

Changing economic trends in taxi market in Mumbai

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Abstract

Taxi Market throughout the world, in India and in Mumbai facing drastic changes in the form of Aggregator taxi model which is because of Innovation in Technology, advancement in Technology and simultaneously increasing investment by venture capitalist due to changes in technology transportation in city like Mumbai has become affordable and more better, comfortable, quick, for common people. Technological platform is created by aggregator taxi operators by which they connect driver and passengers and fill the gap between demand and supply earlier were days when to get taxi one has to go to taxi stand and number of time drivers use to refuse for desired destinations the change in taxi service can be seen in this way. Earlier Radio taxi service were available, you can call taxi by giving a call to call center of companies and now latest development is this that you can download app of Ola and Uber and can book taxi through your smart phone, within few minutes taxis at your doorstep. You can locate the location of a taxi the moment you start the app. You get the phone number of the driver, you can see the movement of your taxi on your mobile, where the driver is, in which location, which road, how much time it will take, what will be the estimated total charges all that you can know well in advance and the estimation of time also. Most of the time estimation of time is so accurate. Aggregator taxi model is creating win-win situation for all stakeholders that is company, driver and passenger. In Mumbai Ola service started earlier than Uber. Aggregators are changing the face of taxi transportation earlier which was not considered affordable for common people now it is making taxi market much better in the form of safety by locating route, air conditioned service better behaviour of driver removing the refusals, easiness in getting service prompt and quick service with most accurate estimations with this the paper aims to present the overview of the taxi Aggregation Industry in Mumbai, Current scenario, issues and current changes in the policies of the government to control the aggregators taxi service in Mumbai. Entrepreneurship is an important source of innovation in the economy. Existing kaalipeeli taxi may create barriers for exploiting business opportunities and this can influence entrepreneurs to circumvent rules to exploit new opportunities. Thus during times of change, entrepreneurship can lead to better economic development.

Keywords: aggregator, taxi aggregator, app based taxi aggregator

Introduction

Aggregator means a website or program that collects related items of content and displays them or links to them, other meaning or wholesale buyer or broker of a utility service such as electricity or long distance, telephone service, who packages it and sells it to consumers. Dictionary meaning is Digital Technology, a web-based or installed application that aggregates related frequently updated content from various internet sources and consolidates it in one place for viewing. Taxi aggregator is the technological innovation in taxi market taxi aggregator are companies which creates their technological platform in the form of App like Ola app, Uber app are the company which have created technological platform by which they connect drivers and passengers and for the connectivity they get commission from the driver. The impact of the cab aggregator can be seen from advertisement on television, articles in newspapers, blogs that appear almost daily the reason for this is that they noticed the gap between demand for taxi service and supply of taxi service. It not only fills the gap between demand & supply but also improved the quality of taxi service, earlier to get auto or taxi in Mumbai one had to get it from taxi stand or through call centre also we have to wait till the taxi drivers and today the service we are getting which consist of total picture of location where the driver is in which lane which direction we are supposed to go where one is going with proper estimation of time and money with the

arrival of the Ola and Uber all the earlier issues seem solved. The aggregator taxi business model have given the end user peace of mind and a little luxury especially to the Mumbaikars who always aspired to own a car are now at least getting an affordable taxi ride.

The increase use of smart phones and internet service in Mumbai has made it possible for the aggregator to reach masses, it is one of the core support which taxi aggregator's require to give their service if in today's time we talk Reliance Jio has made. Internet service to each and every Mumbaikar through smart phone only one can book a cab just with finger touch, based on availability of the cab even can cancel the ride immediately without losing a single paisa, if better option is available in few minutes. Increase in number of people who can comfortably use smart phone and can use this service have contributed for the rapid development of the industry.

Other reason for increased use of App based taxi service is increase in income and also increase in the growth of Information Technology industry number of call centres have increased and the log in and log out at odd times to support the client business 24 hours. To facilitate the employee commute between home and office from safety and security perspective also market for cab aggregator have increased.

Objectives of the study

1. To present the overview of the taxi aggregator in Mumbai

2. To examine and study various issues of passenger and taxi aggregators
3. To analyse the possibility of policy changes for taxi aggregators to face the opposition from the local taxi and auto market.

