

A Secondary Study on Radio Taxi Industry in India

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ABSTRACT

The radio taxi business has emerged as one of the fastest growing businesses in the Indian transportation sector and the way radio taxi business is running today is highly impressive. It is acting as an intermediary between the customer and the taxi drivers, both customers and the drivers pay the company for the services respectively and that's how companies earn their profit. In this article, the researchers have explored the radio taxi industry in India, how it runs through different business models, industry forces and at the same time the challenges for the existing and the potential players in the industry. Change in the people's mind set has been the greatest factor in the growth of radio cab market. But there are certain other aspects which are acting as the obstacles in widening the radio cab market such as high fares, Telecom Regulatory Authority of India (TRAI) caps on the SMS and the unavailability of parking area. After the study the researchers found that the industry is at thriving phase due to number of aspects like Influx of tourist, deficiency in public transport facility, swelling demand from corporate sector etc. Users have also started giving more importance to comfort rather than budgeted conveyance. Simultaneously, the industry has to conquer lot of challenges like Safety and security for commuters, manpower dearth and primarily inadequate resources to equal the growing demand. According to a report by Boston Consulting Group (BCG) and the Confederation of Indian Industry (CII), India's robust economic growth and rising household incomes would increase consumer spending to US\$ 3.6 trillion by 2020. The maximum consumer spending is likely to occur in food, housing, consumer durables, transport and communication sectors. India's market is consumer driven, with spending anticipated to more than double by 2025. The Indian consumer segment is broadly attracting marketers from across the world.

Above are some signs of bright light for the Radio taxis in India & its major cities.

"Uber, the world's largest taxi company, owns no vehicles. Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no

inventory and Airbnb, the world’s largest accommodation provider, owns no real estate. Is this a business model revolution?”

Keywords: Fastest growing business, opportunities, challenges, spending, mindset.

I. Introduction:

Till 2003, the point-to-point taxi market in India’s big metropolitan cities was completely unorganized. It was served either by unorganized, inconsistent and somewhat expensive private operators or by state government controlled pre-paid taxis offering a standardized but low quality service. The radio taxi business is taking off in a big way in India, with several private operators investing large sums in setting up call centres, acquiring a fleet of new cars, incorporating latest gadgets in their vehicles and hiring trained drivers. Demand for radio cabs is soaring in the metros and large cities as companies, executives, international tourists and affluent Indians opt for travelling in well maintained and modern taxis. They do not mind paying a slightly higher fare to travel in the comfort of air-conditioned taxis. A few entrepreneurs had started the radio cab business in cities such as Delhi and Bangalore about eight years ago, but the service did not catch on. It was only about two – three years ago, when a handful of operators entered the scene, that the business gained momentum. Today, nearly a dozen operators run efficient radio cab services in cities such as Mumbai, Bangalore, Mumbai, Chandigarh, Hyderabad and Pune. They operate under brands such as Meru, Megacabs, Easycabs, Metro Cabs, OLA, Uber etc.

II. Objective:

To study the Radio taxi Industry in India, Its growth, opportunities & also to give recommendations to industry.

III. What is Radio Taxi?

Radio taxi is a taxi that operates through radio signals & Mobile networks. When a customer calls up the helpline number of the radio taxi or books a cab using mobile app the operator communicates with chauffeur (driver) via radio signals or mobile network to locate the nearest taxi. The taxi reaches the customer as required at the specific place and time.



IV. Radio Taxi Market in India

The radio taxi services market in India has huge untapped opportunities. There are very few players in the organized radio taxi services market who have failed to address the market demand due to unavailability of required number of cabs. Today, the radio cab segment is 15,000+ cabs in size with 3 large multi-city operators (Meru, Easy, Mega Cabs) holding nearly 70% market share as well as several smaller operators mushrooming in different cities. – Total operator revenue is estimated to be Rs. 500 Crores, though a better reflection of the industry size would be total revenue earned from customers, Rs. 1,100 Crores at present. It is estimated that India radio taxi services market will reach 30,000 taxis by 2017. The company's such as Meru Cabs has resulted in 120% increase in Net profit after tax for their equity shareholder which shows the kind of return on investments this newly created market segment is witnessing.

Uber's growth in India, a key market, stalled after one of its drivers was charged some times ago with [raping a passenger in New Delhi](#). But its Indian competitors Ola and TaxiForSure are zooming ahead. (Ange, December 09, 2014) Main rival Ola is offering 60,000 cabs in 52 Indian cities and has aggressively announced that it plans to touch 200 cities by end-2015. Of the 52 cities Ola currently operates in, 34 new cities were added in the past three months, illustrating the pace of its expansion. Most of these are smaller Indian cities where Ola is the first mover. Ola said in a press statement this week that its revenues are growing 40% month-on-month. Bangalore-based, four-year old Ola, which counts SoftBank as [one of its investors](#), was last valued at \$1 billion. Ola and its other Indian rival TaxiForSure were already off the block when Uber entered India in 2013. However, unlike Uber, both its competitors and a slew of smaller ones have set up customer service numbers and call-in numbers for drivers, as well as local offices in the cities they serve in. In New Delhi, where Uber has been taken off

