

# Managing Partner Performance, Engagement & Retention

## *A Case Study on the Cab Aggregator Giant: Ola*

Ms. Ruchika Malik  
Student, Symbiosis Institute of Management Studies  
Symbiosis International University, Pune, India

**Abstract-** As the cab aggregators scale up in a hyper competitive market, attracting and retaining driver partners becomes the most important factor influencing customer decision. Since supply doesn't match the increasing demand, keeping the drivers happy is key to the success of these companies. With virtually no costs associated for the trained drivers to switch players at a later stage, it becomes imperative for these companies to drive initiatives which would help retain them. This case aims to put forth the strategies adopted by the taxi hailing company- Ola to reward the drivers, the issues faced in keeping them motivated and the measures taken to resolve their grievances in order to build a loyal base of driver partners.

**Index Terms-** Ola, cab aggregator, driver partner, performance, engagement, retention

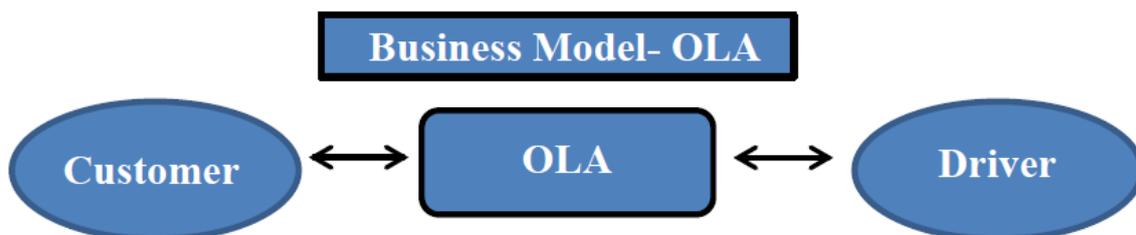
### I. INTRODUCTION

“Ola has always understood the needs and aspirations of its driver partners. While connecting them with a larger pool of customers seamlessly, it has also provided them with various support systems like family medical Insurance, education assistance for children, discounted car service, fuel savings card, and grocery vouchers. With this partnership, we look forward to easing one of the most cumbersome tasks of the ecosystem; i.e., sanctioning adequate loans for our driver-partners, by removing complexities and giving direct access to easy finance”, said Nitesh Prakash, Senior Director, Operations at Ola after the organization partnered with FlexiLoans Technologies in 2016, an online lending platform for providing quick, flexible and adequate loans to the cab aggregator's driver partners.<sup>1</sup> Over the past two years, Ola has driven various initiatives for their driver partners, especially the Ola Star drivers which include Ola's top rated driver partners.[1] But are these programs sufficient to enlist more drivers onto the platform and retain them in a market struggling with the shortage of commercial cab drivers and increased competition?

### II. ABOUT OLA

Founded in January 2010 by two IIT Bombay alumni Bhavish Aggarwal and Ankit Bhati, Ola is India's first and largest aggregator of cabs with over 450,000 cabs across its 102 cities. Ola helps in integrating car transportation within a city onto a technology platform to ensure a quick service fulfillment which is convenient and transparent for not only the customers but also the driver partners.[2]

Ola provides opportunities to cab owners through its network and technology platform and enhances their income with better inventory utilization which in turn helps them secure customers. Ola is also the first service in the country to offer Android, iPhone and Windows app that helps customers in booking and tracking cabs.[3] The technology used also provides analytical insights about the customer usage, speed data, demand and traffic maps for an entire city. Ola also works with leading financial institutions and car manufacturers to help drivers buy their own cars through affordable repayment schemes, thereby nurturing microentrepreneurship.[4]



**Figure 1:** Business Model – Uber / Ola

**Source:** Venkatesh & Easaw (2015), “Measuring the Performance of Taxi Aggregator Service Supply Chain”, SAMVAD: SIBM Pune Research Journal.