Limitations of the study

It is secondary data based study hence it is conceptual research. The study is conducted purely based on secondary database.

Overview of Taxi Aggregator Industry

According to an estimate, India’s organised taxi hailing market is estimated to grow to \$ 15 billion by 2022 from the current \$ 1.2 billion. Taxi market is growing and attracting many start-ups to join with to grab the opportunity. Broadly taxi business can be divided into pre aggregator era and post aggregator era. The taxi aggregators addressed the problems in the taxi business and have provided solutions to the problem like availability of the taxi at right time, without refusal, security with the tracking of the vehicles using the technology, air-conditioned, estimation of the charges and time.

Taxi aggregator companies like Ola and Uber do not own the taxi they have created a technological platform through which they connect drivers who are connected with them to the passengers who wants to travel to desired destination so they co-ordinate between passenger and driver through technology like Global positioning system/General packet radio service, GPS/GPRS prior to 2007 taxi market was not organised as business was handled by individual taxi owners who were licensed for commercial purpose or the small travel agencies who own small no. of cars and provide services to passengers on the basis of pre booking. Organised taxi started with a label/brand like Meru, Tab cab, Cool cab which operate with proper set up like office, trained supporting staff drivers, call center for booking and also grievance cell to address the complaints.

Organised taxi market can be divided into four (Evolution of Radio Taxi from

Taxi aggregators – like Ola and Uber are companies that have Technological platform and call themselves as technology companies because they don’t own any taxis. They through their technical platform connect drivers and passengers they created app which can be free downloaded by google play store. A mobile application using the maps to identify the request from the customer and then the nearest available taxi is signalled to accept the request facilitating the transaction. Ola and Uber are the two companies which are known as cab aggregators.

Cab Aggregator industry has a huge potential to grow thus now it is a growing industry only 5% of this market is organised. The emergence of cab aggregator have created win win situation for all the stake holders aggregators like Ola and Uber are welcomed by Mumbaikar but are opposed by local kaalipeeli and auto operators. Even for aggregator lot of challenges are existing. Competition is increasing so every competitor is coming up with new way to facilitate the customer and retain its position in the market.

Current Business Model of Taxi Aggregator

Ride process through Mobile Application – to book a cab, user has to first download the mobile application on his data

facilitated smart phone from Google play store free of any charge. Then one has to enable the location tracker, so that the applicant. Can trace the location of the user. Next step one has to choose the payment terms out of the available one like credit card, cash, discount coupon and even mobile wallets. Further one can confirm the ride looking at the availability of the taxi, usual it comes in few minutes. On booking driver receives the details of the request and passenger receives the details of the cab with photograph of driver, cab number, expected time of arrival and cab number. This can be tracked online till the cab ride completes. After the ride is complete, if the payment option passenger select cash upon invoice customer needs to pay in cash, else it will be automatically deducted from credit card or mobile wallets. It is always recommended to have non cash options to save time, safety, clarity and also to avoid change tendering.

To build CRM take feedback as soon as the ride is completed through the app. If passengers wish, they can give feedback to drivers as well. Giving feedback in either way is mandatory. If passenger has not given feedback in any way then to when the app is opened for next booking it will block the screen to feedback. On the basis of feedback driver will get the incentive or will leave the network. Uber and Ola are different in this matter little. Uber ask driver to leave the network whereas Ola cancel the incentives accumulated for that week. By this monetary motivation to drivers, companies maintain the standards of service and benefits the passenger better.

Current Scenario and Issues

Having the potential in the market number of small and big players are entering into the business. Out of them Ola and Uber are leading players and rest others are trying their best to survive. The major challenge these players are facing is the getting customer and retaining them there is price war competitors compete through price reduction, free rides, discounts, referral bonus, festival discount. In the time of demonetization they have provided the cashless service and proved very supportive to passengers.

Other challenge for them is to get drivers and retain them into the network. Drivers are given extra incentives if they go beyond minimum number of rides and are free to choose their own login and logout time to attract more business.

a) Business Model- Aggregator call themselves technology companies and not transportation company as they do not own any taxi due to which excluded from all the regular laws. They are the mediator to connect passenger and the drivers.

b) Rules say taxi aggregators now will have to register under goods and service tax GST regime and there will be no threshold exemption for them.