the roads by the authorities in December, officials have recently stipulated that cab-summoning app firms like Uber and Ola have to abide by [Radio Cab licensing rules](#) which require, among other things, that cabs be GPS-fitted and drivers' antecedents be thoroughly checked. (Check Uber like app-based cabs; We are different: Radio taxis) While Uber chalks out its strategy to re-enter the market, its rivals are powering ahead. Ola says it is the first 'nationwide' cab booking app. It averages 200,000 rides daily, offers 60,000 cabs and says it has made "entrepreneurs" out of 70% of its drivers. In other words, 70% of its drivers are cab owners who operate as independent businessmen, unlike many large-fleet Indian cab firms like Meru which operate their own taxis with hired drivers. Ola said it is adding a 1,000 drivers daily. In view of the security concerns following the New Delhi rape of a passenger, Ola said it was working on a fleet of women-chauffeured cabs. It is offering booking of three-wheeler autorickshaws, middle-class India's ride, in six cities.

V. Reasons For Growth of Radio Taxi Industry in India:

a. Increase in disposable income and transportation related expenses:

The disposable income and Spending on transport related expenses of Indian consumers have increased. On an average 3-5% of total income is spent on public transport facilities. People are also getting conscious about their comfort which also works in favour of taxi cab market. (M. J. Xavier, 2010)

b. Lack of Public Transport Facilities:

Public transport facilities are not sufficient at many places. Moreover luxurious and comfortable transportation facilities are hardly available. Many consumers are ready to pay higher for the comfort which is a booster for radio taxi market. (M. J. Xavier, 2010)

c. Demand from Corporate Sector

Existing and upcoming industrial hubs and corporate parks on the outskirts of metro and tier-1 cities such as Delhi, Mumbai, Bangalore and Chennai are creating significant growth opportunities for radio taxi operators. Moreover, young working class, in particular, opts for radio taxis due to enhanced convenience and safety. IT & ITeS concerns that have picked up and drop facility require a constant supply of cabs at their disposal. (Radio Taxi Market In India A Case Study Of Delhi)

Radio cabs derive a fair amount of revenues from this facet of supplying cab to these concerns.

Revenues get translated into a fixed income in this aspect wherein demands for radio cabs are always constant.

d. Change in Consumer Mind set

Customers are increasingly shifting from traditional black & yellow taxis to modern Radio Taxis equipped with AC, GPS, 24×7 customer support, electronic fare meter and other tangible and intangible features. Many consumers put precise calculation like owning a car is costlier than hiring a taxi. There logical arguments for the same is, they save on car EMIs, maintenance and insurance, driver salary, petrol, parking charges and use the time during the journey to read the latest news on their gadgets. (Rai, JAN 15, 2015)

e. Economic slowdown acts as an indirect stimulant

This has given growth to the radio cab industry because people are hiring more taxis. A lot of people don't want to use their own cars. (Rai, JAN 15, 2015)

f. Growth in economy & Incomes of Middle Class

With rapid growth in all sectors, the middle class segment of population not only becoming larger but also become wealthier and increases their disposable income. Increasing instances of double incomes in most families also rise in spending power. This increases the demand of comfortable and reliable services.

g. Growth in Air & AC class passenger traffic

The Air travelers are in increasing trends, which uses majority of this services. In August 2015, domestic passenger traffic rose to 10.3 million from 8.7 million in August 2014. This translates into a smart 19.2 per cent rise. All the six major airports in India (Mumbai, Delhi, Chennai, Bangalore, Kolkata and Hyderabad) reported a year to year increase in domestic passenger traffic. The international passenger traffic increased by 14.3 per cent as compared to that in the year-ago month. Similarly in Rail passenger traffic, there is a huge growth in AC class passengers. (Rai, JAN 15, 2015)

h. Low entry barriers

There are hardly any barriers for launching a Radio cab venture.

i. Availability of Variety & Cheaper Cab Models

Indian automotive industry has undergone a massive transformation in the last two decades from being limited to a handful of manufacturer (Hindustan Motor, PAL Maruti) up until 1991 to more than 14 multinational and domestic manufacturer offering a wide variety of Sedan model cars at affordable price. The radio cab sector has been a direct beneficiary from this. Automakers are eager that radio cab fleet operators select their vehicles and to do so

they started offering discount and operator specific models also. For instance, Maruti Suzuki, offers discounts on some of its models for taxi operators. Toyota Kirloskar Motor Pvt Ltd is planning to offer a compressed natural gas (CNG) based variant of its multi-utility vehicle, the Innova, to radio cab operators. (Check Uber like app-based cabs; We are different: Radio taxis)

j. Innovation in Technology

Global positioning system (GPS) or the General packet radio service (GPRS) based technology have enabled the operators to monitor the cabs on real time basis, make efficient use of cabs and high utilization ratio resulting in good financial performance. The deep penetration of mobile internet helps customer to book cabs online and monitor cabs on real time. The SMS service helps operators to inform the status of cab and driver information's and book cabs. (Radio Taxi Market In India A Case Study Of Delhi)

k. Changing Lifestyle

Demand for radio cabs is soaring in the metros and large cities as companies, executives, international tourists and affluent Indians opt for traveling in well maintained and modern taxis. They do not mind paying a slightly higher fare to travel in the comfort of air-conditioned taxis

