

Taxi app firms vying for Indian market

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Growing demand for affordable cabs fuelling competition between Uber and Ola Cabs

Nirmala Ganapathy India Bureau Chief In New Delhi

Mr Raghav Kohli usually travels on the Delhi metro. But when he has had a tough day at work or does not want to battle the crowds, the marketing consultant clicks a taxi-hailing app on his mobile phone to book a cab.

"I would rather go for the app instead of the hassle of booking a cab with a phone call. I take a cab at least three or four times a week," said Mr Kohli, who prefers app taxis over radio cabs or the neighbourhood taxi service. "It's around 20 per cent cheaper."

Customers like Mr Kohli are fuelling a growing demand for affordable taxis in a country where public transport is weak and only 15 out of every 1,000 people own a car.

The Indian taxi market is worth around 500 billion rupees (S\$11 billion) but only 5 per cent of it is organised. The rest comprises small neighbourhood cab companies or individuals driving their own taxis who often charge their own rates, adding to the growing allure of taxi-hailing services and an intensifying taxi price war.

Uber, which was launched in 2013 and recently announced that it would pump US\$1 billion (S\$1.4 billion) into its India business, is looking at expanding from an industry estimate of 200,000 trips a day in 18 cities to one million trips a day in an unspecified number of cities in the next six to nine months.

Uber's main Indian rival Ola Cabs, whose co-founder Bhavish Aggarwal hopes taxis will replace mass car ownership, is going to expand its cab service to 200 cities from 100 within the year.

It started operations in 2010.

STRUCTURAL WEAKNESS

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MR JASPAL SINGH, a partner at Valoriser Consultants



"Taxi companies were facing slow growth and even declines in bookings before the entry of app-based companies," said Mr Jaspal Singh, a partner at Valoriser Consultants. "The market has completely changed as more people are using taxis than ever before.

"Because of the convenience and the tracking of cabs in real time, the cost of such journeys has been reduced and the quality of vehicles and service has improved."

A journey in an auto-rickshaw in Delhi costs 8 rupees a kilometre, compared with 7 rupees a kilometre for an economy taxi from Uber or Ola Cabs, said Mr Singh.

Ola Cabs believes it has the advantage in understanding local conditions. But Uber - which got investment from and signed a marketing deal in March with Times Internet, a part of Indian media major Bennett, Coleman & Co, publisher of the Times of India newspaper - has unveiled India-specific offers and promotions, such as up to 500 rupees off on first rides in some cities.

Uber also started accepting cash for the first time in the southern city of Hyderabad in April and has extended that to five other cities, being aware of the unease among many Indians about using their credit or debit cards online.

"Uber has grown exponentially in India... which has quickly become the largest market geographically for Uber outside the United States. We are extremely bullish about the Indian market," said an Uber spokesman, adding that the firm registered a 40 per cent month-on-month growth. "India is one of Uber's big priorities, along with China."

Uber's deep pockets are expected to be a challenge for Ola Cabs, India's largest online taxi-hailing company. It raised US\$610 million from investors such as SoftBank, Tiger Global and Sequoia Capital over the past year.

Ola Cabs, which acquired another taxi-hailing app - TaxiForSure - in March, sees app-hailing services as the solution to congestion in India.

"The only way out (for India) is by offering transportation services where one asset multiplies and serves hundreds of people," said Mr Anand Subramanian, senior director of marketing communications at Ola Cabs.

But in India's weak regulatory system, taxi apps are facing challenges. Uber's reputation was tarnished after a female customer accused a driver of raping her.

The Delhi government banned mobile app-based cab-hailing services but a case is now in the Delhi High Court.

"Safety is a key concern. The basic structure is weak, such as in the issuance of driving licences. It is difficult to verify drivers' credentials except in some key cities," said Mr Singh.

"At the same time, cab companies are responsible for the behaviour of drivers. It is a key challenge."

But the entry of app taxis has allowed drivers to double their earnings. Some are earning above 100,000 rupees a month, a salary unheard of for drivers in India.

Mr Baljit Singh, 30, works for a tourist taxi firm but does part-time work for app-hailing companies. He has been able to double his earnings. "It's good even if we work less. The payment is good. It has made a difference to my family."