking

When booking a cab through Olacabs, customers could use the company's website or contact the call centre (open 24 hours per day/ seven days per week) using a toll-free number similar to the one provided by typical radio taxis. Customers could also book using the Olacabs mobile app, which used GPS and Google Maps to locate and alert nearby cabs. This was significant as India had been on the cusp of a mobile Internet revolution (see Exhibits 3 and 4). Olacabs was the largest mobile app-based cab aggregator and had over 33,000 cabs for customers to choose from.[26] In this way, it was possible for customers to view, book and track their cabs in real time.

It was not mandatory for a customer to register or create an account in order to use Olacabs. The company offered full refunds if the booked vehicles did not show up, and in case of a delay in arrival it provided the option to request an alternative cab or obtain a refund. Moreover, customers could cancel bookings up to 48 hours before the journey, and receive a 50 per cent refund for cancellations made up to 24 hours in advance.[27]

The website was a comprehensive site that not only helped customers book the service but also provided comparisons across different operators, prices, facilities, etc. Customers could also access information on different services and cabs, including information about features and amenities such as video screens, newspapers, general quality/cleanliness, etc. In addition, information on upcoming festivals or other tourist attractions in different cities was provided through blogs and social media updates.

### Cab Delivery

A mobile app installed in each driver's smartphone (provided by the company) doubled as the interface between the company and the cab driver, and the meter for calculating fares and distance travelled. Google Maps and GPS helped the driver to navigate. The software tracked idle cabs in a particular location based on proximity to customers and guided them to customers with the help of GPS coordinates.[28]

Usually only pick-up locations were sent to drivers whereas drop-off locations were withheld. Customers' requests were viewed by all drivers in the vicinity and interested drivers could accept the requests. Once acceptance was given, the company provided the drivers with the appropriate details. The mobile app at the driver's end allotted and connected the right cab to the customer based on acceptance of the request and proximity to the customer's pick-up location.

### Payment

In the aggregation model, Olacabs offered total transparency with respect to different operators and their pricing. Prospective passengers were empowered to make the best decision as information asymmetry was eliminated and the power to choose was with the buyer. Olacabs allowed customers to make payments using credit/debit cards, Internet banking or cash. In 2014, it launched a closed loop prepaid wallet app, Ola Money, which could be charged online to enable cashless payment (complete with electronic receipt).[29]

### Creating "Driver Entrepreneurs"

The company had been following an "asset-light" model, wherein it did not own the actual cabs as that demanded huge investment as well as regular maintenance costs. Therefore, the business model focused on adding operators or individual drivers with cabs in good condition to the network.

In Olacabs' business model, drivers were seen as entrepreneurs.[30] Drivers could attach their vehicles to the company after a verification and training process that introduced basic etiquette and customer service precepts as well as operational details. After joining the network, each cab sported the company signage and a smartphone (given by the company against a deposit) with Olacabs' mobile app.

It was also possible for drivers to undertake other trips on their own after joining the network; however, they were not allowed to take on unassigned trips while logged in to the mobile app. This feature addressed the serious problem faced by radio taxi drivers of underutilization of their vehicles. In the radio taxi model, drivers were not allowed to undertake any trips on their own and, on average, a taxi driver could make only about five metered trips per day.[31] Consequently, in order to accumulate four to five hours of paid trips, a cab had to be on the road for 10 to 11 hours per day.

A large portion of Olacabs' operating revenue consisted of commissions (approximately 10 to 20 per cent) of the metered charges for all trips. Vehicle maintenance and periodic service was the responsibility of the cab owner. The company also charged a small fee from operators for access to its technology platform.

For an operator, the revenue model was as follows. For a cab that ran about 1,500 kilometres per month, expenses would total approximately INR40,000. Of this, INR15,000 would go towards the equated monthly instalment (EMI) to the financier if the vehicle was bought on loan, and about INR7,000 to INR9,000 to fuel costs. Service and maintenance would require INR4,000 to INR5,000. The driver or individual owner could pocket INR10,000 to INR15,000 net profit. For drivers without a loan burden, profits could easily reach INR30,000 in a good month.

Olacabs realized that driver cooperation was crucial to the success of this model. Accordingly, management encouraged drivers to take ownership for the business, emphasizing that industrious drivers could earn sufficient profitability and return on investment.