<sup>1</sup> <http://bwdisrupt.businessworld.in/article/Ola-Partners-with-Fin-Tech-Startup-FlexiLoans-Technologies/10-08-2016-104257/>

Initially, Ola did not own or operate its own fleet, but aggregated single vehicle owners and small operators. In an attempt to gain an edge over Uber and add new cars to its platform, it has started buying cabs and lending them to new drivers. This move to a part inventory model helps Ola build exclusivity with its drivers and stave off competition from arch-rival Uber.[5]

Ola is one of the most well-funded tech startups in India which has raised over \$900 million in 2015 alone. It is currently valued at over \$5 billion.[6]

### III. INDUSTRY DYNAMICS

Rapid economic growth coupled with huge infrastructure development has given a huge push to the car rental industry in India. The urban middle class segment, with its increasing disposable income, started demanding and has been willing to pay for better services including private transportation. Taxi for Sure became the first entrant into this industry in 2011 and started as an online portal aggregating multiple cab agencies.

Meanwhile Ola was following a different model by associating with cab drivers thereby eliminating the need for cab agencies. While Ola was gaining popularity, Uber, the global taxi market leader entered India. Currently, Ola continues to take the lead handling approximately 7.5 lakhs booking per day whereas Uber accounts for 5.8 Lakhs booking with both targeting one million bookings per day. Due to huge funding and highly competitive pricing, this sector continues to grow and expand. According to Softbank, the organized taxi sector in India could be worth \$7 billion by 2020.[7] (See Appendix A)

### IV. COMPETITION

Ola continues to strengthen its core while adding a breadth of services to ensure maximum value to the customers and maintain the lead in the market share. However, it does face stiff competition from the world's largest taxi service Uber. Ola also has to battle for dominance in the market against other cab services such as Meru cabs, Easycabs, carpooling services and unorganized players like Auto rickshaws and taxis.[8]

The level of competition within this industry and the business strategy development can be analyzed using Michael Porter's five forces model. (See Appendix B)

1. **Rivalry Among the Competitors:** The competition amongst the players in this market is high and will continue to rise with easy company looking to expand and grow their customer base. Currently Uber is the biggest competitor in the market for Ola with other players being Meru, Easy cabs and unorganized players like private taxis and autos.
2. **Threat of New Entrants:** High investment by VCs encourages new and existing market players. However, with the exponential growth of this industry, the economies available to existing players will reduce
3. **Threat of Substitutes:** The unorganized sector inclusive of public transport, private taxis and personal vehicles poses the biggest threat to the existing players.
4. **Bargaining Power of Buyers:** Since the cost of switching is low or negligible, the customers have a high bargaining power
5. **Bargaining Power of Suppliers:** The supplier power lies with the driver partners and with high demand of skilled drivers in this industry, their bargaining power is high

Thus, it is evident from the analysis that the industry is fully operating based on cost factors. Also, with no fixed assets, the economies of scale depend upon the marketing spends.

### V. GROWTH PROSPECTIVE

*"Taxis would soon overtake private car sales as part of a process where the ownership spectrum will change"*, said Maruti Suzuki Chairman, RC Bhargava when the market leader joined hands with Ola and Uber for running driver training programs in 2016.<sup>2</sup> Cab aggregators have grown rapidly in the past two years while emerging as the best option for city commuters grappling with congestion and inadequate public transport. Car sales have seen a plunge with demonetization and could further fuel customer preference for aggregators.

According to a 2015 report by Morgan Stanley, India has all the ingredients in place to emerge as one of the largest markets for shared mobility. Also, two-wheeler share rides are gaining ground with Uber launching the motorcycle share service in a few cities. Both Uber and Ola have shown a consistent growth with a fleet size of 1.5 lakh and 3.5 lakh respectively. With recent guidelines governing taxi operators regarding surcharge prices of up to three times during the day and four times between midnight and 5 am, sky is the limit for these app based aggregators looking for better growth prospects in 2017.[9]

### VI. ENGAGING AND RETAINING DRIVER PARTNERS: STRATEGIES ADOPTED

In December 2016, Ola signed a *"memorandum of understanding"* with National Skill Development Corporation (NSDC) of India for training and empowering 100,000 drivers to become entrepreneurs in the next three years. With an aim of adding 5 million drivers to its community over the next five years, Ola said that it is planning to invest US\$15 million in this project.[10]

Considering the heavy investment in training and skill development for the driver partners, it becomes crucial for these cab aggregators to build an environment which not only ensures efficient performance but also helps in retaining these partners.

