



Lux Cabs but Lax Revenues

There are two cab aggregators- Quickride and Lux Cabs. The revenue of the former is stable. However, that of the latter is fluctuating. You are the CEO and the other board members are quite agitated because of this. What solutions would you propose?

CASE TYPE
Profitability

COMPANY NAME
LEK Capability Network

DIFFICULTY LEVEL
★ ★ ★

Lux Cabs but Lax Revenues?

Solving a cab companies revenue fluctuation crisis

Case Type

Revenue fluctuation model

Company Name

LEK Capability Network

Round

Partner

Difficulty Level

■ ■ ■ □ □

Problem Statement

There are two cab aggregators- Quickride and Lux Cabs. The revenue of the former is stable. However, that of the latter is fluctuating. You are the CEO and the other board members are quite agitated because of this. What solutions would you propose?

May I ask some clarifying questions?.

Okay, go ahead.

Do both the aggregators offer the same kind of services?

No, Quickride offers affordable, cheap and fast transport, whereas Lux Cabs focuses on the premium segment and deals with upper class people.

Given the low consumer stickiness observed in premium product categories, attributed to the availability of substitute products, it's reasonable to conclude that this issue stems from a demand-side challenge.

Okay, so what would be your approach to tackle this problem

I would adopt the 4P approach- Product, Price, Place and Promotion.

Okay, please explain in detail.

Under product, our client should introduce car rentals under this segment (assuming that it has not been introduced already).

Also, monthly bundling could be implemented to increase consumer stickiness. Along with that, the company could introduce a new segment of affordable cars under a different brand name to stabilize the revenue aspect.

Okay.

Under price, our client should try to implement a charge price according to the time taken to reach a place. I am proposing an inverse relation between the two variables as these people value efficiency.

There would be a lot of regulatory frameworks that would need to be dealt with and it would not be pragmatic to introduce such a model. Focus on the other two aspects.

Right, so under place, try to increase the frequency and supply of our cabs near high-end posh areas because these people would be more likely to procure our expensive services.

Okay Parth, we can end the case here.

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CASE FLOW

CASE FACTS

- 1 Quickride offers **affordable, cheap and fast** transportation.
- 2 Lux cab focuses on the **premium segment** and deals with upper class people.
- 3 The revenue of **lux cabs** is **flucutuating** due to low consumer stickiness.

NOTE:

Please note that the solution for **PROMOTION** wasn't asked for and hence it is not included.

Further, the solution for price was rejected.

SOLUTIONS (4P APPROACH)

PRODUCT

- 1) Introduce car rentals (assuming it has not been introduced already).
- 2) Monthly bundling to increase consumer stickiness.
- 3) Introduce new segment of affordable cars under a different brand.

PRICE

- 1) Charge price according to the time taken.
- 2) There should be an inverse relation between the price charged and the time taken.
- 3) Clients value their time since it is a premium segment

PLACE

- 1) Increase frequency and supply of cabs near high-end posh areas.
- 2) People present in these areas are more likely to avail our services .