The cab drivers delivered the company's service, and the standardization of delivery depended on driver sophistication and efficiency that could be imparted only through continuous training. Therefore, Olacabs invested in driver education to enhance customer service and etiquette training. Retaining drivers was an important task as many drivers had started experimenting with different cab operators. Olacabs had started initiatives to retain drivers by providing incentives for those who ran more trips and earned more revenue.[32] It had also partnered with financial institutions to make car loans available for drivers.[33] Further, the company provided fringe benefits in the form of reimbursement for medical expenses incurred for drivers (and their families) who had been with Olacabs for more than three years.[34] In yet another scheme, free education was offered for children of the drivers who achieved the best ratings in performance assessments.

### Operations

Other key competencies for cab aggregators included fleet optimization, customer allotment and call centre management. Olacabs leveraged analytics to develop better strategies for managing available inventory by striking a balance between demand and supply.[35]

Sourcing played an important part in adding more operators and cabs to the network. The city manager typically looked after the operators and made sure that positive relationships existed between Olacabs and its operators.[36] This was identified as a vital activity for the retention of operators in a competitive market. Another concern related to operation was customer wait time. During non-peak hours, cabs needed to be booked at least 40 minutes in advance and this wait time was much longer during peak hours.[37] In comparison, global competitor Uber had envisaged a model to make a cab available in just five minutes.[38]

### Surge Pricing

Dynamic pricing tactics such as surge pricing were introduced globally by Uber.[39] In this model, charges varied on an hourly basis based on real-time fluctuations in demand and supply.[40] During peak hours, rates increased up to three times the normal charges; this pricing strategy made Uber a very popular choice among drivers.

Olacabs experimented with the surge pricing model in four cities (Mumbai, Delhi, Bangalore and Chennai) with variation to take advantage of the regulatory loopholes regarding the taxi aggregator business model.[41] There were no unified taxi rates across states. The company used different pricing for standard and prime services, and surge pricing was introduced during peak hours when demand would rise and supply would come down (see Exhibit 5). During peak hours (7:00 a.m. to 10:00 a.m. and 4:00 p.m. to 7:00 p.m.) it charged a flat fee of INR50 on its services in addition to the normal rates.[42] The possibility of surge pricing reduced drivers' losses and many drivers logged in to the network during peak hours looking for better deals.[43] This helped Olacabs to add more inventories to manage any spike in demand.

### Technology and Analytics

As a technology platform provider, technological excellence was a key strength of Olacabs. The company competently ran the back-end operations, while the drivers were entrusted with managing and maintaining the cabs for better service delivery. The technology development team undertook website and app development, call centre management, and driver-passenger connections. Related competencies included management of software, information technology (IT) systems, servers and call centres.

The use of analytics had been critical for the company. It used optimization models and real-time analytics to predict and control demand and supply conditions.[44] For instance, analytics provided insight into traffic bottlenecks and approximate journey times, road conditions, and demand patterns over different time slots and locations.[45] With better use of analytics, Olacabs was able to effectively utilize the idle time of the drivers to match available inventory with the surging demand. Notably, in the taxi industry, about one-fifth of total customer requests could not be accommodated by radio taxis and aggregators.[46] Analytics could address this gap, as well as provide insight into driver behaviour and productivity. Olacabs used AMEYO software solutions as the backbone technology for customer interaction management (CIM), which integrated the customer relationship management (CRM) and short message service (SMS) back-end applications.[47] This solution was integrated with internal CRM for auto population of leads and scheduling of automatic call backs on customer queries.

### Quality Audits

Olacabs conducted random audits to ensure that variability in service quality was eliminated as far as possible.[48] It also conducted a thorough inspection of the vehicle before the cab was listed on its website. After making sure the cab met the benchmark, the driver was trained in soft skills enhancement and customer service etiquette.

### Branding and Promotions

It was a boon for small operators and individual cab drivers to get their service under the Olacabs brand. They benefited from the corporate branding done by the aggregator, which resulted in instant brand

recognition and recall by customers. Olacabs used its website and social media platforms to listen to customers, and engaged in learning from conversations and feedbacks. According to social media research agency Simplify360,[49] Olacabs had the highest share of voice (about 46 per cent) in the radio taxi industry. It also advertised in local media, including via radio stations. The company's advertising efforts always reached much more visible levels around the time of its launch in a new city.

By December 2014, Olacabs started sponsoring television shows and events.[50] The promotion scaled new peaks with enhanced spending on national print media and a wider digital presence through search engine marketing, display and banner ads. Olacabs pioneered the practice of encouraging more consumers to use mobile apps to book cabs by giving them a 10 per cent discount on the total fare if the booking were made through these apps.[51] By the end of 2014, the company also launched schemes for first-time app users, including INR200 off total ride charges. All of these promotional activities were used to penetrate the non-user population by inducing trial; however, building brand loyalty remained a challenge as the market had seen a flurry of activity by competing brands that were also expanding their networks (see Exhibits 6 and 7).