In a bid to expand aggressively and attract more driver partners, these companies also offer banking services to the drivers. Ola's tie-up with Mahindra & Mahindra in 2016 was an initiative to offer 100 percent financing to its driver partners on new and pre-owned vehicles.[11] Uber also announced a similar partnership with Tata.[12]

<sup>2</sup> <http://www.thehindubusinessline.com/specials/auto-focus/uber-ola-mobility/article9450973.ece>

Ola also partnered with Cholamandalam Investment and Finance Company[13], Baja Allianz General Insurance[14] and Neev Finance[15] to offer car loans, provide motor insurance solutions and easy school education for the children of Ola's driver-partners respectively.

To recognize its star performers, Ola follows a rewards-oriented initiative for drivers called 'Ola Stars' with a host of special schemes for drivers and their family. This program includes personal benefits like scholarship for children, medical insurance, fuel discounts and car servicing benefits apart from skill development training for women. The Ola Stars program is exclusively available to drivers on the Ola platform based on their performance every month.[16]

*"Inline with Ola's vision of nurturing micro-entrepreneurship, Ola will conduct special personality and skill development workshops for women-family members of drivers on its platform. The workshop will groom these women to become self-employed, or assist them to find jobs in various organizations after completion,"* an Ola spokesperson added.<sup>3</sup>

Ola is highly dependent on having a robust, flexible fleet of drivers to meet the increasing demand. Through these initiatives, having a stable of loyal drivers could give Ola the advantage it needs to grow and sustain.

## VII. PAY PER PERFORMANCE MODEL

Taxi hailing apps were commended as the next best invention, lifting taxi drivers out of poverty while providing superior service delivery to the riders. This led to thousands of drivers in various Indian cities quitting their jobs as "private drivers" to join these firms. Incentives and commissions were purposely kept high (in the formative years of Ola and Uber India) to attract more drivers. With the aggressive race for market share, the aggregators are now trying to reduce payouts and increase the number of rides, simultaneously cutting fares, doling out discounts and offering bonus rides to customers. With earnings dwindling over the last few months, Ola drivers held demonstrations across various cities.[17]

This led to Ola relaxing rules to make it easier for its drivers to hit performance targets. Ola drivers confirmed that the company has widened the peak hour time-slot, for drivers to take increased rides during peak hours when demand is high. The latest move provides a wider time-frame thereby making it easier for the drivers to clock a specific number of rides depending on various car categories they are under. Ola follows a tiered incentive system, in which drivers are incentivized to login when demand outstrips supply during nascent months in a city linking performance to earnings.[18]

In its response Ola stated:

*"What a driver partner earns on the Ola platform is direct functionality of the number of bookings he does, and the high quality of rides he offers to his passengers. Ola provides flexibility to choose their own work timings with no restrictions on minimum number of log-in hours. With the introduction of Ola Micro, drivers have witnessed an increase in revenue as a result of increased number of rides and lower waiting time."*<sup>4</sup>

To make the structure viable for drivers, Ola has come up with a MBG (Minimum Business Guarantee) system. As per the January 2017 incentive plan for Ola, an employee can earn 1700 MBG (Minimum Business Guarantee) for 6 bookings (peak) to 6400 MBG for 18 bookings at 20% commission with the extended peak timings being 7 AM - 11 AM and 4 PM - 12 Midnight.[19]

## VIII. MANAGING PARTNER RELATIONSHIPS FOR PERFORMANCE AND ENGAGEMENT

Considering the importance of focusing on the driver partners as customers, Ola's retention-relationship with its partners can be analyzed using the Philosophy of relationship marketing. This represents a philosophy wherein emphasis is laid onto the enhancement of customer relationships.[20] Relational bonds include financial, social, customization and structural bonds as given below. (See Appendix C)

### 1. Financial Bonds

Financial bonds include the use of economic benefits to secure loyalty. Considering the primary motive of the partners to join the cab aggregator business is to make money, Ola has tried to woo drivers through **lower upfront payment for cabs, zero commissions and MBG incentive plans.**

### 2. Social Bonds

Social bonds represent personal ties between the organization and the partners. Ola has attempted to build social bridges with its driver partners with a host of special schemes for the drivers and their family. This includes **insurance, scholarship for children, skill development for women-family members of drivers, health check-ups & physiotherapy sessions for drivers.**

### 3. Customization Bonds

Ola has also launched initiatives with an aim to create customizable services around a standardized core for the driver partners by offering services that can be combined in unique ways. In a bid to grow its driver ecosystem and also control rising attrition in its taxi network, Ola launched **Ola Pragati**, an initiative with State Bank of India, **offering customized services to cater better to this target group.** It provides an array of benefits ranging from quick loan approval and easier documentation. This also helps Ola to share daily revenue and payment details of drivers on real time basis.

