GRABTAXI
WHAT'S TECH GOT TO DO WITH IT?

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GrabTaxi is a smartphone-based taxi booking application (app) that was pioneered in Malaysia. When the company first started in 2012, its challenge was how to get taxi drivers to come onboard its platform. Taxi drivers were rather ambivalent about this new technology unlike commuters who seemed generally enthusiastic. GrabTaxi quickly extended its operations outside Malaysia to 26 cities in Southeast Asia including Singapore, Indonesia, the Philippines, Thailand and Vietnam. Taxi companies in these cities tend to be large, entrenched players operating in an oligopolistic market. Meanwhile in some of these countries, government regulations and existing laws were being reviewed in the light of new business models evolving in the ‘sharing economy’. Competition was intensifying. In 2012, Uber founded in 2009 from California entered Southeast Asia through Singapore. As of 2015, other direct competitors included EasyTaxi, MoobTaxi and Hailo. In addition, Didi Kuaidi from China, Lyft from the US and Ola from India, among others, were expected to enter the Southeast Asia market. As a result of these developments in the market place, GrabTaxi needed to rethink its business model to sustain future growth.

**What is GrabTaxi?**
GrabTaxi was the brainchild of Anthony during his studies at Harvard. Being the third and youngest grandson of Tan Sri Tan Yuet Foh, who founded Tan Chong Motor, he was to receive education at Harvard Business School so that he could learn from the best to helm the family business. However, his stint as a student at Harvard Business School (HBS) in 2011 changed everything. After hearing his classmate’s complaints about the frustrations of taking taxis in Malaysia, Anthony conceptualized a taxi booking platform capable of assigning available taxis to commuters using mapping and location-sharing technology. He drafted a business plan for the platform, entered HBS’ business case competition, emerging runner-up. Winning the competition provided the confidence and impetus he needed to quit Tan Chong Motor in which he had been working since graduating from University of Chicago. Though disappointed, the family financed Anthony’s start-up in Kuala Lumpur, Malaysia. MyTeksi was launched in June 2012, initially serving Malaysian commuters, mainly in Kuala Lumpur, Ipoh and Malacca.

Commuters need to download the GrabTaxi app onto their smartphones and provide some personal information to begin with. To make a taxi booking, they have to indicate their location and their intended destination, after which the app will provide an estimate of the taxi fare. Taxis on the GrabTaxi platform will be visible to the commuter. By tapping on the “Book Now” icon, these taxi drivers will be contacted and when a driver accepts the booking, the commuter will receive an email and SMS notification. The app will then track the taxi as it approaches the commuter who may also allow others to track that journey. There is a provision within the app to call the driver when necessary. At the end of the journey, the commuter can opt to rate the driver and write a review. Commuters are not charged a fee for using the GrabTaxi app. The taxi fare incurred is the fare being charged by taxi companies since GrabTaxi works with all taxi drivers regardless of their affiliation with taxi companies (GrabTaxi, 2015b).

**Early business goals and strategies**
GrabTaxi aims to introduce a simple, cost-effective mobile app technology to both the supply (of taxi drivers) and demand (by passengers) sides of the marketplace (GrabTaxi, 2015a). This aim was realized when GrabTaxi introduced a smartphone app created to facilitate taxi bookings for
commuters. Taxi drivers from any taxi fleet might sign up with GrabTaxi to offer their services. With this technology, GrabTaxi hopes to optimize matching taxi drivers with passengers.

GrabTaxi’s strategy was to bring individual taxi drivers onto the platform it has created. It saw no need to work with any particular taxi company or obtain cooperation from these companies. The platform is a mechanism to facilitate transactions between commuters and taxi drivers. It rides on existing physical infrastructure, namely existing taxis, and connectivity provided by the Internet and smartphone technology. GrabTaxi does not need to own, much less maintain, any taxi fleet unlike incumbent taxi companies. This nimble, asset-light, business model is designed to skim the market place that was until now controlled by traditional steel-and-fuel businesses. To gain traction, the company quickly rebranded itself as GrabTaxi. Its first foray outside Malaysia was in 2013 when it launched itself in the Philippines, followed closely in Singapore and Thailand (Cosseboom, 2015b).