## UBER INCIDENT IN DELHI: A MAJOR SETBACK FOR CAB AGGREGATORS

On December 5, 2014, an Uber driver allegedly assaulted a 26-year-old female passenger in Delhi.[52] This was a major blow to Uber, as the incident dented the very model the company had promised (namely, safe transportation). There was no GPS device fitted in the cab other than the driver's smartphone, which could be turned off by the driver. Another serious issue that surfaced was the lack of thorough background verification of cab drivers. As the police enquiry later revealed, the accused driver had a criminal record and proper verification had not been undertaken by Uber before enrolling him.[53] The incident received unprecedented media attention and people took to social media to express their anger (#DelhiShamedAgain trended heavily on Twitter). Growing public outrage culminated in the Indian government banning Uber services in all major cities.[54] Subsequently, many Indian states started banning all cab aggregators, including Olacabs.

The tragic event drew attention to many hitherto unknown regulatory issues. Prior to the incident, cab aggregators considered themselves technology companies and did not have to obtain a licence to operate taxis as radio cab companies did. Henceforth, the government elected to make such licences mandatory for all aggregators.[55] However, by January 2015, aggregators like Olacabs were back on the road in most cities as the ban primarily affected Uber in many states.[56] Nevertheless, the fallout of this episode cast doubts on Olacabs' future growth plans.

## GETTING READY FOR OLACABS 2.0

The message was clear. Olacabs had to improve its safety measures by investing more money into passenger safety systems and driver verification. One competitor, Meru, had already launched "Meru Eve" exclusively for women passengers.[57] This new service utilized female drivers trained in self-defence and safety. Meru Eve also featured a panic buzzer and pepper spray within reach of the rear passenger. TaxiForSure, another competitor, was working with MapmyIndia, a company that provided GPS-based navigation devices that could be fitted into the car dashboard to ensure safety. TaxiForSure also had plans to install a panic button in its cabs, which would set off an alarm to notify the nearest police station in the event of any emergency.[58]

In view of all of these developments, Olacabs was contemplating a three-pronged strategy to deal with safety issues. The first option was a safety device that allowed passengers to raise the alarm and call for help if necessary.[59] The device could send location, cab and driver details, and GPS coordinates through text messages to select family members or friends of the passenger. The second option was to launch Ola Pink, an all-women cab service similar to Meru Eve, in select cities. The third option was a detailed driver verification policy that could be outsourced to an expert service provider. Pressure to perform and show operational profitability was also being felt from private equity investors (see Exhibit 8). Achieving overall operational excellence was another concern. There was a pressing need to grow volumes in terms of number of cabs attached to the network and number of trips per cab, since in each city, the player with the maximum number of cabs in its network had a clear advantage.

However, there was also a growing fear in the aggregator community that the impending regulations would lead to regulations for streamlining fares as well. Olacabs' choices in this regard were to acquire a small cab operator with a licence or to invest in a minimum number of cabs (e.g., 500). At the same time, the company needed to invest in brand building and to help in easy brand recall. Reducing customer waiting times could be yet another key objective, along with the need to grow a pool of reliable, competent drivers. In general, customers were looking for the best deals and brand loyalty was not set in many cities. Could Olacabs continue its smooth ride towards success?

## EXHIBIT 1: PRIVATE EQUITY FUND FLOW TO OLACABS (ANI TECHNOLOGIES PVT LTD)

| **Year/Funding round** | **Funding value** (in million US dollars) |
|---|---|
| 2014 - D round | 210 |
| 2014 - C round | 41.8 |
| 2013 - B round | 23.2 |
| 2012 - A round | 5 |

*Source: Compiled by case author based on www.vccircle.com and www.vccircle.com/news/technology/2015/01/20/olacabs-talks-raise-500m-2b-valuation, accessed January 26, 2015.*

