



Is digitisation the key to opening blue oceans in India: A case study of OLA Cabs

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Abstract

India houses more than 1.32 billion people, second only to China meaning there is abundant demand for new products and services that are capable of enhancing experience and more importantly convenience to the people. The Indian market when it comes to most industries is highly saturated with several players, both domestic and international, whether it is the FMCG Industry or the Service Industry. But with changing times in the country, a new medium to conduct traditional businesses has shown promise: creation of digital intermediaries in what has been traditional services being conducted for years. This digitisation has the potential of opening up uncontested market space in the form of blue oceans. Whether its Ola Cabs which was founded in the year 2010, or Big Basket founded in 2011 these companies have been able to completely change the Indian market by simply allowing people to access the same services they have always been able to, but through their phones and computers. The area is highly inviting to new entrepreneurs as its as simple as finding an old service and playing the role of facilitating the meeting between demand and supply. The country now hosts innumerable number of start up geniuses who have redefined the playing grounds and opened up uncharted market territory with one simple act. VC Gopalratnam, CIO of CISCO talks of the digital economy as the third industrial revolution, or digital revolution with immense capability. Goldman Sachs predicts India could be the second largest economy by 2030 with India's new leadership considering the digital economy as a major growth enabler. Ola, a company launched first in 5 cities now boasts of presence in 4 countries with a global customer base of 125 million with 5.9 million Monthly Active Users and over 1 million users; all by making one simple connection and making the first mover advantage.

Keywords: blue oceans, digitisation, first mover advantage, digital revolution, uncharted market territory

Introduction

Digitisation is the process of converting the traditional method of storing information in the form of photographs and paper into the computer language of binary codes. Digitisation enables the conversion of analogue signals to digital signals.

In particular, India portrays a digital economy with nearly 46 million internet users. Adopting the digital revolution has opened door to various jobs and market opportunities, leading to the campaign introduced to fuel the digital economy known as the 'Digital India' programme.

Before the advent of digitisation, businesses adopted traditional methods to reach out and continue with their business practices. Businesses would solely function on one-way communications and collaborations with other business through paperwork or word of mouth. Through digitisation it has made the process of engagement and collaboration in a streamlined manner. Traditional method of marketing involved static billboards and offline ads as a major means of reaching out to audience but the digitisation has bought in limitless channels of marketing.

Customer relation management and decision making involved a tedious process of collecting and storing and analysing the information, through digitisation, it has made the process easier where the data are stored and analysed effectively which is no longer tedious.

Ola has risen to be the leader of transportation online networking company. Digitisation has allowed Ola to reduce their operational costs and enables digitised data to be analysed for understanding consumer behaviour and patterns.

Provides safer data storage and minimal human error is encountered with incorporating digitisation in their business. With the focus of digitising public transport, Ola has acquired Ridlr, which provides a commuting and end to end public transport ticketing. The main aim of this acquisition is to integrate the mobility platform of Ola with the transportation infrastructure, this acquisition has helped the company to grow big in terms of digitisation where it allows users to book and search public transport options. It aims to bring in new technology and mobility options to its customers

With the inception of Digital India Programme, the government has introduced various policies to bridge the digital gap prevailing in many rural areas and to transform the nation with the power of technology. Empirical evidence from the digital India campaign shows that this programme not only create empowerment in the digital area but also has created numerous employment opportunities.

Review of Literature

Panigrahi, Shahi and Rathore (2018) From their research paper titled "Success Story of a Start-up-A Case Study of OLA Cabs" we were able to observe how OLA Cabs, an Indian Start-up, has very efficiently and successfully tapped into the Taxi market and with a unique marketing and promotional model, has been able to capture the Target-Market segment very effectively.

The paper briefs us about the various fragments of the Indian taxi market- unorganised, affiliates, aggregators and owners. The Research talked precisely about the company's investment profile and the Return on Investment of the firm.