**Acquiring taxi drivers’ participation**

In order for GrabTaxi’ platform business model to work, the company has to ensure there is sufficient and timely supply of taxis. It must have a critical mass of taxi drivers to achieve satisfactory levels of user experience. It must entice drivers to sign up for its app. Prompt service is unattainable without an available pool of taxi drivers in the vicinity at the moment when commuters use GrabTaxi’s app to make a booking. If commuters have to wait unduly for their bookings to be accepted, the app will not be any different from flagging down a taxi by the roadside. Any lack of perceived advantage of using the app seems certain to contribute to the demise of the company.

GrabTaxi charges taxi drivers a commission of 30 cents for every booking they accept. How was GrabTaxi able to entice drivers to use its app, knowing that each assignment cost money? Apparently, the 30 cents commission per accepted booking is lower than what the taxi companies in Singapore are charging taxi drivers (Freischlad, 2015). When a taxi driver signs up with GrabTaxi, they are immediately given SGD 10 credit from which commissions are deducted. Once this amount is used up, drivers will have to top up their accounts to continue receiving bookings. This system has helped to overcome taxi drivers’ usage inertia. Even so, Anthony recounted the early days when GrabTaxi staff had to approach taxi drivers one by one to persuade them to sign up with GrabTaxi. Students were hired to intercept taxi drivers at their rest stops, during their wait for passengers at the airport or shopping malls and anywhere taxi drivers congregated to convince them to do something unheard of in the industry (Yap, 2014). Eventually, when taxi drivers started topping up their accounts, that incoming cash provided the much needed liquidity to fund the company’s operations.

The GrabTaxi platform clearly has incentives for taxi drivers to join. When a commuter in their vicinity requires a ride, taxi drivers are notified. This reduces aimless driving which typically happens in the taxi industry. For this to have an effect on a driver, the pool of commuters has to be sufficiently large. This is dependent on commuters who are sufficiently satisfied with the app, used it regularly and tell others about it. Other incentives include bonuses provided to taxi drivers to increase their income. These can amount to more than half their weekly income and the taxi drivers anticipate these to be reduced in future (Lim, 2015). A monthly incentive for taxi drivers is listed together with winners of their “Top Drivers” awards on the GrabTaxi website.

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Nanyang Technopreneurship Case Centre (NTCC)
Gaining commuters’ acceptance

The critical success factors in demand creation include brand awareness and brand preference since there are many taxi booking apps available to commuters at any one time. To ensure that commuters choose GrabTaxi’s app, the company has a slew of promotional activities to increase buzz and preference in the marketplace. For example, GrabTaxi offers free rides on the BMW i8 plug-in hybrid sports car and the all-electric BMW i3 (Yap, 2015). It further capitalised on the Singapore Airlines Formula One Grand Prix in September 2015 to offer free rides on seven sports cars decorated with the green and black GrabTaxi livery. These supercars were the Aston Martin DB9 Volante convertible, the Aston Martin DBS Volante convertible, the Maserati GranTurismo, the Maserati Quattroporte Sports GTS, the McLaren MP4-12C, the Porsche C4S 911 Cabriolet and the Porsche Carrera (Low A., 2015). These promotional campaigns aim to boost GrabTaxi’s brand awareness. To develop user preference, GrabTaxi provided discounts in many forms. Initially, GrabTaxi absorbed the taxi booking fee charged by taxi companies to lure commuters (Yap, 2014). Promotion codes for fare rebates are introduced regularly and publicised on social media as well as on the GrabTaxi website. Free rides, up to a certain value, are routinely made available to commuters, for example “Free Ride Monday” (GrabTaxi, 2015c).