The government has come out with 268 page document detailing taxations rules and procedures for various sectors including taxi aggregators under goods and service tax. Uber is available in 27 cities with 2.5 lakh driver-partners.

The company is already in aggressive expansion mode. It has committed investment worth \$ 1 billion in India. According to a road ministry estimate, over 1.6 million vehicles in India are licensed to run as city taxi but there are not as many quality drivers.

Prime Minister Narendra Modi’s Skill India The ministry is preparing a month long curriculum for the driver training. Institute to train drivers for which Government want

commitment from Ola and Uber for training drivers every year as they will need them also because of growing demand and also because they have their own fleet growing.

It will be short-term skill development course and will ensure that all aspirants who complete the course get commercial licences in three months.

The government also hopes to amend the Motor Vehicles Act in the current session of parliament to bring down the time period for securing a commercial driving license to a maximum of three months after the applicant obtains a learners license Drivers registered in their network are being taken away by the competition.

False booking allegation: Recently Uber accused Ola of creating false rider accounts in their platform and made false booking which were cancelled within 5 minutes diverting all its drivers to a non-existent customers. According to Uber, with these fake bookings they are not able to serve the genuine customer.

Few of the drivers signed up with both Uber and Ola. Aggregators are facing a Shag where they were not able to access on a particular day how many vehicles will be there in their fleet.

App Crashes: When at a particular moment there a large number of hits to its mobile application beyond its capacity, causing it to crash.

Bleeding money: Both aggregators to capture the larger market provides no. of discounts offers to customers, drivers.

Getting and Retaining passenger is another biggest challenge due to little discomfort in the service leads to switch the service. Increasing operating cost, government policies, opposition from local taxi and rickshaw are the challenges for the aggregators.

Issues from Customer perspective

- App only: It is necessary that a passenger should have a smart phone with data connection. Those who are not having smart phone are not in position to get this service.
- Higher pricing: Passenger are charged higher prices on peak hours. Companies call this a surge pricing, means the prices will go up depending upon the demand at the particular moment. This is causing lot of confusion in the passengers as they are not still clear on the concept and idea of over pricing is creating worry among the passengers.
- Pre bookings not honoured: Ola offers pre-booking facility where a passenger can book the vehicle well in advance, but due to the non-availability of the cabs at that time, they are not honoured. These repeated failures in keeping up the requests are creating a negative opinion among the passengers.
- Service Rejections: Are the cases where the drivers ask the passenger to cancel the booking even before they come to pickup they call to check once they get to know the destination is not on their route. Further after cancelling, when users try to book another cab the same driver is assigned as he is in the nearby location.
- Rainy day crisis: Customers face lot of difficulty during the rains in getting a ride as drivers are reluctant to accept requests as they fear heavy traffic jams and water logging
- Pickup guidance: Drivers are supposed to follow the map and reach the pickup point taking assistance of GPS but experience of customers are different. They themselves have to become GPS every time they book a ride as the

drivers are not skilled enough in using navigation system properly.

- Hygiene: Cabs that appear new are only clean no. of cabs not properly cleaned and bad odours are the common issues that passengers complain usually. Drivers sometimes do not turn on the AC even after repeated reminders.
- Artificial Surge pricing while booking a ride, customers notice many cabs around the location but the pop up says that they have to pay higher price as there is a demand. Many passengers experience this in places like railway stations, as and when train arrives though there are no. of cabs, surge price is shown.

Future of Aggregator

Ola the top player in the taxi aggregator industry both Ola and Uber are burning cash to sustain them in the market as leaders and not making any significant profits. The industry analyst analysis it as now it is not who makes the more profit at this point. It is the question who have deeper pockets and willing to put more investment to get returns from long term perspective. This aggregators have to take under them small cab companies which are not organised.

Conclusion

This is how from the above discussion change in economic trends in the taxi market, which was not organised, service industry using technology can create win-win situation for all. Passengers are getting better service at cheaper rate without much difficulty. Drivers are getting self-employment and aggregator companies tapping the untapped market. Thus this paper tried to precisely cover the technological advancement in aggregator taxi model, its opportunities and challenges. How the aggregators innovatively provided the solution using technology, thus witness the changing economic trends in taxi market in Mumbai.

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