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# Scope of Cab Aggregators in India and Comparative Study on Ola and Uber

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## ABSTRACT

*Taxis play an important role as a mode of transportation for many people in different cities in India. One requires taxis/cabs for various reasons, be it for commuting from workplace to home or vice versa or taking family out when not wanting to drive when drunk and for many more reasons.*

*The important part is that this industry is still unorganized, and the demand is growing. It shows that there is a huge business opportunity from entrepreneur's perspective and at the same not up to the expectation service from consumer's perspective to which cab aggregators evolved as a sure shot solution. This research paper studies how OLA and Uber has impacted the automobile industry of India, the current scenario, what are the challenges faced by the industry, Initiatives taken by Ola & Uber, and The Motor Vehicles bill, 2019. It not only gives comparison between a personal car & cab but also tells about the issues from customer's perspective.*

## I. INTRODUCTION

Organized rental cab in India was introduced in 2004 with MERU but the actual revolution in this industry came in 2010 when mobile app-based cab aggregators enter the market. Cab aggregation in India has created an impact which can be clearly seen on social media through television, newspapers, blogs, and various articles and magazines that appear almost daily. Such an impact and the reason behind the popularity of this sector is that they provide solution to the problem for people, which is a very basic thing for a business to exist and flourish i.e. to solve the basic need of the consumer. Earlier, if one need to book a cab, he/she has to call the taxi agencies one by one and has to wait till the cab arrives with no prior details of the fare, expected time of arrival, driver's information and many of the times driver used to took the longest route to the destination in order to maximize their revenue.

The arrival of modern cab aggregators in India like Ola and Uber has changed the lifestyle of people by solving all of the problems mentioned above and also their business model has

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given the consumer peace of mind and a part luxury especially to the Indian middle class who always aspired to own a vehicle are at least getting an affordable and comfortable taxi ride.

Cab aggregation industry in India has many reasons behind its rapid growth than development. One of the reasons can be the growth of the IT/ITES industry in India, many employees especially working with call centers, log-in and out at odd timings keeping in mind the safety and security perspective of the employees, many companies have started providing cab facilities to their employees. Other reason can be the increase in use of smartphones in India and higher usage of internet with Reliance Jio coming in the market and giving free and unlimited mobile data to its users which led people to shift from ordinary 3G mobiles to smartphones and thereby increase in the consumption of mobile data. Also, improved income levels and having got used to the comfort had led to the growth of cab aggregation in India.

## **II. CURRENT SCENARIO**

Cab Aggregation Industry is still a budding industry with huge potential yet to be trapped in the market. This industry does not only solve the problem from customer perspective but also helps the drivers to earn better. Currently Ola & Uber became popular and with their innovative business models and technology they are being able to capture the market. There is a fierce competition between both the competitors and both the companies are trying all the possible strategies at the moment to capture the market share. Both Ola & Uber are trying all the ways to bring the drivers who own their own cars into their network by giving them extra incentives, if they achieve target number of rides and also, they are free to login and logout from the system whenever they want. To gain more and more market share both the companies are giving free rides, discounts, referral bonus, etc.

There is a list of cab aggregators currently present in the Indian market, some of them are:

Uber - It is an American giant that now operates in India as well. It operates in various cities in India in collaboration with car owners in cities like Delhi, Noida, Mumbai, Gurgaon, Pune, Mumbai, Bangalore, Chennai, Kolkata, etc. It gives multiple options to travel such as regular taxi, pool cabs, auto-rickshaw, luxury cars, etc.

Ola - This Indian company was founded by Mr. Bhavish Agarwal and Ankit Bhati in the year 2011. Ola has emerged as one of the biggest cab aggregators in India. Just like Uber, Ola also gives multiple options to travel to choose from and various payment option as well.

Meru<sup>2</sup>-Meru was among the first company to open cab services in India and it was launched

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<sup>2</sup>Reliable. Safe. Transparent. Your trusted ride for every occasion! , <https://www.meru.in/> (last visited Nov 23,

in Mumbai in the year 2007. It serves over 25 cities across India and offers different products according to the consumer's need and budget.

Savaari<sup>3</sup> - This company is present in 98 cities across India. It's an ideal cab service if one is looking for an intercity travel or to multiple destinations.

Bharat Taxi<sup>4</sup> - This company calls itself as the most affordable cab aggregator in India, operates in superior class airport transfers and railway transfers to pick and drop facilities. One can book a taxi online or through their call centre.

GozoCabs<sup>5</sup> - Established in November 2015, it provides cab intercity cabs as well as multiple city cabs. It's an upcoming taxi service provider in India with a great leadership team working on growing and expanding the business in the market.