It also represented a competitor analysis of Ola cabs and mentioned how Ola is Superior and better than other aggregator services. Some of the unique ways in which Ola contributed create the Blue –Ocean was through the empowerment of its drivers, introduction of Ola Mini cabs, the alliance of strategic importance with Make My Trip, good customer care, partnership for advertisement with TVF and providing of assistance during Chennai floods. Apart from this, the company also focuses on unique economic strategies to promote itself. It has also launched various hashtag campaigns on social media to popularise itself among the users.

Deshpande (2017) From his study titled- “UBER –OLA –The Competition Killer or The Competition Trigger?” we spotted out the common scenario which we all faced before the introduction of these apps. How the popular yellow-black coloured ambassador taxis dominated the Indian taxi market and how they used to trouble the consumers in terms of unreasonably high fares, far from satisfactory services, bad or no maintenance of the vehicles etc. The author emphasised on these reasons because these led to the fall of the unorganised taxi market and the rise of these apps. The author gave the readers details about the scenario when Uber and Ola entered the market and how quickly they were accepted by the consumers due to the market needs and of course credits it to the unique marketing and promotional strategies followed by these firms. It mentioned how these companies emphasised on “Predatory Pricing.

The author also took the opinion of the Competition Commission of India (CCI) whether these apps are killing or triggering the competition. The Commission discharged Uber of Predatory pricing but built the Prima Facie case of predatory pricing against Ola. The author also brought into light the rules and regulations implemented by the Transport Regulator of India for the regulations placed on these firms.

Malik (2017) ^[1] Through her research paper “Managing Partner Performance, Engagement and Retention – A case study on the cab aggregator giant- OLA”, the author conveys her ideas on the foundation and spread of Ola services. The author briefs about how the industry dynamics have propitiated the emergence of Ola’s services in the country and how quickly the services of Ola were accepted across the country due to the needs arising in the transportation sector for reasonable and ‘one touch away’ cab services.

The author brings to light the competition faced by the firm due to rivalry with other competitive services, threat because of new entrants, danger because of alternatives like Uber and threat due to bargaining power of buyers and suppliers. The author also highlights the growth prospects of the firm. The study also talks about how Ola maintains its relations with the driver partners and how it pays them according to the “Pay per Performance model”.

Digitisation to open uncharted market territory

The prime objective of this paper is to highlight the important role digitisation plays for creating uncontested market territory in the Indian market. This paper does not claim that business propositions mentioned have not been done before in foreign market and places more focus on India’s Economy which is growing at around 6-7% per annum.

According to W Chan Kim and Renee Mauborgne (2015) in their book ‘Blue Ocean Strategy’ state that the corner stone to creating a Blue Ocean is value innovation. Now, traditional

Businesses compete within the same Red Ocean trying to compete with each other and create a defensible position within the existing order. They face what is called the value-cost trade off. This essentially means that to gain a better position than their competitors they have to create an increase in value but this will come at an increased cost which will consequently be transferred to the customers in the form of price rises.

How value innovation differs is because it aims to reduce cost and increase customer value at the same time which therefore removes the concept of a value-cost trade off. This has been graphically represented by the diagram below which shows that value innovation is the crossover between reduced costs and increasing customer value. Value Innovation implies equal importance to value (value without innovation will simply create incremental value creation to slightly stand out in the market) and innovation (innovation without value will be highly technology driven and will just increase cost which buyers may not be ready to accept) together to actually open uncontested territory.