### 4. Structural Bonds

Structural bonds offer solutions to customer problems in the form of service delivery systems and value added services not available elsewhere. Since most of the driver partners are using more than one aggregator platform, a differentiating service

<sup>3</sup> <http://www.thehindu.com/business/ola-launches-reward-program-for-drivers/article7040258.ece>

<sup>4</sup> <http://www.financialexpress.com/industry/ola-uber-drivers-see-earnings-fall-70/257068/>

offering improved convenience them is what would bind them to a firm. Ola's move into leasing has ensured **exclusivity with drivers by offering them the option of not having to buy cars.**

Engagement and loyalty is an outcome of increased relational bonds be it customers or employees. Ola has strived to leverage these in order to offer services for improving driver satisfaction.

As cab aggregators seek to increase market share, they are driving new initiatives aimed at attracting and retaining more driver partners. Uber, which is Ola's main rival in India, also offers its partners access to substantial rewards and discounts on products and services across varied categories like automobile insurance, vehicle maintenance, lifestyle, health and wellness through the program- UberCLUB.[21] Being responsive to the grievances of its drivers, Uber also did away with away with peak-hour conditions, meaning drivers can complete mandated rides any time during the day for their targeted earnings.[22] Borrowing a page from the play book of Ola, it has also started leasing cars to drivers in India.[23]

Considering the support system provided by Uber, it offers a serious threat to Ola in building a stable and sustainable partnership for the long-run with its driver partners.

## REFERENCES

- [1] <http://timesofindia.indiatimes.com/companies/Ola-FlexiLoan-tie-up/articleshow/53636489.cms>
- [2] [https://www.olacabs.com/info/about\\_us](https://www.olacabs.com/info/about_us)
- [3] <http://www.firstpost.com/business/booked-a-cab-now-locate-how-far-it-is-from-you-610411.html>
- [4] <http://techcircle.vccircle.com/2014/07/10/olacabs-raises-over-41m-in-series-c-funding-from-steadview-capital-sequoia-capital-others/>
- [5] <http://www.livemint.com/Companies/BIZXRRArcSrF90ozAnyOtL/Ola-to-invest-Rs5000-crore-in-cab-leasing-business.html>
- [6] <https://www.linkedin.com/pulse/ola-vs-uber-cold-war-financial-analysis-abhilekh-startup-tripathy>
- [7] <https://www.nextbigwhat.com/indian-cab-industry-297/>
- [8] <http://www.mbaskool.com/brandguide/it-technology/12849-olacabs.html>
- [9] <http://www.thehindubusinessline.com/specials/auto-focus/uber-ola-mobility/article9450973.ece>
- [10] <https://www.techinasia.com/ola-driver-training>
- [11] [http://www.business-standard.com/article/companies/ola-to-raise-fleet-by-40-000-after-mahindra-tie-up-116090800616\\_1.html](http://www.business-standard.com/article/companies/ola-to-raise-fleet-by-40-000-after-mahindra-tie-up-116090800616_1.html)
- [12] <http://economictimes.indiatimes.com/industry/auto/tata-and-uber-join-hands-to-empower-uber-drivers/articleshow/52781023.cms>
- [13] <http://www.thehindubusinessline.com/money-and-banking/ola-cholamandalam-finance-team-up-for-car-loans/article7371517.ece>
- [14] <http://www.thehindubusinessline.com/money-and-banking/ola-partners-with-bajaj-allianz-to-offer-motor-insurance-to-driverpartners/article8405053.ece>
- [15] <https://www.olacabs.com/media/press/ola-and-neeve-finance-now-help-driver-partners-children-get-to-school>
- [16] [http://www.indiaonline.com/article/news-business/ola-unveils-ola-stars-a-rewards-program-for-drivers-115032300306\\_1.html](http://www.indiaonline.com/article/news-business/ola-unveils-ola-stars-a-rewards-program-for-drivers-115032300306_1.html)
- [17] <http://new-democrats.com/bondage-without-chains-for-uber-ola-drivers/>
- [18] <http://auto.economictimes.indiatimes.com/news/policy/after-protests-ola-uber-relaxes-rules-for-its-drivers-to-hit-performance-targets-easily/52266992>
- [19] <http://www.uberguru.in/2016/07/ola-incentive-plan-july-2016.html>
- [20] Shammout, Zeidan & Polonsky (2006), "Exploring the Links between Relational Bonds and Customer Loyalty", ANZMAC, Conference Archive
- [21] <http://economictimes.indiatimes.com/small-biz/startups/uber-woos-driver-partners-with-uberclub/articleshow/55439057.cms>
- [22] <http://tech.economictimes.indiatimes.com/news/mobile/after-protests-ola-and-uber-relax-regulations-for-drivers/52264328>
- [23] <http://www.livemint.com/Companies/8MOz38G6Z8VcLcew0QcWNI/Uber-starts-to-lease-cars-to-its-drivers-on-the-lines-of-Ola.html>

