

CASE STUDY - OLA CABS



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Abstract

The middle class population in India rose from 15 million in 1991 to 160 million in 2011. This segment with its increasing disposable income started demanding and has been willing to pay for better services across sectors including private and public transportation. Rapid economic growth coupled with huge infrastructure development, rigorous effort from Ministry of Tourism to project India as travel destination and emergence of Business Process Outsourcing (BPO) industry has given a huge push to the car rental industry in India. Till 2003, the point-to-point taxi market in India's big metropolitan cities was completely unorganized. It was served either by unorganized, inconsistent and

somewhat expensive private operators or by state government controlled pre-paid taxis offering a standardized but low quality service. Online cab firms have found the biggest opportunity from 2013 by providing an App which could be configured on smartphones along with the customer's details. The customer can enter their pick up and drop locations and conveniently make a cool ride. This is a case study on Ola cabs and how a strong customer base is created among other competitors in Chennai. The data is collected by interviewing with 25 cab operators in and around Chennai.

Keywords: Unorganised transport, private operators, taxi operators, cab operators etc.

Introduction

Ola Cabs is the trade name for ANI technologies private Limited. It is an online transportation network company founded on 3 December 2010 by Bhavish Aggarwal and Ankit Bhati. This Bangalore based company is known to be India's biggest startup. Ola provides all kind services ranging from economic to luxury. Ola claims 1,50,000 bookings per day and owns 60% of market share in India. There are more than 6000 employees working for ola cabs and 6,50,000 cab driver are associated with Ola.

Founders

Bhavish Aggarwal: Bhavish Aggarwal is an IIT-Bombay alumni and has worked with Microsoft Research two years. At Microsoft, Bhavish published 3 paper and filed 2 patents in international journals. He is also working as the CEO of the company. Fun fact about Bhavish is that he doesn't own a car and vows that he never will. **Ankit Bhati:** Ankit Bhati is also an IIT Bombay alumni infact Bhavish and Ankit are bachmates. At Ola Ankit leads product, engineering, and data sciences, ensuring a strong back-end system that powers the experience of riders and driver partners alike.



Story behind Ola



The founder and CEO of Ola once took a car rental from Bangalore to Bandipur. The driver stopped his car in the middle and demanded extra money from Bhavish from what they settled earlier. After refusing the driver abandoned him at the middle of the road on the way. This is when Bhavish realised the need of quality cab service in India and joined hand with his batchmate Ankit Bhati to start cab ola.

Business Model

Ola is not a taxi business. It is just a taxi aggregator which means Ola act as an entity between end user and cab drivers. They partner with private taxi owners, provide them technical equipments and process for booking through Ola app. This is very beneficial for both customer and driver as customer can book a cab for few Kilometers without paying half day or full day cab fare and drivers gets more customers.

Revenue Model

Ola charges 20% commission for each ride from its driver partner. So for example if the average price per ride is 150 Rs, 20% of which is 30 rupees. Ola claims to have 1,50,000 booking per day. Hence Ola is making at least half a million rupees per day.

Fundings

Ola has been backed by one of the biggest investors in the market. Ola is initiated in 2011 with seed funding of 0.33 million dollars after one year in first series Tiger Global invested rupees 5 million dollar in Ola. In second series in 2013 Ola able to raise fundings of 20 million dollars from Matrix partners and Tiger global. In third, fourth and fifth series ola raised around 650 million dollars from Steadview capital, Softbank, and DTS global along with existing investor. As of last year the company's evaluation was 5 billion dollars.

Ola Vs Uber

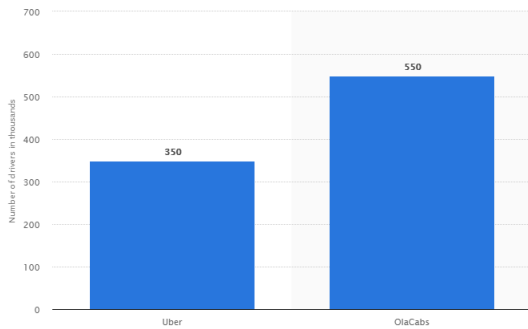
Uber started its operation in 2013 which is 3 year after Ola has been launched. So Ola already have head start of 3 years. But with the Uber's global experience Uber have made their way into Indian market, result of which Uber has slowly captured 35-40% of market share in India while Ola is claiming 60% of market share.

Price War

Uber and Ola has unleashed a price war which has resulted in a increase in consumer and upped the stakes of Investors. In attempt to counter Uber's prices Ola raise around 500 million dollars and launched a new category called Ola micro for low fare rides. Priced at 6 Rs per km Micro is cheaper than Ola go. Ola claims to have 4,50,000 vehicles on the Ola platform where Ubers claims the number to be 3,50,000. According to industry experts Ola's focus has wavered from last year since the company has launched new food and grocery delivery (Ola Store) and dabbled in shuttle service where Uber is singularly focusing on the core business to catch up Ola.

Journey so Far

After its inception in 2010 Ola has claims to have 6 lakhs vehicle on ola platforms across the country. Ola serves in 110 cities in India by Ola fleet. Ola has 6000 plus employees and more than 6 lakhs driver partners building mobility for a billion Indians across the country



Number of Olacabs and Uber Drivers in India, As of July 2016 (In 1,000s)

SWOT Analysis of Ola Cabs with USP, Competition, STP (Segmentation, Targeting, Positioning) - Marketing Analysis

Ola Cabs	
Parent Company	ANI Technologies Pvt Ltd
Category	Service provider for taxi hiring (Aggregator)
Sector	Transport & Logistics
Tagline/ Slogan	<i>Chalo Niklo</i>
USP	Standardized customer experience & Price transparency
STP	
Segment	People who mobile from one place to another for any purpose
Target Group	Customers who are in need of cabs instantly
Positioning	Using technology to bring the higher efficiency and customer experience

SWOT Analysis	
Strengths	<ol style="list-style-type: none"> 1. First mover advantage as a taxi aggregator in India 2. Acquisition of Taxi For Sure made it No. 1 in India 3. Top of the mind service 4. High awareness due to aggressive TV, online and print media marketing 5. Huge customer base & due to network effect it is increasing 6. Rapid expansion and online application 7. Multiple rounds of VC investments have made the brand financially strong
Weaknesses	<ol style="list-style-type: none"> 1. Drivers are the face of the company and hence their misbehavior directly affects the brand image 2. While the demand is huge, amount of cash burning is huge and monetization is very difficult
Opportunities	<ol style="list-style-type: none"> 1. Unorganized market is huge (~90%) and hence potential is high 2. Increasing internet penetration & smart phone users 3. Rising disposable income 4. Shifting of consumers towards convenience creates huge demand 5. Acquisition of smaller players
Threats	<ol style="list-style-type: none"> 1. Rising competition 2. Uber has deep pocket and hence can burn cash heavily 3. Presence of many national players 4. Absence of clear government regulations in developing countries 5. Future is unclear due to lack of regulations and Customer loyalty is less in this industry

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