Abstract: ola and pricing systems that it has

Abstract: There have beeninnovations and improvements in the ways and means of travel from one place toanother.

As a society progresses thereis a need to develop the way people travel. Perhaps these needs to innovate theway we travel lead us to the creation of the taxi aggregator services. In Indiathere has always been a huge opportunity to develop the transportation systems. This was ably leveraged by ANI Technologies Pvt. Ltd operating under the tradename OLA by launching the first taxi aggregator services in India. This case study looks at the business modelof OLA and pricing systems that it has followed to garner success in acompetitive market of taxi services along with giving it some suggestions forfuture growth.

Key Words:- Market Aggregators, Pricing Model, Revenue Model Demand

IntroductionOla was founded as an online cab aggregator in Mumbai, but is nowbased in Bangalore. Ola Cabs is a taxi service that was started in 2010 inMumbai to solve the city's transport woes. It was founded on 3rd December 2010 by BhavishAggarwal (currently CEO) and Ankit Bhati. of more than 150, 000 bookingsper day and commands 60 percent of the market share in India. November2014 Ola also started on-demand auto rickshaw service on its mobile app inBangalore, Pune and few other. Asof 2017, the company has expanded to a network of more than 600, 000 vehiclesacross 110 cities.

In November 2014, Ola diversified to incorporate autos on atrial basis in Bangalore. After the trial phase, Ola Auto expanded to othercities like Delhi, Pune, Chennai, Hyderabad and Kolkata starting in December

2014. In December2015, Ola expanded its auto services in Mysore, Chandigarh, Indore, Ahmedabad, Jaipur, Guwahati and Visakhapatnam. Awareness isthe ability to directly know and perceive, to feel, or to be cognizant ofevents. More broadly, it is the state or quality ofbeing conscious of something. Awareness is a relative concept. Awareness may be focused on an internal state, such as a visceral feeling, oron external events by way of sensory perception. Over time citizens have either grown apathetic to the sight of customerbeing over charged or have merely taken it for granted that tourist taxis areoverpriced, leaving people to wonder if there is at all any point in makingefforts to resolve the issue.

Not many in the state and outside are aware thatthere are designated rates the state government has notified for self-employedtourist taxi operators attached to beach resorts and star hotels. In Goa, thegovernment notified rates for most of the 30-odd vehicles continues to be amystery for most travelers. Taking undue advantage of this, cab drivers oftenquote arbitrary rates, leaving desperate travelers with no choice but tocomply. All this takes place due to lack of awareness on the part of thecustomer, this is where app based cab services like OLA comes into play andgives customer the services deserved by them. BUSINESS MODEL of OLAANI TechnologiesPvt Ltd. is the name of the company under which Ola App operates.

It’s headquartered in Bengaluru, India. Ola is basically an “ On-Demand” Taxi Hailing Service using which people with smartphones can book a chauffeurdriven cab in a driven by owners or helps of the owners of the cars. Asof Last Fund Raise the company was valued at over 5 Billion USD. One interestingthing to note is that Ola Cabs used to operate as a Fleet Cab

Service Providerduring its earlier days, it used to work like this : You call upon their callcenter, tell them the date and time of the trip and get a car at your doorstep, you had to pay in cash to the driver when the trip ended, then it pivotedto app based aggregation model seeing the meteoric rise of Android and AppleDevices.

Well as statedearlier, Ola has been through its own set of ups and downs, pivots and U-Turnswith respect to (w. r. t) its Business and Revenue Model. When they startedout – They started out as a Taxi Rental Fleet Business (They owned the Fleet). They had a call center which used to do bookings for customers who wantedcabs. Pretty similar to Meru Cabs and others (Basically Radio Taxi butunbranded and available on an 8hr 80 km kind of billing). But later onthey pivoted into an app based cab aggregation service (similar to Uber). Theirrevenue model is pretty similar to Uber's with couple of additions to it.

Booking a cabthrough OLA is very easy, it is a simple process that anyone with a smartphonecan carry out. Customers to Open Ola App > Ola auto detects your Locationvia Phone's GPS > Shows Cabs of Various Categories (Mini, Prime, Sedan, State Transport Taxis & Ola Share etc) Nearby > Customer to Tap on aCategory of Choice > Click Ride Now > Request is routed via Ola's Serversand is prompted to the Ola Cab Driver's Cell Phone (if he is logged into theOla Driver App) > If the driver accepts the ride, you get confirmationmessage on screen with Driver Details > Driver details sent to you onmessage and email > Click to call the Driver and Co-ordinate > Completethe Ride > Payment Debited from your Ola Money Wallet. There are 2 Appsbeing used simultaneously while the trips are coordinated at Ola –

One is usedby the Cab Booking Consumer (i. e. You) and the other is used by the RequestCompleting Driver called User App and Driver App respectively. The mostsignificant contributor to Ola Cabs Revenue Model will be “ X %Commission from the total Fare of the Trip” e. g.