## APPENDIX A

Metrics	Ola	Uber
<i>Year of Inception</i>	Dec 2010	Mar 2009, launched in India in Aug 2013
<i>Funds Raised</i>	\$1.2 billion	\$12.5 billion, committed \$1 billion in India in July 2015
<i>Number of Drivers</i>	55,000	350,000
<i>Valuation</i>	\$5 billion	\$68 billion

*Table: Ola vs Uber Operating Metrics*

*Source: Mint Research (<http://www.livemint.com/Companies/okLbTyf5OtqKnO1roYBAeP/Uber-vs-Ola-the-battle-for-dominance-in-Indias-cab-market.html>)*

## APPENDIX B

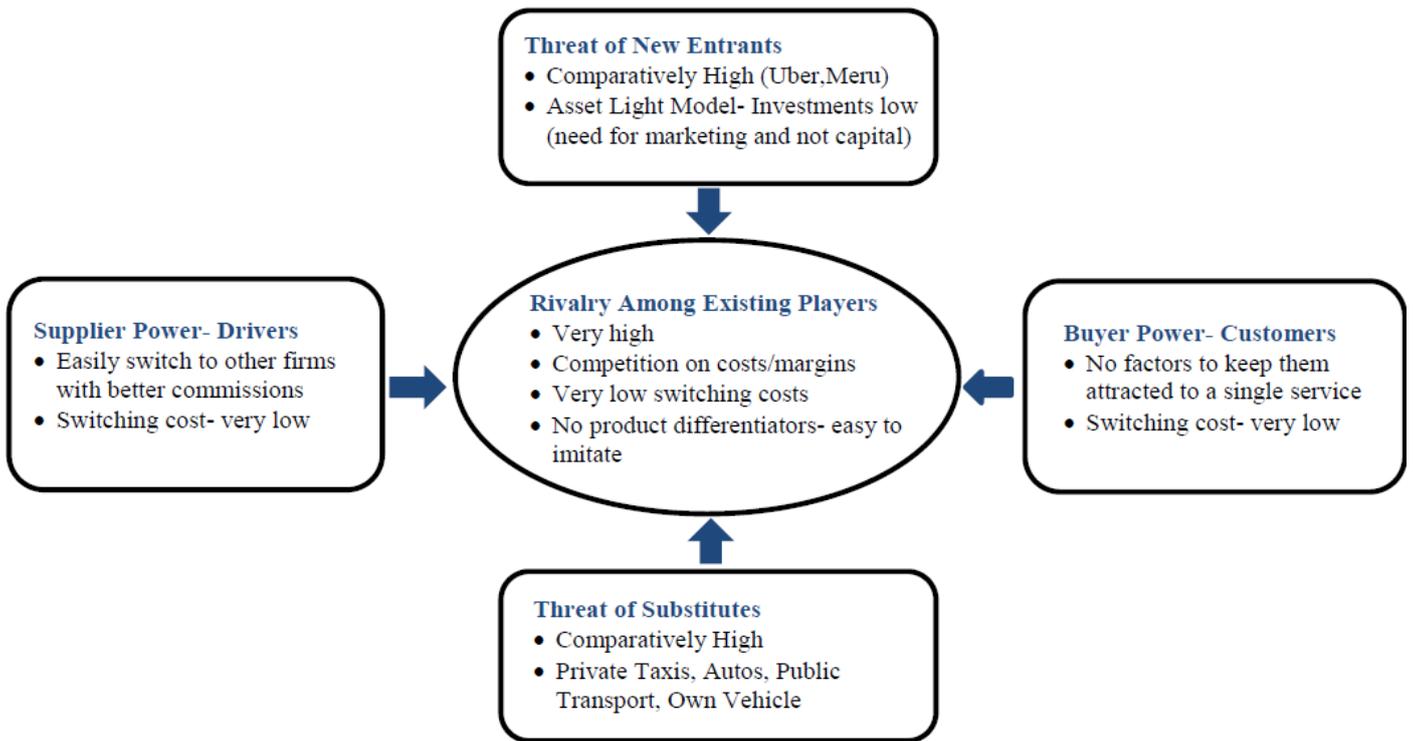


Figure: Porter's Five Forces Model for Ola  
 Source: <http://www.wikiwealth.com/five-forces:ola-cabs>

APPENDIX C

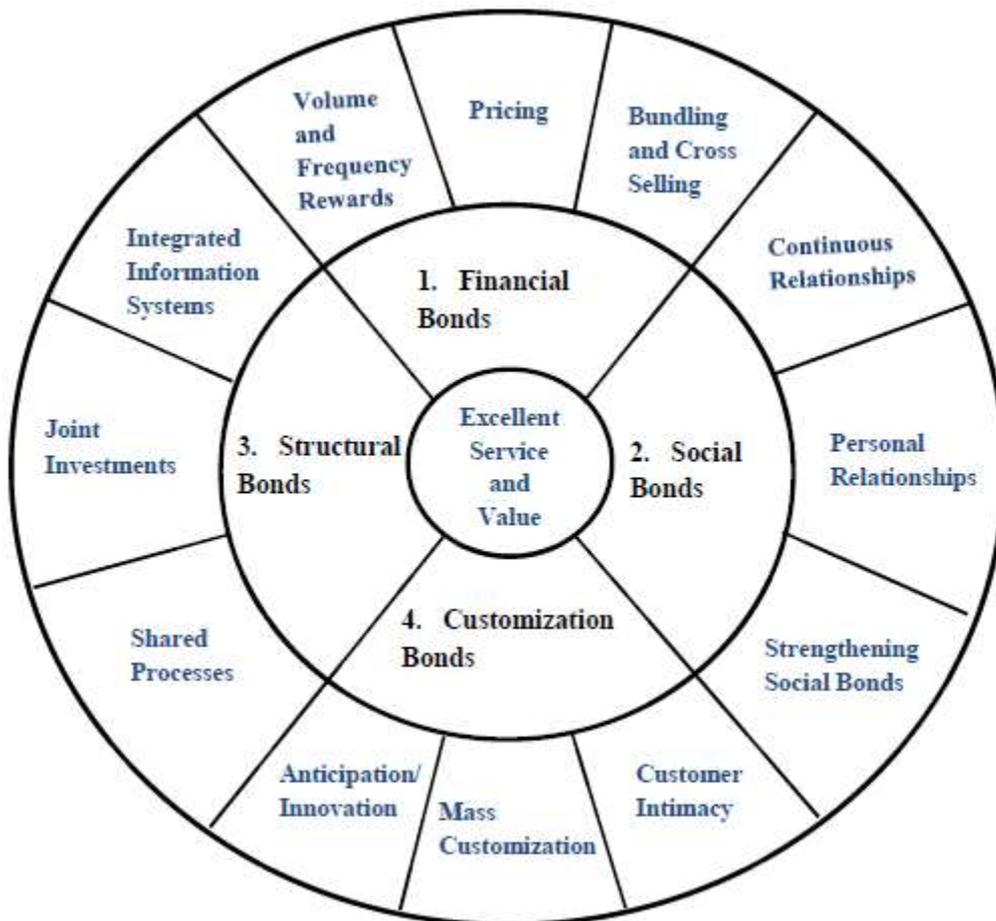


Figure: Levels of Relationship Strategies  
 Source: Services Marketing - McGraw Hill Higher Education, McGraw-Hill/Irwin, Building Customer Relationships (Chapter 7)