VI. Challenges for Radio Taxi Industry:

a. Safety & Security

In spite of many marketing commitments from different operators, still the safety and security of passengers is a big challenge to be fulfilled. (Pathania, 2012)

b. Less remuneration to drivers as compared to App based taxis

Cab drivers whose incomes had dwindled due to the widespread ban on taxi aggregators in Delhi were also unwilling to join radio taxi companies that cannot match the compensation offered by the venture-funded taxi app firms. The internet companies transfer money in a week and even give incentive per trip. (Pathania, 2012)

c. Finding Drivers

It is becoming extremely challenging for radio taxi operators to equal the growing need of drivers because of mounting competition due to rising demand of taxi cabs. Comparatively less remuneration to drivers and compulsory police verification of drivers makes this task even harder. (Radio Taxi Market In India A Case Study Of Delhi)

d. Legal boundaries getting tougher

The legal boundaries are also getting tougher for taxi services due to Uber case of Delhi.

e. Insufficient supply to match growing demand

30-50% revenue of radio taxi market comes from Airport transfers still the availability of cabs to fulfil this demand is not sufficient.

f. Higher Operating Cost.

The operating cost which includes diesel and wages of driver had increased more than 15% in the recent year against this the fare has not increased proportionately. The State Transport Department regulates the cabs fare and are not allowing hike in the fare with the increase in diesel / CNG cost.

g. High Permit Cost

The permit cost in some state is very high. Mumbai was halted new permit since 1997, this leads to purchase of existing permit on premium price. Most of the Meru & Easycabs operates in Mumbai opted this option. TAB cab has purchased 4000 permits from Maharashtra State Transport Department at Rs. 2.61Lakhs per permit.

h. Parking Space

Majority of the Radio Taxi are operated in Metro's, where parking space is very limited.

i. Shortage of Trained Manpower

There is a huge shortage of trained manpower ranging from Executives for operation to chauffeurs. Presently most of the operators train their chauffeurs at their own cost.

j. Customer Retention

Understanding customers in terms of customer behavior and loyalty is a difficult job. Operator need to implement effective customer relation management and loyalty program.

k. Competition in Market

Competition from unorganized sector is another challenge facing the organized taxi industry in India. Another challenge is as more and more organized taxi operators are dotting the Indian topography, competition is no more restricted between organized and unorganized sector. The entry of international players like Uber in India has fuelled the competition.

l. Too Expensive

The fare is in higher side as compared to an auto-rickshaw or a non-air conditioned black and yellow taxi.

VII. Recommendations

- a. There is a huge untapped market for high-end luxury car rental service. The demand for high-end cars has increased in the last five years. International businessmen and foreign tourists prefer to hire high-end luxury models, such as Audis, BMWs and Mercedes, after stepping out of the airport. The demand for high end car rentals in Mumbai has grown by 35%-40%. Radio Taxi operator should have some high-end luxury models to capture this segment in addition to mid segment sedans.
- b. The waiting time to book cab via call centre is high in some operators; longer waiting time creates irritation to customer. Operator should implement facilities like online booking, Mobile app, SMS based and IVR based booking.
- c. Companies should maintain one type of fuel efficient car to minimize the spare inventory and maintenance cost.
- d. Companies should maintain minimum education level for it driver as matriculation and pay special attention to soft skills training to drivers like personal Greetings to the customers, dealing with difficult customers, handling money, hygiene and being on time.
- e. Customer feedback form should be provided in each cab to gather Customer experience and to improve service quality.

VIII. Conclusion:

The business is booming in a huge way in India with versatile private operators both national and international investing tremendous money in setting up the call centers, acquiring fleets of new cars, and incorporating latest technologies in their vehicles. It has proved to be the win-win situation for government, radio cab companies, chauffeurs and the most importantly passengers. Change in the people's mind set has been the greatest factor in the growth of radio cab market. But there are certain other aspects which are acting as the obstacles in widening the radio cab market such as high fares, Telecom Regulatory Authority of India (TRAI) caps on the SMS and the unavailability of parking area. Radio taxi companies have to strike a perfect balance between growth drivers and challenges to move ahead.. In the present scenario there are various opportunities available for the organized sector taxi operators in India like Growth in economy & Incomes of the Middle Class, Growth in Air & AC class passenger traffic, Low entry barriers, Availability of Variety & Cheaper Cab Models, Innovation in Technology and Changing Lifestyles. However the sector also faces certain challenges like High Operating Cost, High Permit Cost, Availability of Parking Space,

Shortage of Trained Manpower, Customer Retention, and Competition from many players, Expensive as compared to auto rickshaws and yellow and black taxis etc.

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