Ranges from 15% to 20%depending on the city and type of vehicle. Here is the list of various(current and discontinued) Revenue Lines the company has. Fleet Management via Tele Sales Percentage Commission from Trips being served through its platform (Trip Based Commissions) Ola Money Wallet Ola Cafe (Food Delivery) (Discontinued) Ola Store (Hyper Local Grocery Delivery) (Discontinued) Corporate Tie Ups / Event Tie Ups Vehicle On-Boarding Fee In-Cab Advertisements Fleet Leasing (To Drivers) Car Type Peak Time Charges Customers useOla User App to book chauffeur driven cabs because either they don’t own a caror they do not want to use their own car for any reason. Whenever consumersclick on ride now the screen lights up with Trip Request at the nearestpossible driver logged into the Driver App via Ola Algorithm and if the driverrejects the request, it is instantaneously passed on to the next driver in thequeue. This so ever driver accepts the request is presented with thelocation and details of the customer to be picked up. Once the driverreaches the destination (after dropping off the customer) he has to mandatorilyclick on “ End Trip” flashing on his device’s screen. Once this is done, the customers payment is done via Ola Money Wallet (Pre-paid) or via Cashto the Driver. The Trip fare isa combination of: Travel Time (In Minutes): Ola charges per Minute of Travel Time after an initial free X minutes Distance Cost: Ola charges Per KM of Travel after an initial fixed fare Distance (varies as per the type of cab)

Waiting Time: In case you made the driver wait, additional waiting time charges are levied to you Service Tax on the total trip fareThe Trip fareonce charged to your ola money wallet is credited into the driver's accountunder the head of the trip number given to you in your bill copy if paid viacash then equivalent amount of cash is deducted while making payment to driverfor the conducted trips.

OLA deducts theService Tax charged to consumer first, then its commission percentage, thenapplicable income tax on the balance amount and remits the rest of the amountto the driver's bank account at regular intervals (3-7 Days). An example ofbusiness model: Assuming Travel Cost Per Minute: 5 INR (Travel time 40 mins) Assuming Travel Cost Per KM: 15 INR Assuming Service Tax: 15% Assuming Total Travel: 30 KM, (First 5 KM @ 100 INR) Total Fare: 100+ 40*5 (Assumption 1) + 25*15 (Assumption 5 & 2) = 100+200+375 + = 675 + 15% of 675 (ST) = 675 + 101 = 776 INR Ola's Commission: 675 * 20% = 135 INR + 101 (ST – Payable to Govt) Driver's Payout: 776 – 135 – 101 = 540 INR Less 10% TDS (As per Income Tax Act) = 486 INR Standard Fare Category Base Fare Distance Fare Wait Time Fare Ride Time Fare Cancellation Fare Lux Rs300 Rs25 per km till 20km Rs30 per km after 20km N/A Rs3 per min Rs100 Prime Play Rs50 Rs10 per km till 20km Rs14 per km after 20km N/A Rs1 per min Rs75 Prime Sedan Rs50 Rs10 per km till 20km Rs14 per km after 20km N/A Rs1 per min Rs75 Mini Rs50 Rs8 per km till 20km Rs13 per km after 20km N/A Rs1 per min Rs50 Bike Rs20 for first 3km Rs5 per km N/A Rs1 per min (post 10 min) N/A Micro Rs40 Rs6 per km till 20 km Rs12 per km after 20 km N/A Rs1 per min Rs50 Prime SUV Rs150 for first 4km Rs17 per km N/A Rs2 per min (post 15 min) Rs100

Erick Rs25 for first 1km Rs8 per km N/A N/A N/A Auto Govt. determined meter fare Govt. determined meter fare. Govt. determined meter fare. N/A N/A Share N/A N/A N/A N/A Rs25 Outstation N/A N/A N/A N/A Rs150 Table1: Different Prices for Different model of cabs offered by OLA   Special Fare Category Base Fare Distance Fare Wait Time Fare Ride Time Fare Cancellation Fare Micro Airport Terminal 1 Pickup Rs100 for first 5km Rs8 per km N/A Rs1 per min Rs50 Table2: Fare for special Airport Pickup OLA CabANALYSISOF PRICING STRATEGYFrom the perspective ofthe company under study the pricing strategy being followed is in keeping withthe uniqueness of the product sold and the current market conditions. Onlooking at the 5 Cs of pricing that have impacted the pricing decisions we cansee the following characteristics: The single largest factorthat impacts the pricing of this company is the uniqueness of the product it isoffering.

The customized product hasmade premium pricing necessary. The first C of pricing ‘ Company’ is the most significant factor in the pricing policy ofthe company. Here the goal of the company also has a major role to play as itwants to position itself as a premium quality product seller.

