Review of online cab market in India

• A comprehensive performance review of the online cab aggregator market
• Assessed through a regularly tracked set of performance indicators
• Published quarterly

CY 2016 (Annual) Edition

Published in Feb 2017
Introduction to Report

Report Structure

1. Comprehensive assessment of Indian online cab sector performance across seven key dimensions

2. Each key dimension is rated on whether the sector performed above expectations (Bullish ), broadly as per expectation (Neutral ) or significantly worse than expectations (Bearish ) on that dimension

3. Each key dimension is further built up from multiple sub-dimensions, which are also rated for the sector using the above criteria

4. Relevant weightages are allocated to each sub-dimension to build up the key dimension rating, and each key dimension is also given an appropriate weight to arrive at overall sector performance rating

Research Methodology

RedSeer’s Integrated Research Approach™ incorporating the following-

1. Tracks 50,000+ monthly online transactions
2. Primary Interviews with 1,000+ drivers in 10+ cities every quarter
3. Primary Interviews with 3,000+ customers every quarter
### Seven key dimensions for assessing online taxi sector performance

<table>
<thead>
<tr>
<th>SN</th>
<th>Key Dimension</th>
<th>Sub-Dimensions</th>
<th>Weightage of Key Dimension</th>
</tr>
</thead>
</table>
| 1  | Rides & GBV performance        | 1. Y-o-Y total ride count  
  2. Q-o-Q total ride count         | High                       |
| 2  | Regulatory Framework           | 1. Regulatory Framework- Support / Hurdles                                    | Medium                    |
| 3  | Customer Adoption              | 1. Growth in total monthly active users  
  2. Adoption of carpooling in the past year                                 | Low                        |
| 4  | Customer Satisfaction          | 1. Booking Experience (As NPS score)  
  2. Ride Experience (As NPS score)                                        | Medium                    |
| 5  | Driver Adoption & Satisfaction | 1. Registered Cab Supply with aggregators  
  2. Driver Income  
  3. Overall Driver NPS                                                      | Low                        |
| 6  | Operational Performance        | 1. Cab Availability  
  2. ETA (in min)  
  3. Driver Cancellations                                                   | Low                        |
| 7  | Unit Economics                 | 1. Commission %  
  2. Payment Mode Analysis (Cash vs Cashless)  
  3. Q-o-Q Incentive Spends                                                  | Low                        |

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**Overall Performance**
Agenda

A  Industry Review- CY16
B  Appendix- 2020 Scenario
C  Appendix- RedSeer Offerings
## Online Cab Sector Assessment Scorecard - CY 2016

<table>
<thead>
<tr>
<th>SN</th>
<th>Key Dimension</th>
<th>Sector Performance Summary-CY16</th>
<th>Assessment Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rides &amp; GBV Performance</td>
<td></td>
<td>• Rides grew by 3.5 times from 2015 to 2016&lt;br&gt;• GBV grew by 3 times in from 2015 to 2016</td>
</tr>
<tr>
<td>2</td>
<td>Regulatory Framework</td>
<td></td>
<td>• Formulations of various regulations curbed the industry in 2016</td>
</tr>
<tr>
<td>3</td>
<td>Customer Adoption</td>
<td></td>
<td>• Repeat use saw growth in CY2016&lt;br&gt;• Carpooling rides saw a huge jump in numbers in 2016</td>
</tr>
<tr>
<td>4</td>
<td>Customer Satisfaction</td>
<td></td>
<td>• Booking Experience improved by 1400 bps in 2016&lt;br&gt;• Ride Experience improved by 2000 bps in 2016</td>
</tr>
<tr>
<td>5</td>
<td>Driver Adoption &amp; Satisfaction</td>
<td></td>
<td>• Driver Income reduced by 30% from 2015 to 2016&lt;br&gt;• Supply saw an increase by 150% during the year&lt;br&gt;• Driver - NPS reduced by 2700 bps</td>
</tr>
<tr>
<td>6</td>
<td>Operational Performance</td>
<td></td>
<td>• Operational performance remained neutral with no significant change in supply and ETA&lt;br&gt;• Driver-Side cancellations didn’t change in 2016</td>
</tr>
<tr>
<td>7</td>
<td>Unit Economics</td>
<td></td>
<td>• Cash handling costs reduced due to greater adoption of cashless medium&lt;br&gt;• Incentives dropped by 2000 bps in 2016</td>
</tr>
<tr>
<td>8</td>
<td>Overall Performance</td>
<td></td>
<td>Overall, CY16 was a year of growth for the sector, especially on sales, unit economics and customer experience</td>
</tr>
</tbody>
</table>
**Rides & GBV Performance** - The online cab industry grew over 3.5 times in terms of total completed rides in 2016

