



Taxi market in India: Driving into the future

Funded by big investors, the organized taxi market in India is growing exponentially. Going forward, what are the challenges and the opportunities this market is likely to throw up?

December 2014

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2 **Competitive Landscaping**

3 **Challenges and Opportunity**

The taxi market in India is estimated at \$9 billion; the organized sector constitutes around ~ 6% revenue share of the overall market

Size of taxi market in India

2014 Estimates, Segmentation by car ownership pattern

Taxi Market
\$ 9 billion



\$ 500 million

\$ 8.5 billion

Organized market

Unorganized market

\$ 150-200 million

\$ 50-100 million

\$ 250+ million

Owners

Affiliators

Aggregators

EasyCabs

SAVAARI
CAR RENTALS



MERU
RELY ON US

taxiGURU.DE.in
Online Car Rental Booking

U B E R

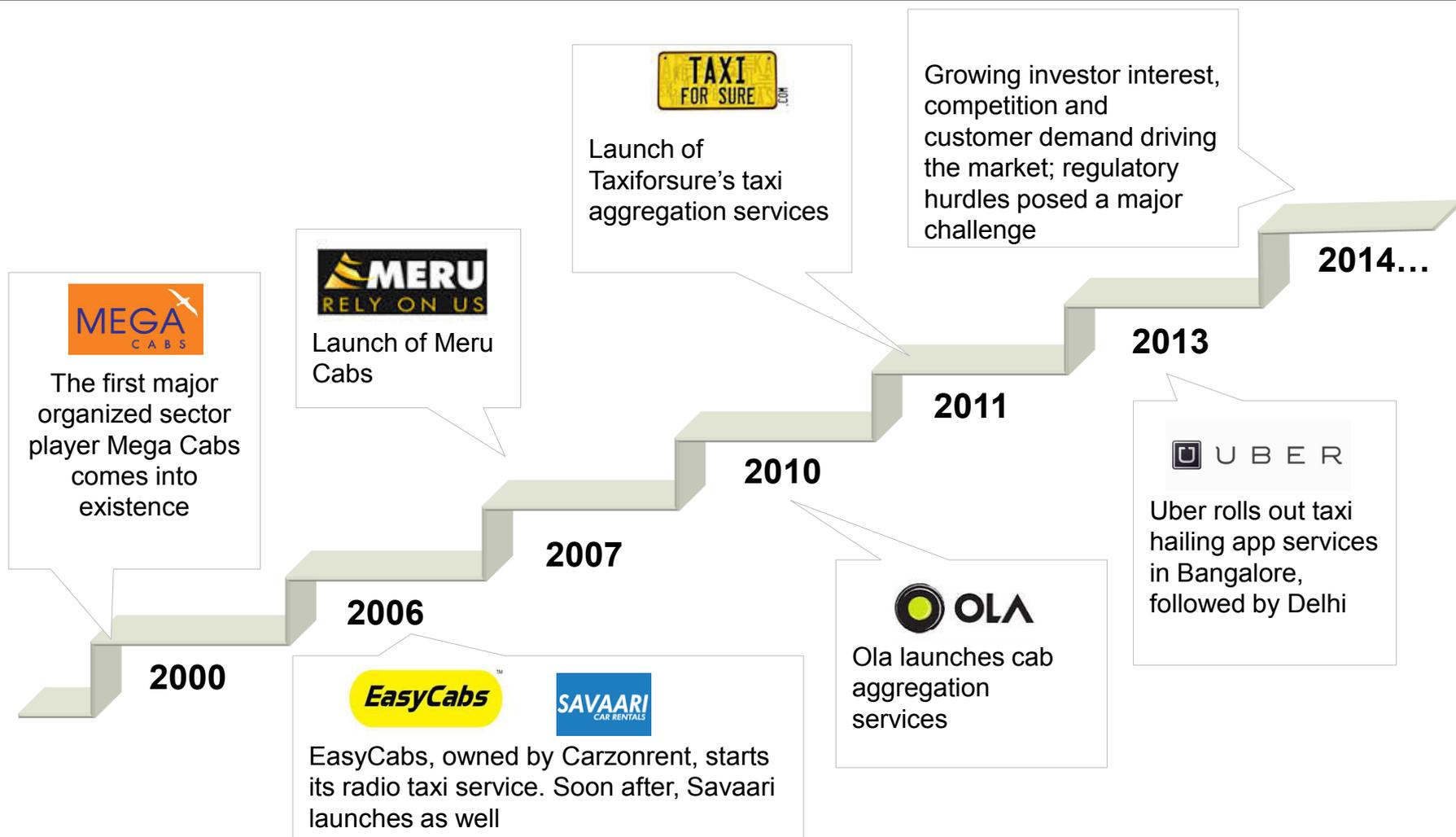
Points of Discussion

- The taxi market in India is highly fragmented and unorganized
- The unorganized market is constituted of individual car owners and agencies which operate in one or few cities
- Owned vehicles segment includes pure-play car rental companies (e.g. Zoomcar) and players like Carzonrent and Meru
- Aggregators are a new phenomenon driven by rise of start-ups like Ola, Taxiforsure and recently in 2013, Uber
- Affiliators are associated with multiple car rental agencies and offer various packages/deals

The organized taxi market in India is a relatively nascent one; multiple aggregators have launched their services recently