Spice Cabs<sup>6</sup> - This company was established in 2009, headquartered in Delhi, India. It claims to operate on the principle of '3S' - Safety, Security and Smile

### **III. OLA AND UBER - MAJOR PLAYERS IN THE MARKET**

Currently Ola and Uber are the two biggest competitors and market players in the cab aggregation industry with plans of aggressive marketing strategies and backed by venture capital funds. Cab aggregators, both Ola and Uber are tech companies which act as a mediator between the drivers and the customers. Earlier they were taking booking through call center and online booking via website but now they have restricted booking only through the mobile application. These companies don't own cars but slowly they are shifting their business models to partly inventory by buying cars and leasing them to the drivers, which will help them to have exclusive drivers working on their network to meet the demand and supply better for the companies. In order to capture the maximum market share both the companies are into fierce competition using aggressive market strategies by giving discounts, free rides, etc. It is the customer that has benefitted the most from their competition. These companies try their level best in order to gain employee's loyalty, right set of actions coupled with good acquisition and expansion strategy could be a deciding factor as who captures the most market share.

As of May 2019, with the valuation of about \$6.5 billion, Ola is at least twice in size in terms of daily rides completed. Ola's revenue in the financial year 2018 was around 2,222 crore

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2020).

<sup>3</sup>Savaari, <https://www.savaari.com/> (last visited Nov 23, 2020).

<sup>4</sup>Bharat Taxi, <https://www.bharattaxi.com/> (last visited Nov 23, 2020)

<sup>5</sup>Gozo Cabs, <https://www.gozocabs.com/> (last visited Nov 23, 2020)

<sup>6</sup>Spice Cabs, <https://www.spicecabs.com/> (last visited Nov 23, 2020)

rupees<sup>7</sup>. It has a network of more than 15,00,000 drivers across 250 cities in India. Ola has witnessed a rise in market share from 54% in July 2017 to 57% in December in 2018, whereas the market share of Uber decreased by about 2.5% to 40% based on the download of app and data usage.

The rides and demand for Ola & Uber went up by 4% in the past 6 months i.e. from 3.5 million to 3.65 million. For consumers, it means longer waiting time from about 3-5 minutes to about 10-12 minutes and higher fare, around 20% during non-peak hours in major cities. With falling driver's incentives by the companies, the industry had seen growth of 90% in 2016, 57% in 2017, 20% in 2018 (for Ola & Uber). The falling figures are due to shortage of supply of cab drivers and surge pricing in the peak hours. The reason behind shortage of Uber and Ola drivers is that around **18,000**<sup>8</sup> cars have been seized in the last one year due to failure to replay the installments and loan by the cab drivers due to decrease in their income level.

**Ride booking process**<sup>9</sup> - The process of booking a ride with Uber/Ola is almost same with little Differences as they claim as value addition to the users. Ola has over Uber on pre-booking option where. Uber accepts only on availability basis. To book a cab, one need to initially download the mobile app. Then after enabling the location tracker, once can choose from different types of payment options out of which some are payment through cash, credit card, discount coupons, google pay and mobile wallet. After this one can confirm the ride which usually takes few minutes to confirm. Upon booking driver receives details of the customer and customer receives details of the cab which includes car model, colour, number and details of the driver (name, photo, contact number and reviews).

The cab can be tracked online on the app till the car arrives and ride completes. After the ride is completed the decided fare is deducted from the option of payment.

Finally, important things the feedback-Ola and Uber takes the feedback from the customers very seriously. As soon as the ride is completed, the user is given an option to give rating to the driver and even the driver is provided with an option to give feedback as well.

If the rating and feedback of the drivers are poor, Ola usually cancel the incentives of the drivers as the company is trying to maintain the standard to achieve customer loyalty and

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<sup>7</sup>Ola's revenue surges by 61% to Rs 2,222 crore in FY18; losses cut by more than half, FINANCIAL EXPRESS (Feb 1, 2019) <https://www.financialexpress.com/industry/sme/olas-revenue-surges-by-61-to-rs-2222-crore-in-fy18-losses-cut-by-more-than-half/1461545/>

<sup>8</sup>Alisha Sachdev, MugdhaVariyar, Ola, *Uber face severe shortfall of drivers and cars*, CNBC 18, <https://www.cnbctv18.com/economy/ola-uber-supply-crunch-drivers-sees-vehicles-seized-lending-falls-50-4676761.htm> (last visited Nov 23, 2020).

<sup>9</sup>Uber, <https://www.uber.com/> (last visited on Nov 23, 2020)  
Ola, <https://ola.com/> (last visited on Nov 23, 2020)

giving incentives to drivers to please the customers is the best way to achieve.