**Online Taxi Market Size** - (Total completed rides in Mn)

2015-2016 growth trends

- **2015** saw online cab aggregators trying to expand into more cities, and the introduction of carpooling by all the major players in the industry.
- **2016** was a growth year for online taxi - reach and adoption with focus towards bringing more and more customers on the platform.
- With the drop in average fares, the revenues grew at a slower pace than the number of rides.

**Key Insights**

- **2015** saw online cab aggregators trying to expand into more cities, and the introduction of carpooling by all the major players in the industry.
- **2016** was a growth year for online taxi - reach and adoption with focus towards bringing more and more customers on the platform.
- With the drop in average fares, the revenues grew at a slower pace than the number of rides.

Source: RedSeer analysis
Growth in 2016 was driven by industry offerings like launch of cheaper riding options and promotion of carpooling.

Key reasons behind industry growth in 2016

Launch of multiple categories and cheaper modes of transport was a growth driver

- 2016 saw players launch cheaper car categories which led to an increased adoption and subsequently increased no. of rides
- Reduction of fares in all categories in 2016 also resulted in driving the growth of the industry

Carpooling gets a major boost in 2016

- Carpooling received huge growth in the past year with all major players focussing more on ridesharing
- All the players in the industry took up various initiatives like reduced fares & pass to improve adoption of ridesharing

With the offerings, the consumer NPS increased which further boosted ridership

- Improved supply of drivers, an improved booking and riding experience has resulted in an improved consumer NPS in 2016
- Cheaper fares and wider variety of cab options have also improved consumer satisfaction in the online cab industry

Source: RedSeer analysis
However, the Q-o-Q growth slowed down with almost no growth during the last quarter.

**Indian Online Cab Industry Ride Count**
(For Each Quarter in Calendar Year, In Mn)

- **Q1 CY16**: 70
- **Q2 CY16**: 125 (12% growth)
- **Q3 CY16**: 140 (2% growth)
- **Q4 CY16**: 143

### Key Dimensions

1. Rides & GBV Perf.
2. Regulatory Framework
3. Customer Adoption
4. Customer Satisfaction
5. Driver Adoption & Satisfaction
6. Operational Performance
7. Unit Economics

**Source:** RedSeer analysis

- **Q1 CY16**
  - The year started with 9% m-o-m growth in Q1
  - Launch of Ola Micro in March’16 curbed Uber’s growth momentum

- **Q2 CY16**
  - Massive growth continued and industry crossed a milestone of 100 Mn rides in Q2
  - Higher incentives and customer discounts drove the growth

- **Q3 CY16**
  - In Q3, industry focused on optimization, TFS integrated with Ola
  - Promotion of carpooling option, and crackdown on drivers to reduce fraudulent bookings

- **Q4 CY16**
  - Sector unit economics improved in Q4
  - Reduced Incentives and more adoption of the cashless medium meant reduced costs

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**Rating - CY16**

- **Bullish**
- **Bearish**
- **Neutral**
### Regulatory Framework- Various regulations were introduced from time to time to regulate the industry

#### Key Regulations

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Key Regulations</th>
<th>Impact</th>
<th>Impact Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Karnataka government bans surge pricing</td>
<td>Few cars impounded by police</td>
<td>Neutral</td>
</tr>
<tr>
<td></td>
<td>Surge still continued by aggregators as usual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>Delhi Government bans surge pricing in April</td>
<td>Business impacted due to ban on diesel taxis</td>
<td>Bearish</td>
</tr>
<tr>
<td></td>
<td>Supreme court bans all diesel taxis to run in Delhi</td>
<td>No impact of surge ban</td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>Delhi HC bans surge pricing</td>
<td>No major impact on business as surge still continued by aggregators</td>
<td>Neutral</td>
</tr>
<tr>
<td></td>
<td>Centre decides to change laws to regulate online cab Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td>Maharashtra introduces its own set of laws in Oct</td>
<td>Rules not complied in Maharashtra</td>
<td>Bullish</td>
</tr>
<tr>
<td></td>
<td>Supreme court allows surge pricing</td>
<td>Positive move for business by the centre</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ride hailing apps become legal in India</td>
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</tr>
</tbody>
</table>