Growth of the organized taxi market in India

Timeline

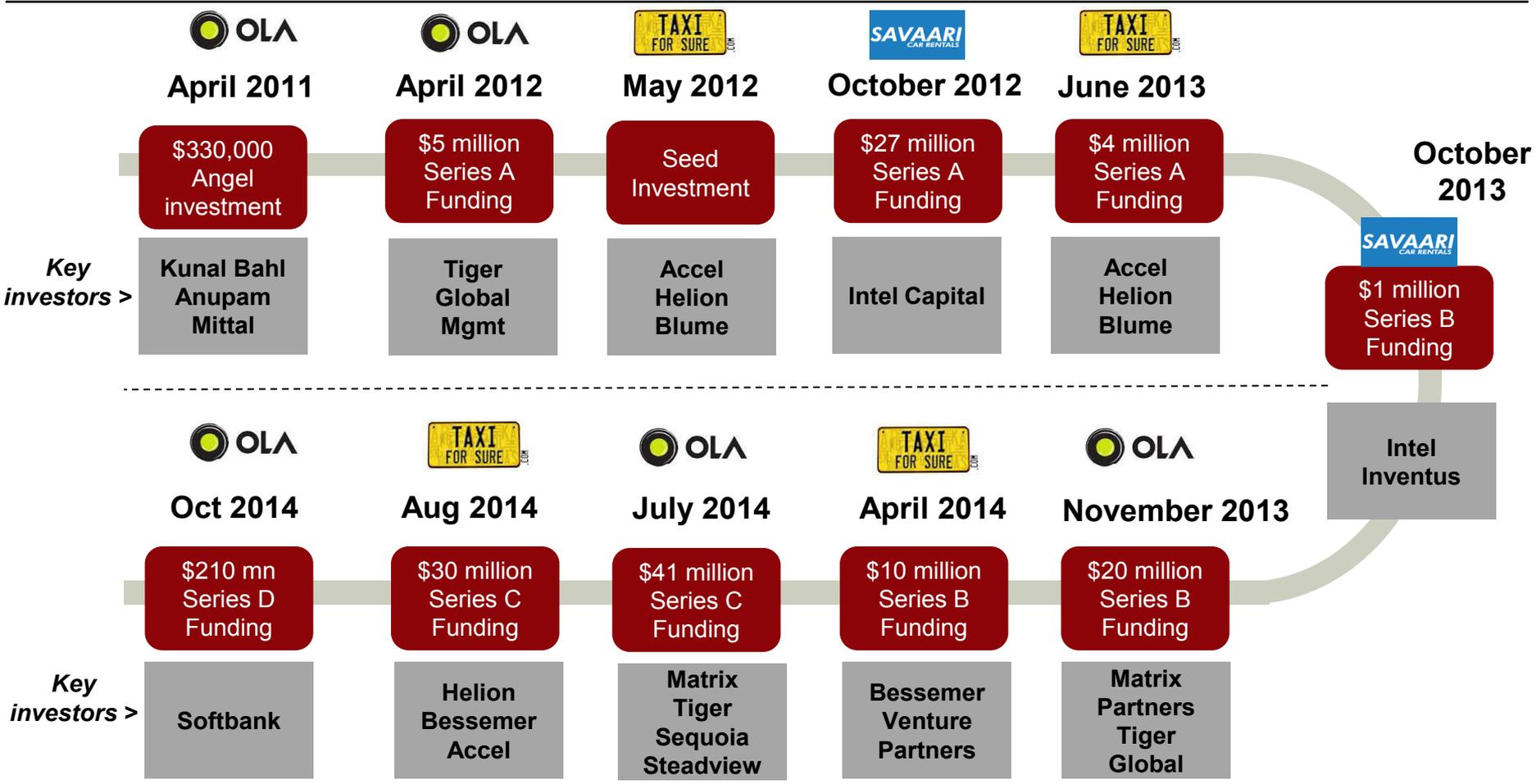


1. Market Overview

There has been frantic investor activity in the organized taxi market recently; Ola and TFS have together raised over \$320 million since 2011