## EXHIBIT 2: TAXI STATISTICS BY STATE

| **States** | **Registered Taxis** | **Population** |
|---|---|---|
| Andhra Pradesh | 114,923 | 84,580,777 |
| Arunachal Pradesh* | N/A | 1,383,727 |
| Assam | 28,161 | 31,205,576 |
| Bihar | 43,623 | 104,099,452 |
| Chhatisgarh | 8,723 | 25,545,198 |
| Goa | 13,306 | 1,458,545 |
| Gujarat | 74,512 | 60,439,692 |
| Haryana | 19,978 | 25,351,462 |
| Himachal Pradesh | 23,791 | 6,864,602 |
| Jammu & Kashmir | 21,307 | 12,541,302 |
| Jharkhand | 296,771 | 32,988,134 |
| Karnataka | 129,272 | 61,095,297 |
| Kerala | 96,666 | 33,406,061 |
| Madhya Pradesh | 110,730 | 72,626,809 |
| Maharashtra | 168,496 | 112,374,333 |
| Manipur | 1,896 | 2,570,390 |
| Meghalaya | 14,507 | 2,966,889 |
| Mizoram | 7,246 | 1,097,206 |
| Nagaland | 6,716 | 1,978,502 |
| Orissa | 44,585 | 41,974,218 |
| Punjab | 15,837 | 27,743,338 |
| Rajasthan | 76,317 | 68,548,437 |
| Sikkim | 8,011 | 610,577 |
| Tamil Nadu | 243,425 | 72,147,030 |

## EXHIBIT 2 (CONTINUED)

| | | |
|---|---|---|
| Tripura | 3,468 | 3,673,917 |
| Uttara Khand | 20,896 | 10,086,292 |
| Uttar Pradesh | 47,364 | 199,812,341 |
| West Bengal | 80,012 | 91,276,115 |
| A. & N. Islands | 489 | 380,581 |
| Chandigarh | 3,275 | 1,055,450 |
| D. & N. Haveli | 146 | 343,709 |
| Daman & Diu | 46 | 243,247 |
| Delhi | 62,839 | 16,787,941 |
| Lakshadweep | 140 | 64,473 |
| Puducherry | 1,943 | 1,247,953 |

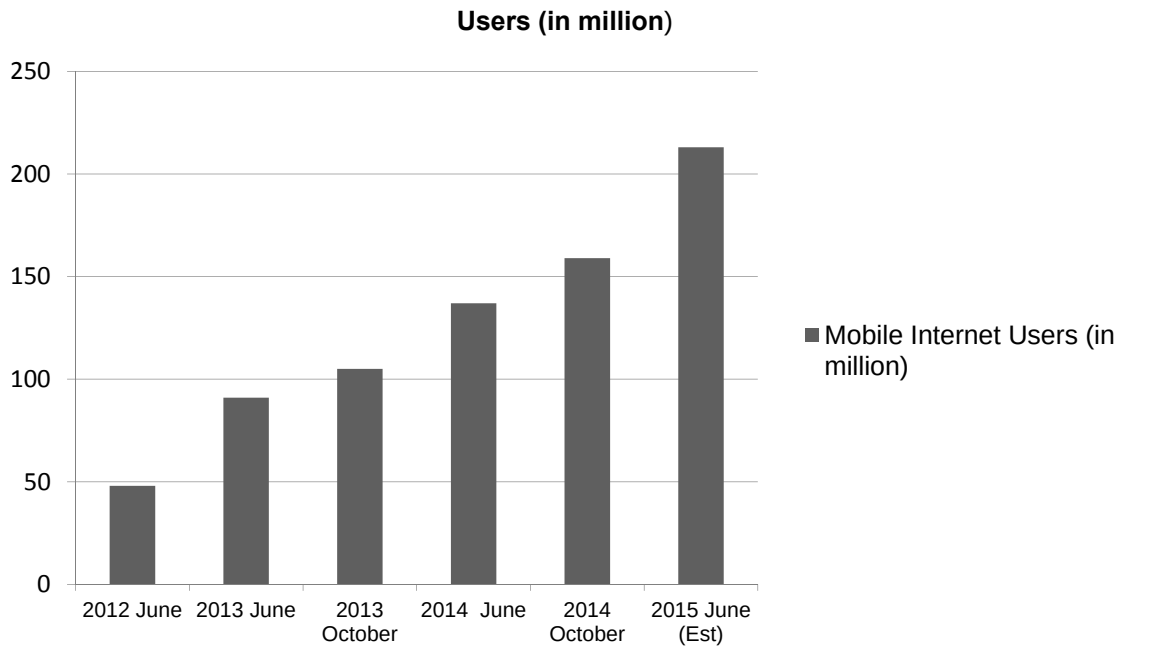
*Note: Figures are for 2011.*
*Source: Compiled by case author based on: 1) All India and State-wise Number of Taxed and Tax-Exempted Motor Vehicles Registered in India, www. data.gov.in, www.data.gov.in/catalog/all-india-and-state-wise-number-taxed-and-tax-exempted-motor-vehicles-registered-india#web_catalog_tabs_block_10, accessed January 25, 2015. 2) India census data, www.census2011.co.in, www.census2011.co.in/states.php, accessed January 25, 2015.*