- Fare charged by Uber and Ola from passengers includes:-
- Base fare (fixed amount)
- Ride time fare (charged per time taken to travel)
- Distance fare (charged per kilometer)
- 5% GST
- Toll charges (if any)
- Peak pricing<sup>10</sup>

#### IV. CHALLENGES FACED BY THE INDUSTRY

Drivers strike their own deal with customers - Many drivers working with the cab aggregators like Ola and Uber have seen their income and incentives going down over the past four years. Specially the cab drivers who bought cars on loans are facing difficulty in repaying their debt. Recently few cab drivers in Delhi NCR asked customers to cancel the ride and pay them the full amount so that the drivers would not have to pay any commission to the aggregator.

Driver's grievances - Income level of drivers working for cab aggregators have fallen sharply making it difficult for them to pay the instalments or to repay their debt which they usually have taken to buy a car. Percentage of gross booking value has fallen from 60- 65% in 2015 to just 8-10% in 2018<sup>11</sup>. Change in companies' policies have reduced incentives for drivers which caused their income to fall from about 80,000 a month to under 30,000 a month.

Frequent strikes and drivers leaving the network - With falling incentives and income for drivers due to change in change in policies of the companies about 20,000 drivers have logged out of the portal of cab aggregators in the past 12 months because it was making it difficult for the drivers to pay their instalments keeping in mind the increasing fuel prices and other variable costs. This also led the drivers in few cities like Mumbai and Delhi to go on strike as the companies were not ready to increase their incentives. These situations create negative impression of the company in customer's mind and company may lose their customers due to shortage of supply to the demand.

Bleeding money-Since this industry is still a budding industry so both Ola/Uber are trying

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<sup>10</sup> Surge pricing depending on the demand & supply of cabs

<sup>11</sup> Aditi Shrivastava, *Hail no more! Ola, Uber's ride growth slows to a crawl*, ECONOMICS TIMES (Jan 4, 2020), [https://m.economictimes.com/small-biz/startups/newsbuzz/hail-no-more-ola-ubers-ride-growth-slows-to-a-crawl/amp\\_article/69641990.cms](https://m.economictimes.com/small-biz/startups/newsbuzz/hail-no-more-ola-ubers-ride-growth-slows-to-a-crawl/amp_article/69641990.cms) (last visited Nov 23, 2020).

their best to capture the maximum market share by giving offers and discounts such as referral free rides and 50% discount up to a certain amount on few numbers of rides. These expenses are borne by the companies, so a lot of money is bleeding in promotions and advertisements.

False booking allegations - Few years ago Uber accused Ola of creating false demand by creating fake accounts on their portal and by making bookings which gets cancelled within few minutes of the driver's arrival, which caused loss to the companies as it created a huddle for them to serve their genuine customers.

## **V. ISSUES FROM CUSTOMER'S PERSPECTIVE**

Women safety - Safety of passengers has been one of the biggest concerns for the cab aggregators. Many issues have been reported by female passengers regarding the safety, some women who have travelled during late hours have reported cases of harassment and misbehaviour by the drivers. Some issues include driver taking the car on different location or contacting female passengers after the ride, since drivers receives the contact information of the passengers.

Arrival time - One of the biggest problems that customers face is the waiting time. Usually when one is booking a cab it shows an arrival time of about 4-5 minutes but after the booking is done the time increases to 10-12 minutes. This is sometimes done by the drivers to force the customer to cancel the ride and look for an alternative and to get cancellation charges from the customer.

Cancelling ride without notice-Sometimes cab drivers take longer time than what is shown in the app. They do this to wait for the passengers to call them and reveal the destination and if the destination doesn't suit them, they cancel the ride without any notice which leaves the passengers bewildered as it becomes difficult to book a cab again and wait for it. This also frustrates the consumers and force them to look for an alternative.

Surge Pricing-This is one of the big gestissue and problem faced by the consumer and this is something which is not going to be fixed ever. It just takes a little rain or bad weather to inflate the fare of cabs to double and some-times even to triple. Also, people who book cabs at the office timings have to pay extra due to high demand during the peak hours.

## **VI. THE MOTOR VEHICLES (AMENDMENT) BILL, 2019**

The Motor vehicles (Amendment) Bill was passed by the Lok Sabha on July 23,2019. It awaits to become the law since it has been cleared by the Rajya Sabha as well. It brings about a change in how Indian roads and transportation are governed in India. The new bill aims to

bring about more discipline on the roads by tightening the rules and increasing the penalties.