Investment in the organized taxi market in India

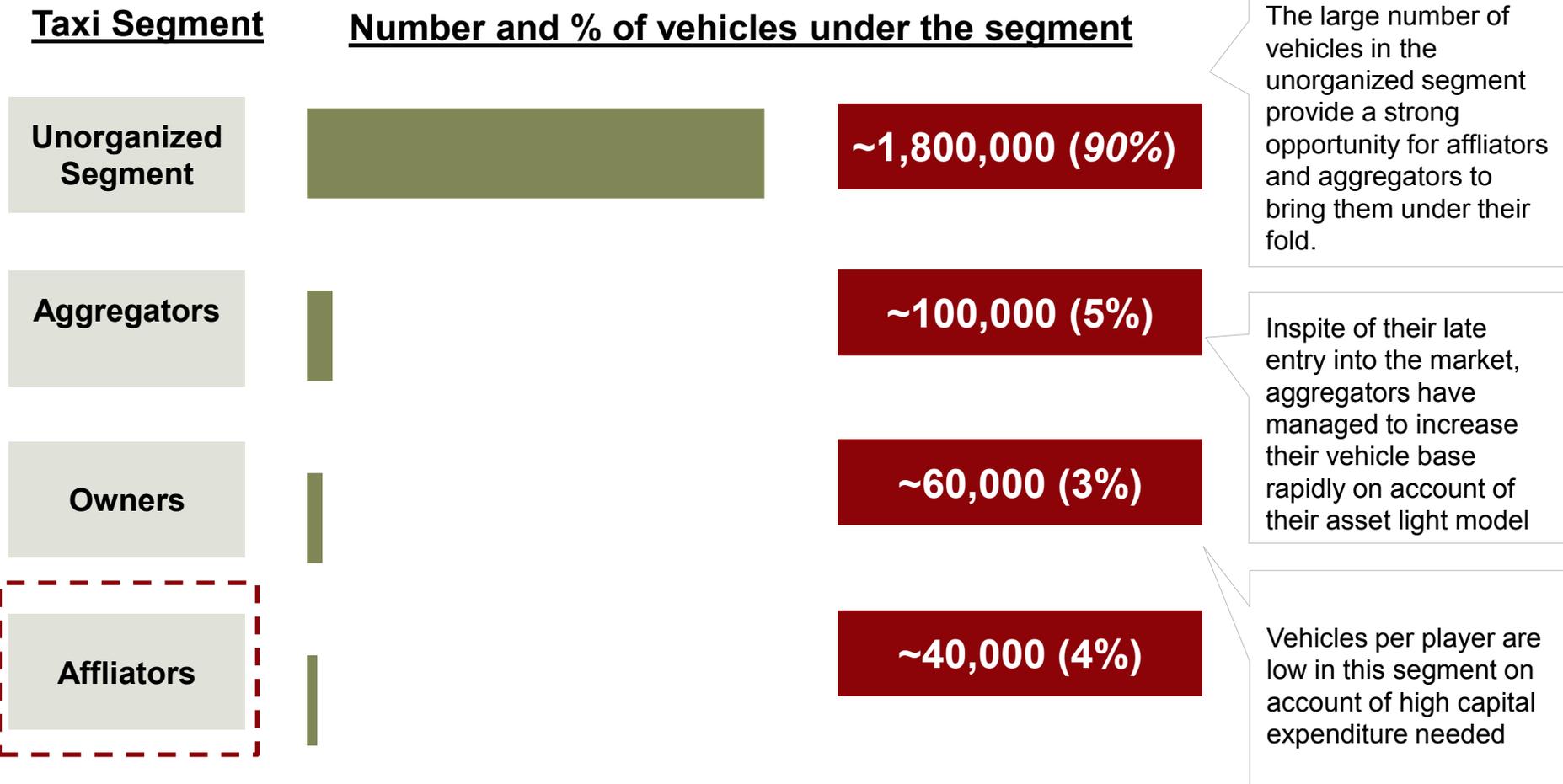
Timeline



There are ~2 million taxis operating across India; aggregators have rapidly grown to account for nearly 5% of the total taxis in India

Size of taxi market in India

2013 Estimates, Segmentation by number of vehicles

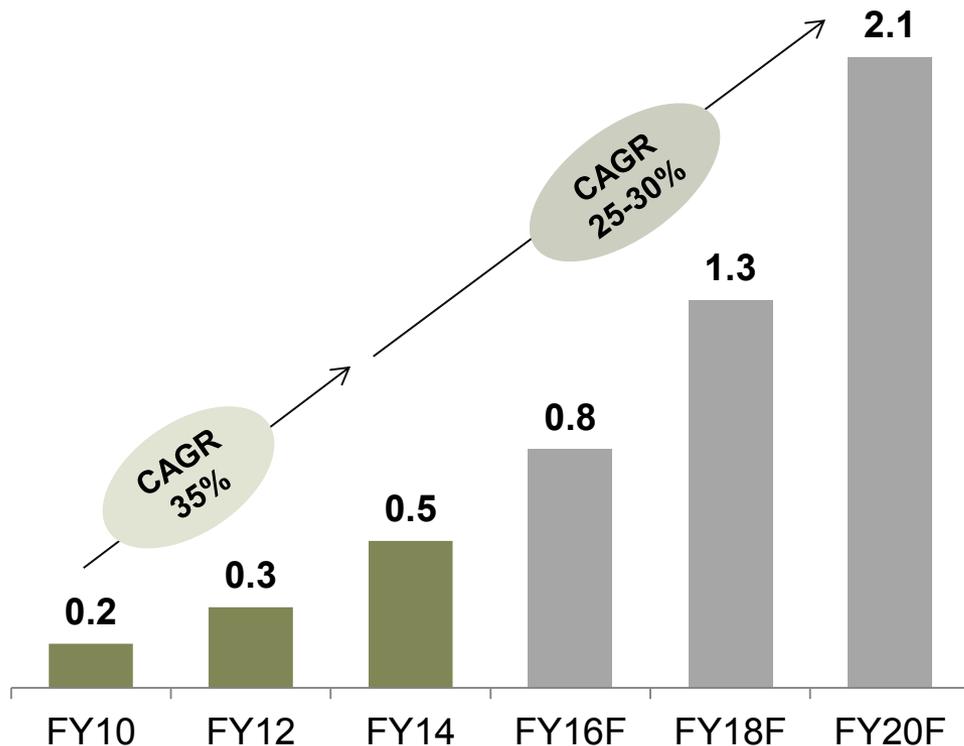


1. Market Overview

The organized taxi market is expected to grow to ~\$2+ billion over the next five years, sustaining a rapid growth rate of 25-30% CAGR

Organized taxi market in India

Market size estimates, USD Billion



Key drivers and challenges to growth

Key drivers

- ✓ Price competitive alternative to regular public transport
- ✓ High level of customer convenience
- ✓ Players opting for aggregator based asset light model
- ✓ Investment by global funds
- ✓ Entry of multiple players

Key challenges

- ✗ Lack of skilled drivers
- ✗ Technical issues with apps/payments
- ✗ Regulatory hurdles
- ✗ Demand much higher than supply; leads to frequent cab unavailability

Growth is expected to be driven by aggregators; key growth drivers would be low fares, high customer convenience and growing investor support

Future growth drivers of organized taxi market

Key points

Key growth drivers	Description
 <p>Price competitive alternative to regular public transport</p>	<ul style="list-style-type: none"> ▪ Lack of comfortable public transport options in most Indian cities has led to a growing demand for affordable cab services ▪ Aggregators especially have positioned their product as a price-competitive alternative to autos and regular cabs
 <p>High level of customer convenience</p>	<ul style="list-style-type: none"> ▪ App based booking has led to growing customer ease of use ▪ In a very short span of time, companies like Meru, Ola & TFS are receiving 30-50% of booking requests through apps ▪ High punctuality and safety are additional customer benefits
 <p>Popularity of aggregation leading to faster scale ups</p>	<ul style="list-style-type: none"> ▪ Even owned taxi companies like Meru are opting for aggregating taxis in order to scale up their fleet rapidly ▪ Aggregator based models will allow expansion to new cities rapidly
 <p>Global investor interest</p>	<ul style="list-style-type: none"> ▪ The industry as a whole has seen investments of \$150+million in multiple deals since 2006 and the investor interest shows no signs of abating ▪ Availability of investor funds is allowing players to focus on aggressive expansion, customer acquisition and strengthening of backend technology systems
 <p>Entry of new players</p>	<ul style="list-style-type: none"> ▪ There has been a rapid influx of new players recently ▪ Heavy competition has led players to explore new pricing models, taxi segments etc., ultimately benefiting the end customer

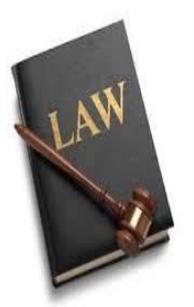
Aggressive pricing tactics by aggregators has made them price competitive with autos