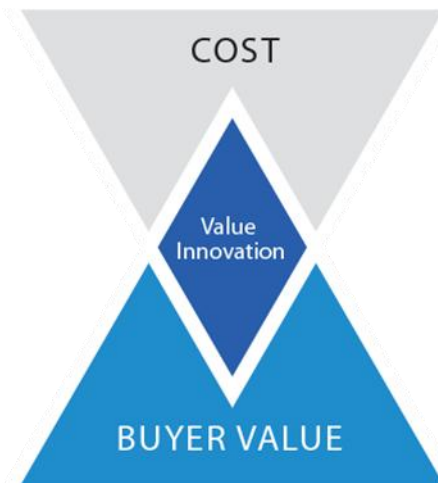


Fig 1

How Digitisation in India comes into the picture with regard to blue oceans is because it fulfils the requirements of value innovation as it drives down cost with increased customer value. Ola Cabs increased the service users’ value by allowing them to hail cabs promptly at the press of a button and assure them lower costs per kilometre. They also incurred lesser cost by playing the role of the intermediary between the cab driver and the customer (supply and demand respectively). Another example is Big Basket where they make grocery shopping convenient and cheaper. They are able to offer high discounts to their customers and also provide the additional benefit of getting customers their products from their preferred stores home delivered within a very short interval. Flipkart plays a similar role, but for the sale of technology products, books, clothing and other consumer durables. Black Buck which was founded in 2015, remade the foundation of the Indian trucking industry by simply making an Ola for trucking and the logistics industry. They made it easier for millions of truckers to book a load and move at capacity and also enabled shippers of all sizes to have access to the right truck at the right time for the right price. The success of all these companies shows how digitisation plays an immense role in creating new business opportunities wherein competition is minimal.

A case study of OLA cabs

Ola is an online transportation network company developed by ANI Technologies Pvt Limited in \$5.7 Billion. It was founded on 3 December 2010 in Mumbai but has now shifted its operations to Bangalore and is India’s biggest online cab aggregator with more than 10 lakh vehicles registered across 169 cities with over 1 million drivers and most importantly, a customer base of 125 million people with 5.9 million Monthly Active Users. They also diversified into autorickshaws in November of 2014. In January of 2018, the company extended its operations into the overseas market in Australia (which has more than 40,000 drivers) and further more in New Zealand in the month of September. It also now has presence in the United Kingdom where it will compete with its biggest global and Indian rival, Uber. But the company, before Uber entered truly did form its own Blue Ocean.

Now the primary aspect of evaluating any company’s performance is the creation of a strategy canvas. It involves selection of various criteria of importance to the business and then evaluating the same in terms of the degree of importance given to them. As a part of this paper, we have identified certain key factors or features of the cab hailing industry, or the intra-city transportation industry in general; they are as follows:

- a. Cost- The cost of the means of transportation for the customer
- b. Ease of Access- The ease with which customers can book/access the vehicles for transportation
- c. Comfort- Extra amenities like Air Conditioning, entertainment, seat comfort etc.
- d. Distance covered- The total area covered by the transport service
- e. Travel Time- How fast the customer can reach from point A to point B (Inclusive of booking time and time of arrival of cab to point A)
- f. Personalisation- Adaptability of service to personal requirements.
- g. Privacy- Ability to travel alone or with personal group.
- h. Vehicle Ownership- Cabs are generally owned and leased by the company to drivers

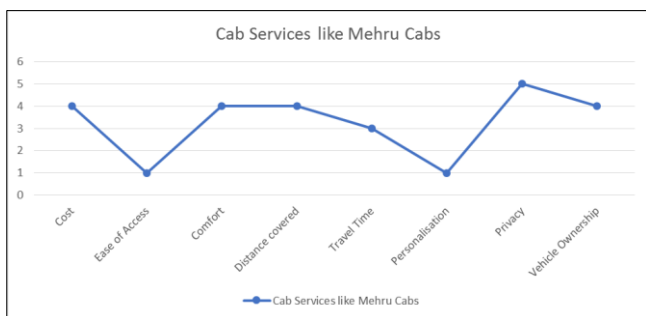


Fig 2

Above is a graphical representation of the strategies adopted by cab companies prior to the pioneering effort made by Ola in the same department. Now to understand how Ola made its mark, its vital to understand how they added certain features of more economical means of transportation into the cab service. They adapted to the bus and auto culture of Indian urbans. Below is a canvas depicting the strategy canvas of Auto and Bus Services in terms of the same criteria.