## EXHIBIT 3: INTERNET PENETRATION IN INDIA

| **Year** (July 1) | **Internet Users** | **User Growth** | **New Users** | **Country Population** | **Population Change** | **Penetration (% of Population with Internet)** |
|---|---|---|---|---|---|---|
| 2014 | 243,198,922 | 14% | 29,859,598 | 1,267,401,849 | 1.22% | 19.19% |
| 2013 | 213,339,324 | 37% | 57,763,380 | 1,252,139,596 | 1.25% | 17.04% |
| 2012 | 155,575,944 | 27% | 32,605,503 | 1,236,686,732 | 1.27% | 12.58% |
| 2011 | 122,970,441 | 36% | 32,548,593 | 1,221,156,319 | 1.29% | 10.07% |

*Source: Internet Live Stats, www.InternetLiveStats.com, www.internetlivestats.com/internet-users/india/, accessed January 27, 2015. Data compiled from International Telecommunication Union (ITU), www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx and Population and Development Database by United Nations Population Division, www.un.org/en/development/desa/population/publications/development/population-development-database-2014.shtml.*

## EXHIBIT 4: MOBILE INTERNET USERS IN INDIA




*Source: Adapted from Mobile Internet Report, 2014, Internet and Mobile Association of India, www.iamai.in, www.iamai.in/rsh_pay.aspx?rid=WP58l97/zYs=, accessed January 27, 2015.*

## EXHIBIT 5: OLA FARE CARD

| Type of service | Mumbai | | | Chennai | | |
|---|---|---|---|---|---|---|
| | Minimum charge | Rate /Kilo meter (km) | Additional | Minimum | Rate/km | Additional |
| Standard | | | | | | |
| Sedan | INR150 for 4 km | INR21 | Waiting charge INR2 per km | INR150 for 4 km | INR16 | Waiting charge INR2 per km |
| Mini | INR100 for 4 km | INR15 | Waiting charge INR2 per km | INR100 for 4 km | INR12 | Waiting charge INR2 per km |
| Prime | INR 150 for 5 km | INR18 | INR2 per km of the metered ride | INR150 for 5 km | INR17 | INR2 per km of the metered ride |

*Source: "Fares," Olacabs website, https://www.olacabs.com/fares, accessed December 28, 2014.*

## EXHIBIT 6: MAJOR COMPETITORS

**Meru Cabs**: Meru Cabs, founded in Mumbai by Neeraj Gupta in 2007, was one of the pioneers in radio taxi operations in India. It had more than 6,000 cabs operating across 14 cities in India and was one of the largest cab companies in India. Meru was the preferred taxi service at Mumbai, Bangalore Delhi and Hyderabad airports (airport contracts were key revenue-spinning options for Indian cab operators) according to claims made in the company web site. It had GPS/GPRS-based security systems and digital meters in its cabs for connecting the cab with the back office call centre. The company had been following an ownership model in which drivers were roped in, trained and given a company-owned cab for which they had to pay a fixed amount (about INR1,000) to the company every month. As owning and maintaining a depreciating asset was detrimental to profitability, the company, of late, had reduced losses by shifting to a hybrid model. It transferred ownership to drivers for a good percentage of its fleet and the new breed of 'driver-turned-owners' ended up paying vehicle loans as EMI. Besides the sedan service, Meru Select, the company also ran a hatchback service called 'Meru Genie' to cater to the price-sensitive mass market. Meru cabs handled more than 20,000 trips a day.

**Easy Cabs**: Easy Cabs was an important player in the Indian market and had about 6,500 cabs (of which it owned around 500). It had Easy Cab radio taxi services and a fleet of Myle self-drive services. The company had a 45 member technology development team, which was actively involved in developing and maintaining IT-based technology platforms to expand aggregation and apps based on the business model.

**Mega Cabs**: Mega Cabs followed an exclusive ownership model and had more than 3,500 owned cars, and operated in the radio taxi as well as car rental spaces. It preferred an offline model and had plans to grow to 40,000 cars covering 40 cities by 2020, with revenue targets to the tune of INR2 billion.