Marquee investors like Softbank are showing growing interest in the organized taxi market

Potential growth retarders of the organized taxi market in India could be the lack of skilled drivers, regulatory hurdles and technical issues

Potential obstacles to growth of organized taxi market

Key points

Key challenges		Description
	Lack of skilled drivers	<ul style="list-style-type: none"> There is a severe crunch of skilled drivers, which makes standardizing the quality of customer experience an uphill task This problem is especially pronounced in aggregator systems, where there is no control over vehicle maintenance as well
	Technical issues	<ul style="list-style-type: none"> App's often fail to work for suburban areas in cities Technical issues with booking through call centers and websites impact the customer experience negatively
	Regulatory hurdles	<ul style="list-style-type: none"> Lack of clear cut regulations governing the taxi market (especially for aggregators) and policy flip-flops has been a major bane of players and investors alike Recent ban on aggregators in many cities is a case in example Laws governing taxis vary significantly by cities, thus posing an additional challenge to rapid scaling up For e.g. cities like Kolkata limit fleet size of taxis and thus constrain growth of players
	Vehicle unavailability	<ul style="list-style-type: none"> Although companies are increasing their fleet size & no. of drivers, but still they can't match the exponentially growing demand Unavailability of cabs leads to high customer dissatisfaction and shift to competitors

Owned car players like Meru have setup training academies for a holistic training programs

Lack of clear cut and stable policy could lead to wariness from players and investors, slowing the industry growth

Issues of vehicle unavailability could potentially lead to customer loss

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2 **Competitive Landscaping**

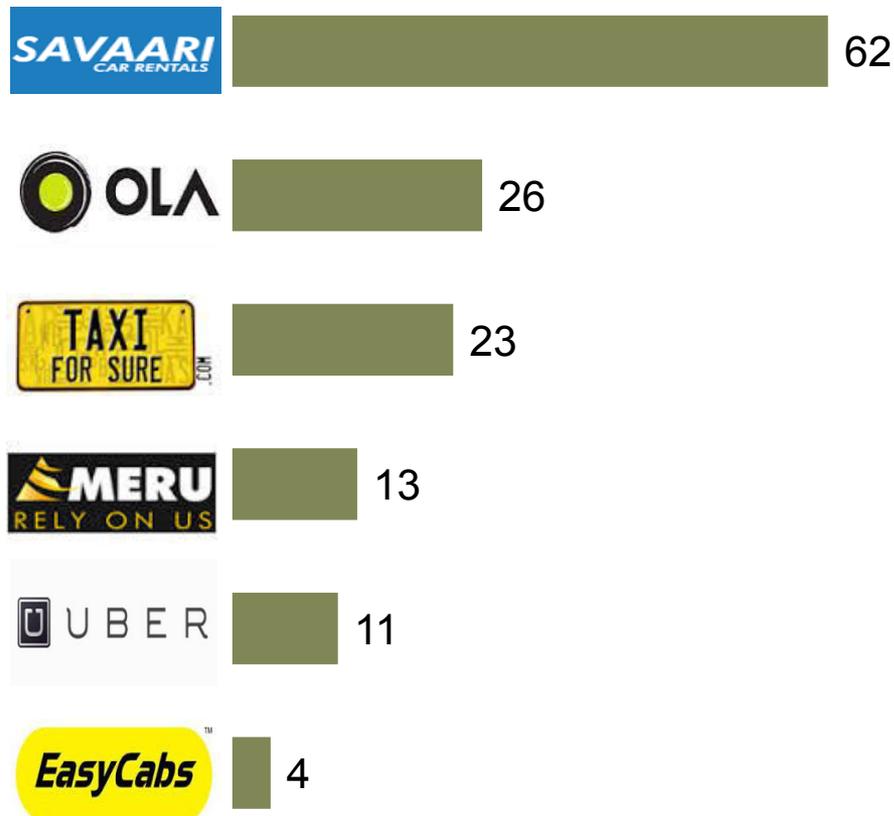
3 Challenges and Opportunity

2. Competitive Landscaping

Affiliators like Savaari and aggregators like Ola, TFS are present in most number of cities; owned cab players have been unable to scale up as rapidly

Presence across cities of taxi players

November 2014 figures



Key insights

1

The wide reach of the Affliator

- Savaari acts as an Affliator and allows booking across taxi operators
- The asset light nature of its business model has allowed Savaari to rapidly expand to 62 cities

2

Aggregators, the disruptors

- Aggregators like Ola and TFS have focused on technology for convenience and have been chiefly responsible for disrupting the market by scaling up very aggressively across cities

3

Focussed owners

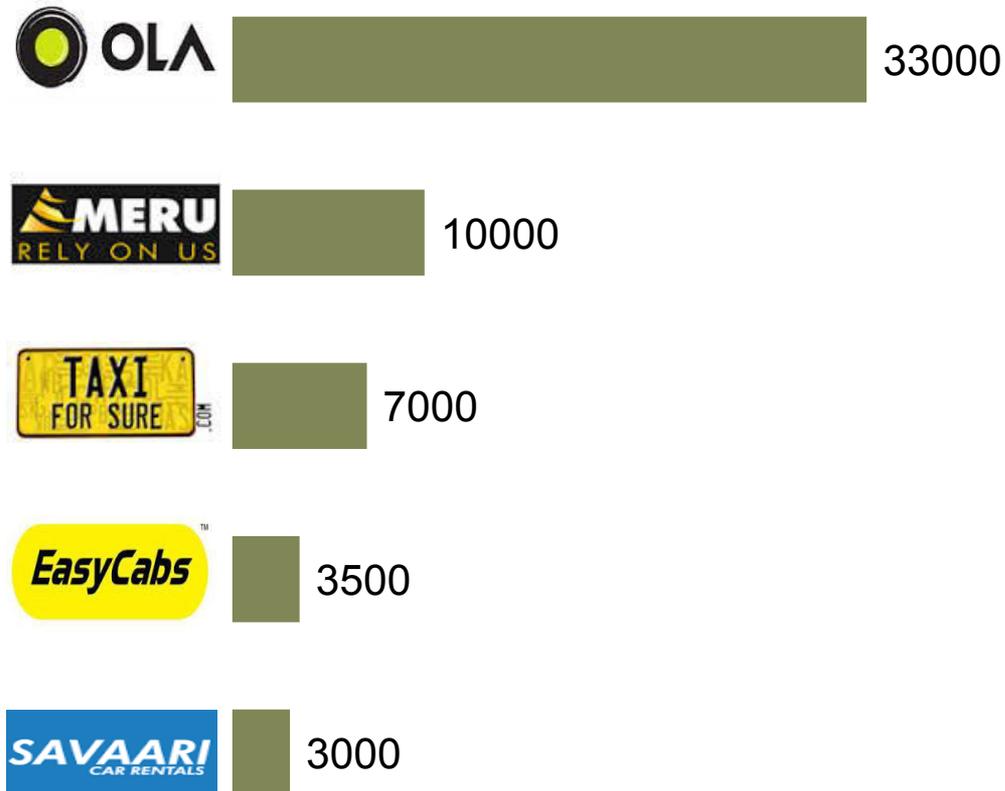
- Meru has the largest presence amongst owned vehicle players
- Even though it has been present in the market for 8+ years, Easycabs has restricted its services to four cities