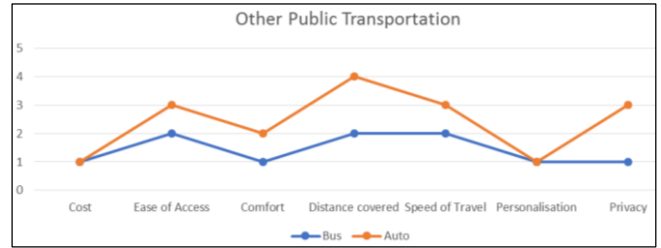


Fig 3

The features in particular that Ola focused on based on that of the Other Public Transportation were:

1. Ease of Access
2. Travel Time
3. Value for Money

Essentially, a key part of how Ola created their massive user base was not by only trying to think about their competitors but further comparing themselves to substitutes in the transport department.

The respective changes that Ola made can be discussed through the Reduce-Eliminate-Raise-Create Grid (Four Action Framework). This grid talks about the company’s decisions regarding which factors it should reduce in comparison to other players, which factors it should completely eliminate from its Value Curve, which factors it should increase in compared to its competitors and finally which new factors they should bring in to their strategy curve.

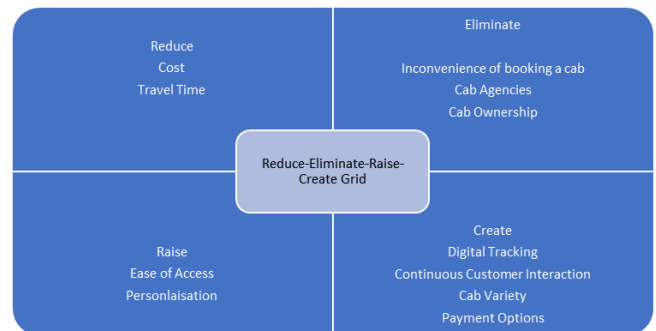


Fig 4

Reduce: A prime difference between normal cab systems and Ola was the payment structure because traditional cabs were either pre-determined prices according to detitanations or through metered fare. Ola on the other hand is only through a metered fare but the price per KM is much lesser and at its lowest it is Rs. 6 per KM.

When we talk about travel time, we also include the time taken for the cab to arrive at the pick-up point. Ola has the advantage of spontaneity where in people can book a cab at a short notice and still have it arrive within under 20 minutes unlike traditional cab services which needed to be planned and booked in advance.

Eliminate: Ola made the smart decision of becoming an intermediary initially meaning that they did not actually have ownership of the vehicles which kept their costs lower. They could work with individual drivers rather than agencies. It got rid of the inconveniences that were caused traditionally while booking a cab like multiple phone calls, forward scheduling etc. Ola only recently started the car leasing program worth around Rs. 5000 Cr, but this is only as a result of their immense success.

Raise: Ola has increased the ease at which people can access a cab by making it accessible on one’s phone and laptop/PC where they can book their cab on short notice. What’s even more unique is that even in situations where the user does not have access to internet, Ola cabs can be booked through SMS service. Cabs, especially Ola Prime and above are to a large extent personalised allowing user to get a better experience when it comes to their in-cab entertainment. People can also access Wi-Fi in most cabs and use their own mean of entertainment or get work done.

Create: Customers through the Ola App can continuously contact and track the drivers of their cab and see its real-time

location through GPS tracking which was not the case in the cab industry prior to this. This makes the process more transparent. The company also increased its cab variety which increase in cost and comfort as well as capacity when we go across the spectrum. They range from Micro to Mini to Prime Sedan and Prime SUV. Ola also has the Ola Auto feature as well as Ola Rentals and they propose to launch Ola Bikes soon.