Strategic choice of operating locations

Since its founding, GrabTaxi has expanded its operations quickly into 26 cities in Southeast Asia including Malaysia, Singapore, Indonesia, the Philippines, Thailand and Vietnam (AFP News, 2015). As of August 2015, GrabTaxi’s smartphone app had been downloaded by users 4.8 million times (Purnell & Carew, 2015) resulting in seven bookings every second (Tegos, 2015b). Unlike other platform businesses which went global almost immediately after startup, GrabTaxi has decided to stay within the region, focusing on the mass market and deepening its market penetration. It targets cities with high taxi ride frequencies as these cities can serve as nodes within networks of smartphone-wielding commuters, spreading the use of GrabTaxi’s taxi booking platform to other countries in the region. In Singapore, for example, there are about 967,000 taxi rides per day and Singaporeans are known to travel to neighboring cities like Johor and Malacca (Lee T., 2014). Hence, GrabTaxi envisions that Singaporean taxi commuters who travel frequently to Johor and Malacca will create a demand for app-based taxi booking in these cities. In this way, the use of GrabTaxi’s taxi booking platform will propagate and gain foothold in other Southeast Asian cities.

Business philosophy and leadership

Anthony is the third-generation scion of one of Malaysia’s wealthiest families, which owns and runs Tan Chong Motor. Started as a distributor of small motor vehicles in the 1950s before assembling cars for Nissan in Malaysia, Tan Chong Motor is one of Malaysia’s biggest automobile distributors. Growing up in a family where he was constantly reminded of the struggles of his grandparents during dinnertime, Anthony’s business ambition was shaped early in his life. He decided to be a businessman at a tender age of six and ventured into comics trading at eleven (Kumar, 2014). When he joined Tan Chong Motor after returning home from his studies in Chicago, he had to start from the bottom to learn the ropes of the business. He worked on the factory floor and served in various departments such as customer service and marketing.

Jixun Foo of GGV Capital commented: “[Anthony] has the benefit of pedigree but can get his head down, roll up his sleeves and get his hands dirty” (Blend, 2014). Anthony keeps abreast of the
market by staying connected with stakeholders. He takes calls at call centers to understand the difficulties faced by his operating partners. He takes GrabTaxi rides so that he can meet drivers and understand their perspectives of service quality. The justifications for his behavior can be explained by his worldview which is in turn and to a large extent, influenced by Andy Grove, Intel’s former CEO and his book *Only the Paranoid Survive.* “I live in a hyper paranoid world,” said Anthony (Bloomberg, 2015). “[GrabTaxi may sound] glamorous but ...you really want [to] be hardcore [to] survive in this race, you need to be ... constantly thinking that the guy on your right is trying to murder you” (Blend, 2014).

Nevertheless, in an interview with Bloomberg (2015) correspondent Haslinda Amin, Anthony revealed his softer side. Despite his Harvard professor’s contention, he opines that making money and helping people may not be mutually exclusive. Fighting for safety of women and kids, and helping taxi drivers improve their income can bring about more engagement and loyalty in the community, setting the momentum of a virtuous cycle of better living. However, not all taxi drivers share his view. In response to Malaysian taxi drivers’ protests against on-demand ride apps, GrabTaxi replied: “…Our latest in-house study involving 619 drivers regionally measuring the impact of MyTeksi on the incomes and quality of life of taxi drivers who use the MyTeksi app shows that 78 per cent said it increased number of bookings, 68 per cent said it increased safety, and 64 per cent said it ed their job security”. In the US, Uber claimed that its median UberX driver in New York City earns over USD 90,000 a year, however this figure has been disputed (Liss, 2015). Liss further retorted that Uber has little incentive to help taxi drivers build good and stable incomes at a reasonable number of work hours. Uber is considered no different from Walmart which pays its greeters-on-wheels at subsistence levels to keep wages low. Hence, app-based taxi booking services are destroying rather than creating jobs.

Anthony further asserted that companies should be caring. He said if he were to name one mistake he made building GrabTaxi, it was spending too much time with investors and not enough time with employees. “Our employees need the one-on-one time. They [have] joined you, they deserve your time, and you need to spend time to align [your company’s] vision [with theirs]” (Freischlad, 2015). He wants to build a “world-class company with Southeast Asian values ... to make Southeast Asians proud” (Tegos, 2015b). Hence, the GrabTaxi app was proposed as a solution to a vexing problem that had not been solved for decades. Using the cliché “Your problem is my problem” (Ong, 2015), GrabTaxi tries to engage employees at every level of its organization. Staff engagement has helped the company to stay relevant. Involving staff in decision making, such as brainstorming, has brought ownership to problems. Staff have become more committed to problem-solving.