2. Competitive Landscaping

Olacabs has the largest fleet size amongst all players; Meru has started leveraging the aggregator model as well to grow its fleet rapidly

Fleet Size of Players

November 2014 figures



Key insights

- Ola cabs rapid expansion**
 - Olacabs has zoomed ahead of its rival Taxiforsure by having nearly five times as many vehicles
- Meru leads in owners**
 - Meru's growing presence across cities and gradual usage of the aggregator model as well has allowed it to scale up its fleet rapidly
- Savaari's small and focused fleet**
 - Savaari's network consists of operators who offer outstation rides
 - Given the small number of such taxis in such cities, Savaari has a smaller fleet even though it is present in maximum cities

2. Competitive Landscaping

Olacabs is the clear leader in daily rides delivered and revenue generated amongst organized players; EasyCabs and Savaari are lagging behind

Gross Fare Revenues (₹ Crores per year)

November 2014 figures, Run rate for aggregators



Average number of rides delivered per day

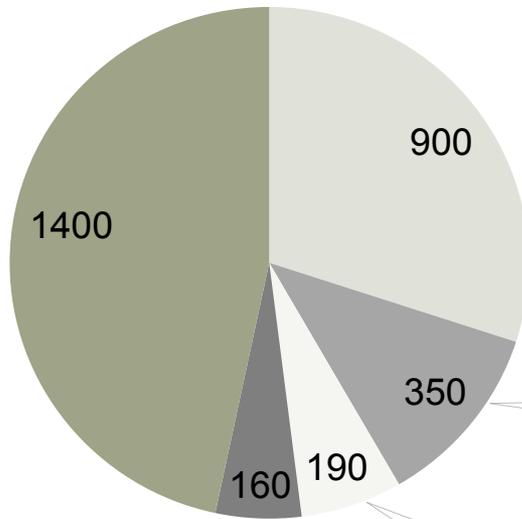


Average Fare per ride

Total organized market size

₹ 3000 Cr

- Olacabs
- TFS
- Savaari
- Easycabs
- Other organized players



OLA

90000 **275**

TAXI FOR SURE

32000 **300**

EasyCabs

12000 **375**

SAVAARI CAR RENTALS

1200 **1800**

Savaari also delivers ~ 300-400 outstation rides per day with a ticket size of INR 8000-9000, leading to high overall average fare per ride

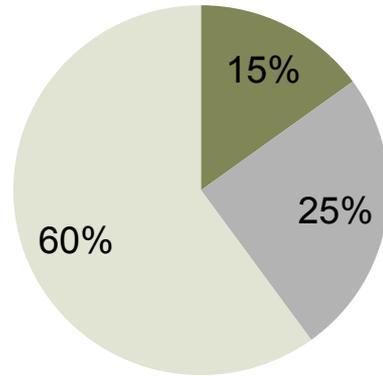
2. Competitive Landscaping

Nearly 80% business of aggregators is generated from Metros/Tier 1 cities; Tier 2 cities have smaller revenue share but have higher average ride value

Share of fare revenues by class of town

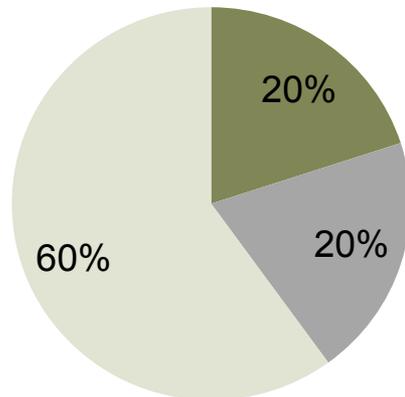
% of total revenues

Total revenues-> ₹ 900 Cr



■ Tier 2+ cities ■ Tier 1 cities ■ Metros

Total revenues-> ₹ 350 Cr



■ Tier 1 cities ■ Tier 2+ cities ■ Metros

Key insights

- Metros and Tier 1 cities have become the battleground for aggregators with most of their business being generated from there
- The share of Tier 2 cities in the revenue is low at present
- However, in most tier 2 cities, ~70-80% rides are towards/from airport or railway station, at an average fare of ~ ₹ 500-600.