Source: RedSeer analysis
**Customer Adoption** - Customers have readily adopted online cab services with increase in repeated use

**Weekly Active Users / Monthly Active Users (WAU / MAU) gives an assessment of repeat use within the industry**

- WAU / MAU has seen an increase by 5% in 2016 which indicates more repeat use within the online cab industry

**Carpooling saw an overall increase in the past year**

- Due to lower fares and greater convenience, carpooling saw an increased adoption in 2016
- The no. of rides grew about 33 times during 2016

Source: RedSeer analysis
**Customer Satisfaction** - Overall customer satisfaction saw an improvement during CY16

<table>
<thead>
<tr>
<th>S No</th>
<th>Sub-Dimension</th>
<th>KPI’s covered</th>
<th>Sub-Dimension Rating -CY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Booking Experience</td>
<td>• Booking Speed</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• User Experience</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Crashes and Errors</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ease of Recharge</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cab Availability</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Schemes and discounts</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Ride Experience</td>
<td>• Driver Courtesy</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Knowledge of Routes</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Car Quality</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Car Aesthetics</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Overall Customer NPS</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key Dimension Rating - CY16**

- 1. Rides & GBV Perf.
- 2. Regulatory Framework
- 3. Customer Adoption
- 4. Customer Satisfaction
- 5. Driver Adoption & Satisfaction
- 6. Operational Performance
- 7. Unit Economics

Source: RedSeer analysis
Customers were satisfied by Booking and Ride experience online in CY16

**Key Takeaways**

**Customer booking experience improved in 2016**
- This can be attributed to better availability, and enhanced user experience
- The booking experience saw a dip in Q3 due to supply issues for a part of the industry

**Ride Experience saw an overall increase in the past year, with Q4 being crucial for the sector**
- The ride experience saw an increase on all fronts, with all sub-parameters increasing in similar capacity throughout the year

**Source:** RedSeer analysis

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1. Booking Experience

   **Sub-Dimension**

   **Time Trend For CY16**

   **Booking Experience (CY16)**

   **Sub-Dimension Rating - CY16**

2. Ride Experience

   **Sub-Dimension**

   **Time Trend For CY16**

   **Ride Experience (CY16)**

   **Sub-Dimension Rating - CY16**
**Driver Adoption & Satisfaction** - Overall driver satisfaction also decreased during CY16

<table>
<thead>
<tr>
<th>SN</th>
<th>Sub-Dimension</th>
<th>Description</th>
<th>Sub-Dimension Rating - CY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cab Supply</td>
<td>Q-o-Q trends in the supply side of aggregators</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Driver Income</td>
<td>Q-o-Q trends in driver incomes</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Overall Driver NPS</td>
<td>Q-o-Q trends in overall driver NPS</td>
<td></td>
</tr>
</tbody>
</table>

Source: RedSeer analysis
Increased drivers supply & reduced driver income resulted in lower driver satisfaction

Source: RedSeer analysis

Key Takeaways

**Growth of the online cab industry can also be seen by the constant increase in supply of drivers**
- The number of registered cabs with the online players have crossed 5 lac which is an increase of 150%

**Driver incomes have seen a steady decrease in the past year**
- With more number of drivers joining the platforms and the cut in driver incentives, the driver income dropped significantly by 30%

**Overall Driver NPS has seen a steady decline in the past year**
- The reduced income levels led to a lower driver NPS which reduced by 2700 bps
Operational Performance - Cab Availability and ETA almost remained same with a reduction in driver-side cancellations

Sub-Dimension | Time Trend For CY16 | Sub-Dimension Rating - CY16
--- | --- | ---
1. Cab Availability | Cab Availability (In %, CY16) | Q1 Q2 Q3 Q4
2. ETA (in mins) | ETA (in mins) (CY16) | Q1 Q2 Q3 Q4
3. Driver Cancellations | Driver-side cancellations (% of total rides, CY16) | Q1 Q2 Q3 Q4