**TaxiForSure**: Launched in Bangalore by two IIM Ahmadabad graduates in 2011, TaxiForSure had a network of more than 7,000 independent drivers and 500 operators. It was one of the fastest growing Indian cab aggregators, and had leveraged mobile app-based cab operations management successfully. It had the backing of a string of private equity investors as well. TaxiForSure operated in four segments: point to point, car rentals, airport transfer and outstation services.

**Uber**: Founded in 2009, this San Francisco-headquartered company had a presence in dozens of countries and had a total valuation of more than $40 billion, which made it one of the most exciting late stage technology start-ups in the world. Its entry into the Indian market had created much turbulence thanks to the aggressive and exclusive mobile app strategy it deployed. Uber employed very few staff for its operations and squeezed costs through operational excellence. It pioneered the practice called 'surge pricing' to significantly raise primetime charges to manage demand and travel bottlenecks. It had been redefining the cab business model globally and posed the biggest threat to radio taxis in the Indian market.

**Fast Track**: Fast Track was one of the oldest radio taxi players and had started operations in the southern Indian city of Chennai in 2001. It had a network of 6,000 cabs with a strong presence in Chennai and parts of Tamil Nadu. It operated through a franchisee mode in more than 20 cities in India; a good number of these cities were in Tamil Nadu.

**Ride Sharing Start-ups**: Though limited to a niche presence, the ride sharing start-ups had the potential to make some structural changes to the industry. This model could cut costs further, but catered to an entirely different target market. Uber was trying to build a presence in this segment in addition to its existing business model. Other major start-ups were Lets Ride, Pool Circle and Tripda.

*Source: Compiled by case author based on: "About Us," www.merucabs.com/about-us/, accessed December 10, 2014; Reghu Balakrishnan, "Meru's Fleet Speeds upon Revenue Share Mode," Business Standard, August 3, 2014, www.business-standard.com/article/management/meru-s-fleet-speeds-up-on-revenue-share-model-114080300778_1.html, accessed August 3, 2014; "About Us," www.carzonrent.com/aboutus.php, accessed January 5, 2015; http://yourstory.com/2014/05/taxi-market-india/, accessed December 26, 2014; www.taxiforsure.com/about), accessed January 4, 2015; www.bloomberg.com/news/articles/2014-12-04/uber-valued-at-40-billion-with-1-2-billion-equity-fundraising, accessed January 4, 2015; https://support.uber.com/hc/en-us/articles/201836656-What-is-surge-pricing-and-how-does-it-work-, accessed January 13, 2015; "About," FastTrack, http://fasttrackcalltaxi.in/about.html, accessed December 27, 2014; www.inc42.com, accessed November 25, 2014; http://inc42.com/features/evolution-indian-taxi-market-comparison/, accessed January 10, 2015.*

## EXHIBIT 7: COMPETITOR DETAILS

| Company | Cabs/drivers signed up | No. of booking/day | Percentage of bookings through mobile app |
|---|---|---|---|
| Meru Cabs | 6,000 | 28,000 | 40% |
| Mega Cabs | 3,500 | 15,000 | 0 |
| Easy Cabs | 7,000 | 18,000 | 10% |
| TaxiForSure | 8,000 | N/A | 40% |
| Fast Track | 6,000 | 35,000 | N/A |

*Note: As on December 1, 2014.*
*Source: Compiled by case author based on: http://inc42.com/features/evolution-indian-taxi-market-comparison/, accessed December 17, 2014; http://yourstory.com/2014/05/taxi-market-india/, accessed December 17, 2014; www.thehindubusinessline.com/features/all-we-hear-is-radio-taxi/article6329373.ece, accessed December 17, 2014, www.megacabs.com/page/about-us, accessed December 17, 2014.*

## EXHIBIT 8: FINANCIALS COMPARISON OF MAJOR PLAYERS

| Company | Revenue (in INR million) | | Net profit/loss (in INR million) | |
|---|---|---|---|---|
| | 2011/12 | 2012/13 | 2011/12 | 2012/13 |
| ANI Technologies (Olacabs) | 160 | 510 | -228.0 | -342.1 |
| Meru Cabs | 4000 | — | -311.1 | 35.5 |
| Serendipity Infolabs (TaxiForSure) | | 42.9 | 30.2 | -170.8 |
| Mega Cabs | 395.5 | 363.7 | | -25.5 |

*Source: www.business-standard.com/article/companies/ola-meru-taxiforsure-run-at-low-mileage-114121000197_1.html, accessed January 28, 2015.*

## ENDNOTES

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