Smaller cities generates low volume but high fare per rides, allowing for higher margins

2. Competitive Landscaping

More than 35% of bookings are currently being made through apps for aggregators; app bookings are expected to further grow in popularity

Share of bookings by channel

% of total bookings

Taxi Player	% Bookings from Phone	% Bookings from App	% Bookings from Web
	60%	35%	5%
	55%	35%	10%
	60%	0%	40%

Key insights

- The dominant booking mode currently is still through phone, especially in Tier 1 and Tier 2 cities
- Majority of app based bookings are occurring in Metros and Tier 1 cities
- But with ever increasing smartphone usage and the innate convenience of app based bookings, the % of app bookings is expected to climb rapidly in the future

2. Competitive Landscaping

Technology has become a key differentiator; players are looking to increase app usage by making their apps more transparent, convenient and flexible

Planned technology initiatives of taxi companies

Key points



- Increasing number of App languages to provide better flexibility to customers/drivers of tier 2 cities and to ultimately increase the app usage
- Showing the route being taken on a real time basis, reducing app lag times and increasing GPS precision, for an enhanced customer experience overall



- Incorporating traffic status on routes to ensure that the driver selected for a customer is nearest to the customer on basis on least time to reach the customer
- Driver management and suspension through the usage of technology platforms



- Currently, most of payments are in cash but the company are in the process of integrating the payments through mobile APP itself
- Also, the company is working on making the GPS tracking system more accurate, especially in outer areas of cities to make it more precise

2. Competitive Landscaping

Players are offering heavy discounts and multiple vehicle choices to acquire customers; car financing assistance is being used for driver acquisition

Cab driver and customer acquisition initiatives

Key points

	Customer acquisition initiatives	Driver acquisition initiatives
	<ul style="list-style-type: none"> Associating with big events happening around metros Providing free Ola money and cashbacks to promote usage of apps Offers a wide variety of cab options including a Nano and an Auto option to appeal to various customer categories 	<ul style="list-style-type: none"> Providing training to drivers in skilled driving, traffic rules, etiquettes Encouraging new drivers (who don't have a car), by arranging low interest rates with financiers
	<ul style="list-style-type: none"> Planning to launch customized offers for small cities (pitching comfort, safety and low cost as USP) to attract more customers Offers a wide variety of cab options including a Nano and an Auto option to appeal to various customer categories 	<ul style="list-style-type: none"> The company is on-boarding more and more cab drivers by offering financing schemes, and short driver training courses It's training programs have a strong technology focus
	<ul style="list-style-type: none"> Launched the low cost UberX service to take on Ola and others Offering free rides and credit on Paytm wallet 	<ul style="list-style-type: none"> Encouraging new drivers (who don't have a car), by arranging low interest rates with financiers Offered LCD TVs and iPhones through lotteries to its drivers along with bonus money per trip for plying in the festive week of Diwali
	<ul style="list-style-type: none"> Started low fare service line i.e. Meru Genie which aims to offer value for money cab services It has also been active in tying up with various brands for activations such as with Kellogg to give passengers a breakfast box with cornflakes, milk and a bowl to have the meal while in cabs Meru has also renewed agreements with all leading airports 	<ul style="list-style-type: none"> Meru has its own Training Academy where it has made a significant investment in training its chauffeurs Meru facilitates bank loans for the drivers to buy the cars and around 10 per cent already have the cars in their name, while most of the rest pay EMIs to Meru which forwards it to the banks to repay the loans.
	<ul style="list-style-type: none"> Has started offering heavy discounts on airport pick-ups in cities like Bangalore 	<ul style="list-style-type: none"> EasyCabs offers its drivers the chance to own the cars after 4 years of working with EasyCabs

The recent ban on aggregators impacted investor sentiment and customer experience negatively; Owner players like Meru benefited from the ban

Ban on app based cabs and impact on players

Key points

The Incident

- Alleged rape of a 27-year-old woman executive in a cab booked through Uber on 5th Dec 2014

The Government Response

- Uber was banned in the city of Delhi
- A case of cheating, under Section 420 of the IPC, was also registered against Uber
- After Delhi banned Uber services, it was the turn of Karnataka, Maharashtra, Telangana, Uttar Pradesh and Chandigarh to ban its services
- Other aggregators became illegal as well in multiple states



Impact on Aggregators

- Drivers of these app based taxi companies became jobless, on paper
- Ban led to high uncertainty in investors who had poured millions into these start-ups

Impact on Owners

- The ban opened a window for likes of Meru Cabs to play catch up
- The investors of the company gained renewed motivation to keep their stakes for further period of time.

Impact on Customers

- Customer convenience took a hit in the high volume festive season, leading to customer dissatisfaction

2. Competitive Landscaping

Aggregators have started undertaking innovative initiatives like women-only cabs and panic buttons to highlight their focus on customer safety

Player initiatives to increase women's safety

Key points



- Olacabs.com, launched a 'pink cabs' service, driven by women drivers and which will only allow female passengers to board them
- The premium service will help Ola compete in a niche segment of the taxi market, dominated by regional players like SheTaxi etc.
- Complying with Government regulations, Ola also launched an emergency contact



- TFS is getting panic buttons installed in the cabs operated by their partner operators, which will be located near the rear passenger seat in the cab.
- As soon as a customer presses it, a signal is sent to the company's control room to alert about the emergency
- Additionally, TFS is planning to launch the TaxiForSure Driver Finishing School to enhance the soft skills of drivers