By partnering with different payment platforms and creating their very own payment platform Ola Money, they have created a variety of portals through which users can pay which makes it more convenient for the users of the app.

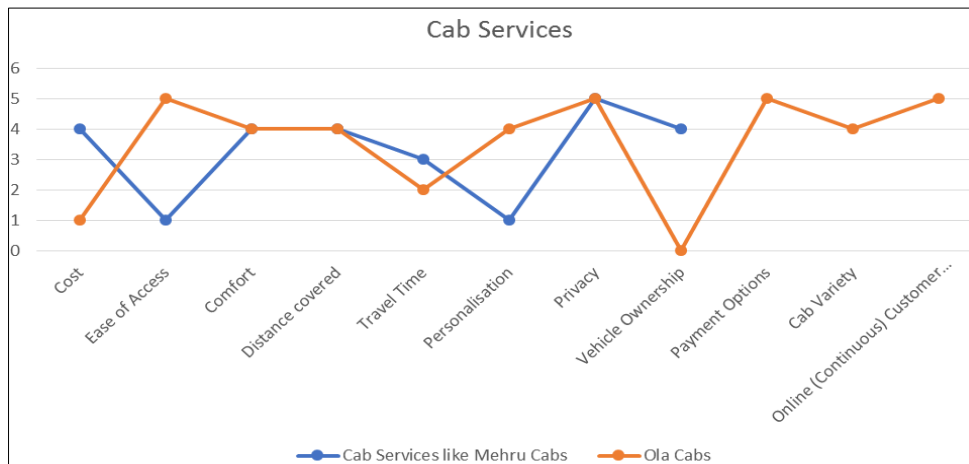


Fig 1

Above is a diagram representing the value curves of traditional services when compared to that of Ola. As stated in the book Blue Ocean Strategy by W Chan Kim and Renee Mauborgne, there are three characteristics of every good strategy which are all present in Ola’s value curve. These are: Focus, Divergence and of course a compelling tagline.

Focus: Rather than focusing on several aspects, Ola chose to focus only on reducing the cost to the customers and making it easier for them to book a vehicle. They didn’t pay too much attention towards comfort or other factors since the point is for a customer to get from point A to point B as fast as possible and at the least cost. They also placed emphasis on making payment flexible, allowing users to pay later through card, or pay weekly (Ola Credit) and pay through multiple platforms like Paytm, Google Pay and their own currency Ola Money which automatically deducts amount of cab fare.

Divergence: What happens when companies start looking at their competitors is that they get stuck in this comparison and forms its value curve reactively, trying to add incremental differences between them and their competitors. What a company should really do is diverge from their competitor value curves, which is what Ola has done.

Compelling tagline: The company has created the tagline ‘Chalo Niklo (Come, Lets go)’ which conveys the message that Ola should be peoples go-to form of transportation for getting around the city. The tagline also tries to highlight the immediacy with which the app can be used and the spontaneous response of the app.

Conclusion

Through our study of Ola, it is clear that several companies can easily open up market space by simply following the principle of going digital in the same way Ola did. The focus

of companies should be to firstly act as an intermediary between supply and demand, secondly reduce costs of amenities or goods for the customer and third, allow for interaction through a digital platform equipped with payment options, live tracking (if relevant), constant interaction between user and app.

Now we can talk about other companies who have followed the same idea to go big and show how our paper holds good for the Indian market and how Ola’s steps can be followed by any company. Oyo rooms markets themselves as a branded network of budget hotels and their initial business revenue model was in the form of commission that they were receiving for leasing out rooms of already existing hotels but through an online platform. Similarly Nest Away follows the same principle of being the online intermediary which ears them around 12.5% of commission on rent of every house that’s rented through the company.

The Indian market is ever-growing and there still lies potential to enter the digital market in several departments. The first step to going ahead with this is looking out there, for an existing business that you think needs to get on the web.

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