**Recruiting and keeping talents**

GrabTaxi, like any company, relies on commitment and talent of its staff. The inability of GrabTaxi to pay its employees in the Philippines in 2013 taught Anthony a valuable lesson – the importance of talent management. “Don’t neglect your people. ... Hire people who are faster [and] smarter than you, but who are still modest and can take constructive feedback,” Anthony deliberated in an interview with TechinAsia (Low J., 2015). To him, managing talent means spending 50 per cent of managerial time in making quality hires, 25 per cent on existing talent pool, and the rest on sending emails. The company has hired Stanford computer science graduate Kevin Lee, formerly with Palantir Technologies, for the position of Vice President - Data and Growth. The post of Vice
President of Engineering was filled by Arul Kumaravel who used to be with Amazon and Microsoft (Tegos, 2015a). Anthony had this to say regarding hiring talent to fuel the company’s growth: “We need top talent and not spend money on advertising.” (Freischlad, 2015).

In April 2015, GrabTaxi opened a USD 100 million research and development center in the central business district in Singapore. This new 45,000 sq. ft. center, envisaged to house 200 engineers and data scientists, has been touted to be the push that will propel the company above its competitors. This task was placed in the hands of Chief Technology Officer (CTO) Wei Zhu of Facebook fame. Zhu was the developer of Facebook Connect, renamed as “Log in with Facebook” which is the application that allows users to login to partner websites using a user’s Facebook identity. Zhu explained his decision to join GrabTaxi, saying: “I was intrigued because I had been following the transportation space for a while and I found it fascinating. After meeting with Anthony and spending time with the team, I was convinced that working at GrabTaxi would allow me to expand my horizons, work on interesting technical challenges, and potentially change the world the way Facebook did” (Tegos, 2015a). However, in August 2015, Zhu announced that he actually having joined the company a year ago and that “It is time for me to move on to explore new adventures in life” (Zhu, 2015).

**Funding from investors**

Despite being a relatively new company, investors and venture capitalists seem ebullient about its prospects. Very quickly, GrabTaxi is able to shore up its value through private equity funding by venture capital. Lim Der Shing from Jungle Ventures believed that the company wanted a “professional venture capitalist on board for credibility and to ensure discipline” (Freischlad, 2015). As of August 2015, the company has has attracted funding totaling USD 690 million, provided by well-known firms such as GGV Capital, Vertex, Coatue Management and China's sovereign wealth fund China Investment Corporation (AFP News, 2015). In late 2015, the company was valued at USD 1.5 billion (Purnell & Carew, 2015).

Beyond funding, the company which is headquartered in Singapore, has assembled a board of advisors that include well-respected business and industry leaders like Andy Mills, formerly CEO of Thomson Financial, Brent Hurley, a founding member and former Director of Finance and Operations of YouTube, and Steve Chen who co-founded YouTube and a founder of AVOS (GrabTaxi, 2015a). Why were venture capitalists interested in a company that defied the Silicon Valley model of going global almost instantly?

**Filling a gap in the taxi industry in Southeast Asia**

“We started MyTeksi because the taxi system in Malaysia was a mess. Drivers weren’t making enough money and hated their jobs. Women couldn’t go around safely,” uttered Anthony (Freischlad, 2015). Industry website tourism-review.com (South China Morning Post, 2014) reported that the world’s top ten worst cities to hail a taxi included Jakarta, Kuala Lumpur, Manila, Phnom Penh and Bangkok. Taxi drivers in Asia are well known for ripping off passengers whenever and wherever possible. Many are rude and dishonest, drive recklessly and extort money from both locals and tourists (Williams, 2015). Horror stories of poor service and unprofessional behaviors are common – taxi drivers refusing to accept passengers, tampering with meters to record large sums of money for short distances covered, taking passengers to remote and dark places instead of their
requested destinations for ransoms, bringing passengers for a merry-go-round when there is a shorter route to the requested destinations, demanding late-night charges way above legitimate surcharges set by authorities, and sending tourists to unknown places claiming that they are places of attraction hoping that they will spend on shopping in order to collect commission.