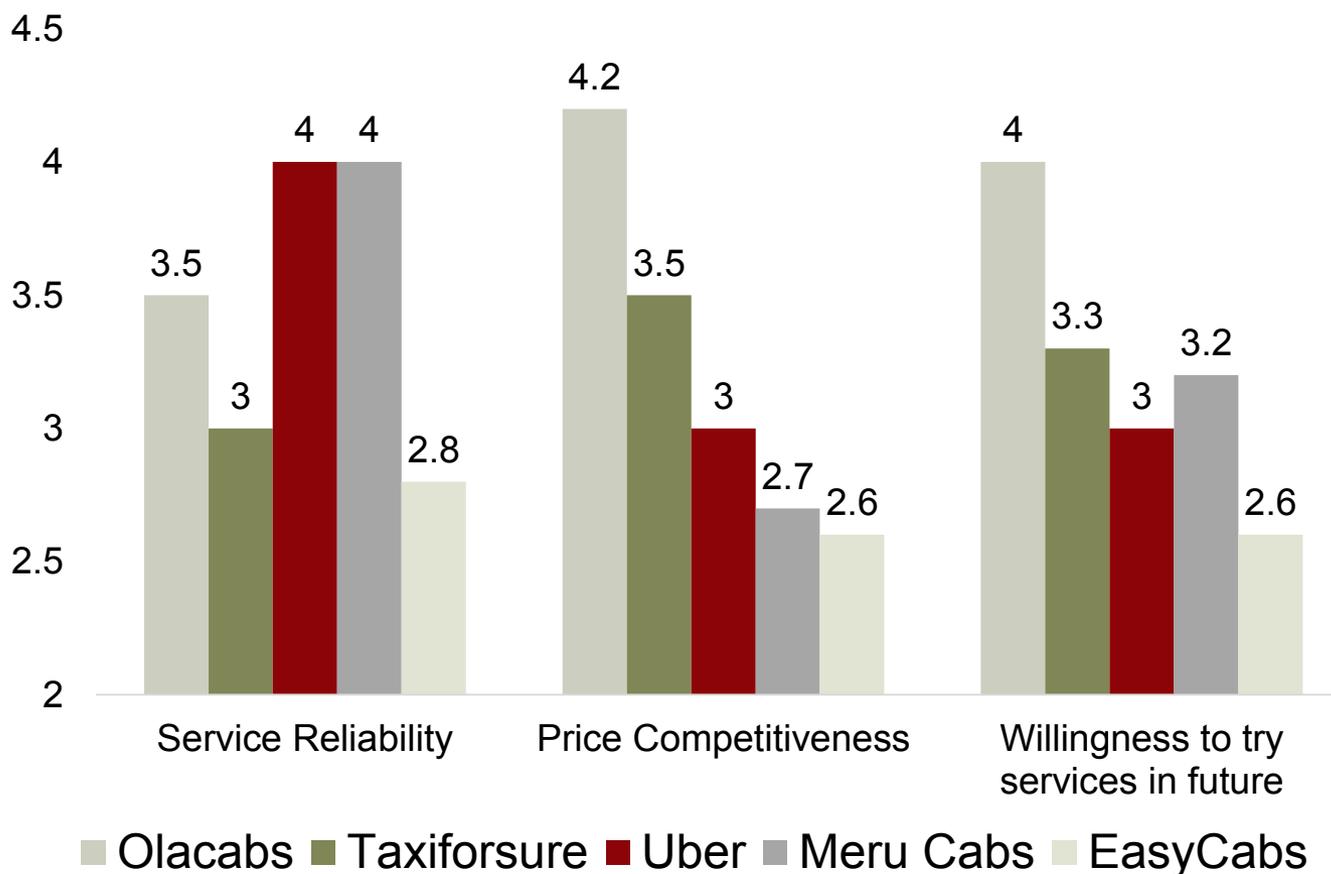
- Uber is adding a ShareMyETA button to its app, rolling it out first in India to allow passengers to send trip details to loved ones
- Additional measures includes having all of its drivers reviewed again to ensure they have "authentic and valid police verification," as well as hiring local "safety experts" to detect fraud and to develop more effective screening methods for its drivers.

2. Competitive Landscaping

Customers perceive Olacabs highly across parameters; owned vehicles companies are perceived well in service reliability but poor in pricing

Customer perception rating of players on key parameters

Rating on a scale of 5, N=30 responses



- Aggregators Olacabs and TFS are perceived very highly on price competitiveness
- Meru Cab is perceived highly in terms of service reliability but its pricing is perceived as being too high

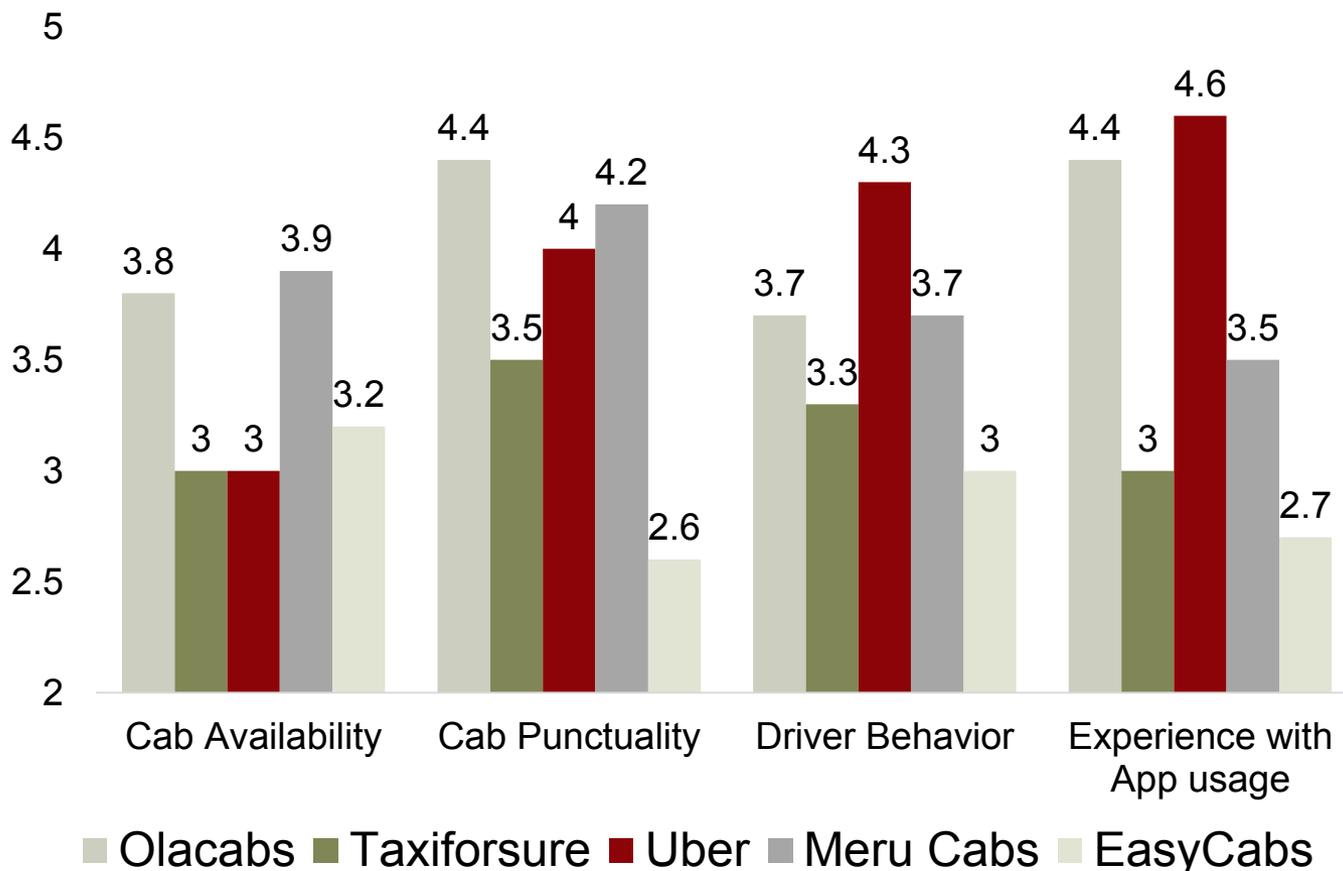
1. Survey conducted across 30 respondents in Bangalore, Mumbai and Delhi; Age Profile: 22-40 years: 75%. 22-30 years: 30% , >30 years: 24%. Income profile: <5 lakh: 50%, 5-20 lakh:40%, >20 lakh: 10%