Looking at theother Cs of pricing in this case the ‘ Customers’also are important determinants of the pricing strategy. The companyfollows a graduated approach to benefit those who buy more. In terms of ‘ Competitors’ the company has few andfar between in the area in and near the country. This has perhaps allowed thecompany to somewhat have a liberty in deciding the price to be charged. Therole of another C that of ‘ Collaborators’is not very strong in case of this company as the company does not have adistribution channel so their role is not present in pricedetermination. Lastly, the ‘ climate’element does have a minimal impact onthe pricing as the company as transportation is evergreen product not havingany seasonal impact.

In the present business condition and the waythe business is growing, the company has been able to set up a niche market foritself in a short period of time. For now the company is doing well and thecustomers are delighted about the products it is delivering. This is because the market for the product isnew and the competition has not yet seeped in.

The scenario is bound to changewhen there will be more competitors coming into the market. For this it issuggested that the company uses valuable resource foritself as defined by Collins and Montgomery (1995):
1. Inimitability – To make theproduct innovative and hard for competitors to copy the same. Energy Mad can stall imitation if the productis (1) physically unique, (2) aresult of path dependent developmentactivities, (3) causally ambiguous(such that the competitors don’t know what to imitate), or (4) make a costlyasset investment for a niche market, resulting in economic deterrence. 2. Durability – make theproduct durable3. Appropriability – Create avalue for the — company, customers, distributors, suppliers, or employees inshort the overall stakeholders. 4.

Substitutability – Make theproduct unique and un- substitutable, 5. Competitive Superiority – Finally, making it superior and different from the competitors. Thus, potentially anymore competition would lead to change in pricing strategy for the company. SUGGESTEDPRICING STRATEGYPricing levelsfor the company are relatively high because it is considered to be the best intown in terms of quality and uniqueness of the product. While developing theirmarketing strategies companies can use any of the following approaches:- Game-theoreticmodels are one of the few approaches use in pricing strategies based on theassumption that firms are regarded as (hyper) rational value maximizes. Here, rationality means that they work tobecome the most preferred keeping in mind that the competitors also behave inthe same manner (Zagare 1984). Although, there may be some amount ofrisk with respect to the strategies of its competitors. A firm that is rationalfirm is anticipated to overcome any kind of risk by creating competitiveconjectures.

CompetitiveSignals are the other types of pricing strategies. These are reactive strategies which are donewith the reaction to the competitive strategy. Another strategysuggested is that of innovation. This is in case of a dynamic businessenvironment when there is uncertainty in the business conditions Varadarajan, Rajan P. and Satish Jayachandran.

(1999). The one that isbeing used in the case of the company under study is the product qualitystrategy. It is with respect to the economic view of the concept ofquality. The business here follows aniche pricing strategy wherein it offers a high quality product at a highprice. Here the target is a small marketthat excludes itself from the competition.

This ability of the company in orderto charge premium prices for higher quality is contingent on the ease withwhich consumers can determine the quality of the product. Finally, the structure-conduct-performance modelstates that a direct positive relationship is seen between the concentration ofthe industry and profitability of the same. This strategy also fits into thecase under study.

As the concentrationis not very high there is seen a market skimming pricing strategy here. As the companywill grow the company is bound to change its marketing strategy. The marketing strategy is bound to change. It will change in the following possiblecircumstances.

Companies mustplan and replan their marketing strategies for each product many times during aproduct’s life cycle. This is done in order to overcome many of the marketconditions like– the changing conditions, assaults launched by competitors, changing interests and new requirement of buyers. A marketing strategy helps acompany to extend the product’s life and profitability. Based on theabove look at the overall condition of OLA it is recommended that it shouldfocus on gaining small grounds at a time instead of trying to take giant leapsand failing. It must work at becoming a market-driven, people-centric company with a structure that reflects the needs of itscustomers and delivers what it promises. Collaboration with online consumergroups through Facebook and twitter to activate the consumer group and collectthe information regarding their views along with mobilizing their creativitygives opportunities to enhance the speed and efficiency of product developmentwhich is known as co-creation.

Earlier therewas no active involvement of consumers in innovation and it only includedimporting knowledge about needs and wants, which in turn prompted new productdevelopment. The internet has changed this to enable a two-way relationship bypromoting direct co-operation and knowledge creation . Thus, for aneffective pricing that rationale behind the pricing process must be made knownto the customers so that there is no doubt about the amount charges. The willing payment of the customer in whichhe equates the price and the value of the product brings out a sustainablepricing that is there to remain and need not be changes even when there aremany competitors in the market. A happy blend of quality centric pricingdisplaying value for money to the buyers is bound to be the most delightfulmethod of pricing strategy. The companycan add an element of loyalty bonus to the present system of pricing that it isfollowing for effective customer retention is suggested. Theopportunities of the company are profound as it is a pioneer to the customizedproduct it is offering.

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