**Penalties:** Minimum penalty for violation of traffic rules has been increased from Rs 100 to Rs 500. The maximum penalty has been set to Rs. 10000 for a number of offences. For cases of driving without a license the penalty now is Rs. 5000 and for driving without a seat belt is Rs. 1000. For drinking and driving case, the penalty now is Rs 10000. In case of over speeding, light motor vehicles will be charged with a penalty of Rs1000 and heavy vehicles will be charged with Rs 2000. If found racing, the driver will be penalized with an amount of Rs 5000. If you are driving your vehicle without insurance, you'll be penalized with Rs 2000. If you do not clear the way for emergency vehicles, then the penalty for this is Rs 10000.

**Fixed Accountability:** The new bill fixes liability on road contractors for faulty road designs. Juveniles who are not allowed to drive and cause an accident, their guardian or owner will be held responsible. Under the new law, manufacturer can be directed to withdraw defected models or vehicle components from the market.

**Better Compensation & Insurance Coverage:** The compensation for hit & run has been increased from Rs 25000 to Rs 2 lakh. In case of injuries, the compensation is now Rs 50000 which was earlier Rs 12500. A motor vehicle accident fund will be created by the centre to provide compulsory insurance coverage to all road users and compensation to road accident victims.

**Protection to “Good Samaritans”:** The new law defines “Good Samaritans” as people who come forward to help victims of a road accident. They would not be held liable for the injuries of the victim or if the victim dies due to negligence on their part.

**License:** The eligibility criteria for a person to pass class VII before seeking a driving license has been removed. Now if a person has a certificate from the driving school, then that is enough for him/her to apply for a license. In case of expiry of the license, the owner of the license will have one year to get it renewed. The new law also provides the cab aggregators to get license from the government of the states they operate in and they also have to conform to the Information Technology Act of 2000.

**Cooperative federalism in new bill:** The government will create a National board of safety to advise the central & the state government fall the road safety measures and traffic management. Also, the central government in consultation with the state government will also frame a national transport policy.<sup>7</sup>

### COMPARISON BETWEEN A PERSONAL CAR & CAB.

If we begin to compare cab monthly expense vs. personal car expense over specific period of

time, then we would know which option is more economical and under what circumstances. The following table gives information on travel for 25 days in a month. The personal car expenses include fuel, maintenance & driver costs.

<b>Km (Per day)</b>	<b>Cab expenses monthly</b>	<b>Cab expenses (after surge pricing) monthly</b>	<b>Personal car monthly expenses</b>
20	13,450	16,870	18,165
40	19,990	25,010	20,320
60	26,980	33,780	22,480
80	32,400	40,600	24,640
100	44,100	55,000	26,800

#### **Insights derived from this table -**

For a person who travel 20km/day, cab facility would be a more economical option as compared to personal car expense. For a person who travel 40-60 km/day, both cab expenses and personal car expenses are somewhat similar and hence can opt for either of the options based on personal preferences. For a person who travels 80-100 km/day, travelling by his/her personal car would be the best option as it is more economical as compared to cab expenses.

#### **Limitations -**

**Fuel Prices:** Fuel prices vary across different states. The prices of petrol, diesel and CNG are not the same and hence such variations would impact the personal car expenses as well as cab expenses.

**Maintenance costs:** Maintenance cost also varies from car to car. Luxury cars have very high maintenance costs as compared to other economical cars range. This variation in maintenance cost is another limitation while calculating monthly expenses.

**Driver costs:** Salary paid to drivers are not consistent and they vary across various cities and states. For eg-driver costs in metro cities are higher than in non-metro cities. Hence driver costs act as a limitation too.

## **VII. CONCLUSION**

The cab aggregation industry in India is still a budding industry with a huge untapped market.

Many investors are showing their interest to invest in this sector and already existing Ola is planning to go for an IPO. Ola has launched Ola electric in order to introduce EVs in the business and Uber is working on offering new services like Uber Air, Uber boat and Uber for business. Also, Mahindra & Mahindra has recently invested 201.5 crore Rupees to acquire 55% stake in Meru cabs. M&M is working on electric vehicle project and through Meru cabs they can introduce EVs into the market. There are various problems from both consumer and driver's perspective which companies are trying their best to solve. Many initiatives are being taken by Ola & Uber in order to capture the market and expand their business in India. Talking about the impact of cab aggregators on Indian automobile sector, cab aggregation has not negatively affected much the automobile sector, the decline in sales of vehicles is due to numerous reasons, including poor festive sales in 2018, BSVI norms, economic slowdown, negative consumer sentiments, rising fuel prices, etc. But the future of Indian automobile sector seems bright as cab aggregators are collaborating with automobile companies to introduce electric vehicles in India. Also, a car in Indian consumer mind set is considered not just a mode of transport but also a social status symbol and with rising personal income, people will buy cars and those who already have cars will upgrade to more luxurious cars. Also, people who enjoys driving and travel long distances prefer personal cars over cabs and it is more economical to travel long distances via personal car than cabs.

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