2. Competitive Landscaping

Customers rate their experiences of riding with Uber, Olacabs and Meru as most positive; EasyCabs and Taxiforsure lag behind on most parameters

Customer experience rating of players on key parameters

Rating on a scale of 5, N=30 responses



- Customers have high praise for Uber's app functionality and driver behaviour
- Low customer friendliness of the app and poor driver training is a major customer issue with Meru

1. Survey conducted across 30 respondents in Bangalore, Mumbai and Delhi; Age Profile: 22-40 years: 75%. 22-30 years: 30% , >30 years: 24%. Income profile: <5 lakh: 50%, 5-20 lakh:40%, >20 lakh: 10%

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3 **Challenges and Opportunity**

Achieving sustainable growth over the next few years will require tackling of challenges like low customer loyalty, technical issues and poor driver quality

Challenges faced by organized players

Key points

Verbatims from management

	Customer management challenges	Driver management challenges	Technical challenges
	<ul style="list-style-type: none"> Customers prefer cheap autos, especially in smaller cities Customer brand loyalty is very low/negligible 	<ul style="list-style-type: none"> Driver's loyalty/consistency in performance and ensuring good communication is an issue In festive and farming season, the driver availability drops significantly 	<ul style="list-style-type: none"> Ensuring exact location of pick up (& drop) is a challenge
	<ul style="list-style-type: none"> Customer brand loyalty is very low/negligible Low customer awareness Customers prefer cheap autos, especially in smaller cities 	<ul style="list-style-type: none"> Getting good/trained/sophisticated drivers is a major challenge 	<ul style="list-style-type: none"> Cab faults/punctures Ensuring exact location of pick up (& drop) is a challenge GPS often malfunctions during bad weather
	<ul style="list-style-type: none"> Customer brand loyalty is very low/negligible Customer after end of journey often refuses to pay for reasons like driver was rude, charges are high etc. 	<ul style="list-style-type: none"> Drivers are often illiterate and training them to use technology, proper etiquette etc. is a big challenge 	<ul style="list-style-type: none"> Ensuring exact location of pick up (& drop) is a challenge App is not customer friendly enough
	<ul style="list-style-type: none"> Vendors often don't maintain the vehicles properly, which leads to customer dissatisfaction Customers are reluctant to pay surcharges arising from outstation travel 	<ul style="list-style-type: none"> Driver availability is an issue due to the vendor being busy and not able to provide the driver/cab 	-

Trends in the Indian taxi market resemble trends in other taxi markets and in the Indian e-commerce market; this is likely to throw up similar opportunities

Key growth opportunities in Indian taxi market

Key points

1

Expansion into newer countries

- Easy Taxis, a Brazilian taxi player, has launched its services in Nigeria, the first such service offering in Africa and it has gained a significant first mover advantage
- Although developing such markets need heavy discounting initially, expanding taxi services into such countries offers a relatively low competition market with high long term potential

2

Consolidation and acquisitions

- Over the next few years, as players reach out to more cities and competition intensifies further, leaving low headroom from growth, consolidation is likely to happen
- Additionally, the use of technology as a key differentiator means that players are likely to acquire smaller start-ups which offer innovative technology to enhance the customer/driver experience in taxi players

3

Customer loyalty/membership programs

- E-commerce players are differentiating by offering unique services like pick-up stores, next day delivery, Amazon Prime and Flipkart First annual memberships etc.
- Taxi players can consider similar annual memberships which entitle customers to discounts on rides and receive special treatment from drivers

4

Expansion into regional and other niche markets

- Offering the website, app and call centre services in multiple languages can help players to reach out to customers in smaller towns, e.g. like what Snapdeal has achieved in e-commerce space
- Players can consider vehicles catering to special/niche customer classes including pink taxis, vehicles with child safety seats etc.

The organized taxi market in India is currently only taking its first steps; over the long haul it the 'fittest' who will survive and thrive

Steps to achieving sustainable growth in taxi market

Key points

1

Establish intuitive frontend systems and robust backend systems...

- Ensure a **seamless customer booking and payment experience** across website, app and phone and **invest in backend systems** to make the channels robust, accurate, easy to use and having multilingual capability
- Ensure customer safety through panic buttons and systematic driver screening

2

Engage in driver support, training and assistance...

- Offering attractive commissions/salaries and performance incentives and **providing financial assistance to acquire** drivers
- Working on robust driver training and skill development and **engaging drivers** with a constant feedback channel to ensure long term driver retention

3

Ensure customer acquisition by cross-channel marketing and a wide range of options...

- **Establishing a strong social media presence** to drive brand perception and **leveraging customer analytics** to improve solutions offered to customers
- **Offering a wide range of vehicle and fare options** to customers based on their needs and aiming to become a **customer focussed transportation services** provider

4

Enable customer loyalty by customized incentives and programs...

- Customer profiling to develop tailor made loyalty programs which drive repeat usage
- Developing an organization structure that **enables collaboration across all functions** and **ensuring alignment of all stakeholders** to deliver top-notch customer experiences and 'wow moments'



Thank You!

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