Key Takeaways

Cab Availability has largely remained unchanged during the year
- As the cab supply increased, so did the demand which led to almost no change in cab availability during the year

ETA has remained the same over the past year
- ETA, reduced with increase in cab supply but saw an increase during the festive season due to high demand

Driver-side cancellations saw a decrease in 2016
- With the cab aggregators drafting stricter measures for drivers, driver-side cancellations reduced during Q2 and Q3

Source: RedSeer analysis
Unit Economics - Industry unit economics improved with reductions in incentives in 2016

Source: RedSeer analysis

Key Dimension
Rating - CY16

Sub-Dimension
Commission (as a % of GBV)

Sub-Dimension
Rating - CY16

Time Trend For CY16

Commission as % of GBV (CY16)

Q1 Q2 Q3 Q4

Key Takeaways

Industry hasn’t changed it’s commission rates in the past year

○ With increased focus on improving the customer base and driver supply, there has been no change in commissions in the past year

Demonetization has greatly impacted the % of cashless transactions in the past year

○ Post demonetization, the adoption of electronic payment mode increased, which has reduced cash handling costs for companies

There has been a consistent drop in driver incentive spends throughout the past year

○ With companies looking to cut costs, the driver incentives were reduced during the year

Payment Mode

Cashless transactions as % of total transactions (CY16)

Q1 Q2 Q3 Q4

Driver Incentive Payouts (as a % of GBV)

Incentive as a % of GBV (CY16)

Q1 Q2 Q3 Q4

Unit Economics - Industry unit economics improved with reductions in incentives in 2016
What went right for the sector

1. 2016 was a year of significant growth for the online cab sector with increase in no. of rides and overall GBV
2. Customer satisfaction with online cab increased, especially on parameters like booking experience and ride experience
3. Unit economics for the sector improved, driven by reductions in the driver incentives
4. Carpooling got a major boost as all the major players took multiple initiatives to promote ride-sharing in 2016

What went wrong for the sector

1. Due to supply disruptions during the year with cracking down on fraudulent drivers in Q3, the industry growth suffered
2. Despite constant reduction in incentives, the industry still ended up spending ~1 USD Bn in 2016 in driver incentives
3. The reduced earnings & more preference to lease model led to unrest among drivers, who resorted to strikes
4. Regulatory hassles also put brakes to industry momentum from time to time
5. The industry failed to raise demand from the tier 2 cities which accounted for less than 15% of pan-India rides

Source: RedSeer analysis
Agenda

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B  Appendix- 2020 Scenario
C  Appendix- RedSeer Offerings
China offers a successful example of a rapidly growing online mobility market

Global Case Studies - China

Insights

- The China market as a whole was doing 1-1.5% of local commuting trips (excluding subway and private cars) through online channels in 2014.
  - This is similar to the Indian market in 2016, which as a whole is doing 1.2% online trips currently - thus China leads India market by two years in online mobility terms.
- Didi completed a combined 0.25+ Mn rides a day in these two cities in 2014 on an average, but jumped to 1.5-2 Mn rides/day by 2016.

A. Rail based and private car based local transport trips have not been included here. If Subways are included, the figure drops to about 5-6% in Beijing in 2016.
For India, similar disruption of mainstream transport modes could see the online mobility market growing 5x (in trip terms) by 2020

Future Trends-India
Insights

- Growth in online mobility market requires disruption of mainstream transport modes - This can be achieved by offering online substitutes at the same price point e.g. bike taxis for buses, carpooling for autos

- There are certain challenges that may constrain the pan India share of online mobility to 5% by 2020-
  - Slower than expected adoption- Even the most mature online mobility markets like Bangalore and Delhi-NCR see only 2-3% online trips currently. Even as these cities grow rapidly in online ride %, India as a whole may still lag at 5% by 2020 due to competition from low cost services like shared auto, growing subway network etc.
  - Regulatory hurdles- Govt. bans on bike taxis and online commuter bus start-ups

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A. Rail based and private car based local transport trips have not been included here

Data Sources- 1. RedSeer report on the public transportation market in India (Sep 2016)
2. RedSeer online mobility reports- Published m-o-m

RedSeer Analysis
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For RedSeer Offerings please write to us at v@redseerconsulting.com
Thank You!
query@redseerconsulting.com