Taxi drivers have their side of the story to tell too as they have their fair share of frustrations. To a commuter, it was a simple question of convenience and value for money. The drivers bear most of the costs of the taxi service (Fiegerman, 2015). Many a time, taxi drivers drive aimlessly in congested streets looking for passengers. Other times, they wait in long queues at airports or shopping malls waiting for their turn to receive passengers. They work long hours and barely make ends meet. “They are the bottom of the [socio-economic] pyramid ... some cannot even afford a handphone,” proclaimed Anthony (Bloomberg, 2015). Blog reviews revealed¹ that taxi drivers’ take home pay in the Philippines ranged from P800 to P1000 for a 24hr drive. A market survey by Jakarta Post showed that taxi drivers in Indonesia earned an average monthly income of approximately Rp 2.7 million to Rp 3.5 million (Kirana, 2015). Single-shift taxi drivers in Singapore earned SGD 3,173 monthly in 2014 (Channel News Asia, 2015). Therefore, using social marketing concepts for GrabTaxi might work to a certain extent.

**Market Structure**

The taxi industry in Southeast Asia is often tightly controlled by its respective government and predominantly operated by a handful of entrenched large players. These players may range from business magnates with strong political ties to retired military men and thugs. It is an oligopoly with a couple of players dominating, exerting control over the entire market. “My family has been doing business [in Malaysia] for 60 years. We’ve nowhere to run. This is our home. You think we can just get away [with] pissing off some big minister or his son? They will make sure we pay for it, one way or another” Anthony (Blend, 2014).

In Singapore, there are six taxi companies operating a total of 28,736 taxis (Department of Statistics, Singapore). The largest player – ComfortDelGro Corporation Ltd – has a fleet of about 16,000 taxis, taking up 55 per cent share of the market while its closest competitor – Singapore Mass Rapid Transit (SMRT) – has about 3,000 taxis, representing a market share of 10 per cent. The other four taxi companies vie for the remaining 35 per cent of the market. Oligopolistic markets are known to exhibit characteristics such as very similar or undifferentiated products and significant entry barriers. Players allegedly form cartels for the purpose of exerting some sort of restrictive influences in the production or sale of products. Players in the cartel maintain their separate identities and financial independence while engaging in common policies. They have a common interest in maintaining their existing market position. They usually exploit the situation by regulating price and service output.

Commuters generally have low bargaining power. To maintain their market positions, taxi companies will try to augment their services. They will institute service quality standards. They will conduct regular checks on their drivers. They will insist that drivers need to attend training and

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¹ Blog sites such as Yahooanswers [https://sg.answers.yahoo.com/question/index?qid=20110802015612AAiUGBP], Mantis36 (http://mantis36.expertscolumn.com/article/being-filipino-taxi-car-driver) and Philstar (http://www.philstar.com/cebu-business/2015/01/10/1411436/cab-booking-app-uplifts-livelihood-taxi-drivers)
health checkups. However, they are ostensibly not very zealous in upholding service standards. They seem to have little incentive to do so and low service quality may not affect their survival. The lack of service quality has given app-based taxi booking services an opportunity to enter the market. However, it is unclear what will ensue when taxi companies improve their service levels and they have all the capabilities to do so.

Protests by taxi drivers
Like other businesses in the sharing economy, GrabTaxi initially faced resistance and even opposition by players in the taxi industry. Discontent with on-demand ride applications was brewing among taxi drivers in Indonesia and Malaysia. They were unhappy with app-based booking services such as Uber, GrabTaxi and Go-Jek for taking away a part of their income. They lobbied against taxi agencies and authorities for not protecting their livelihood. They complained about inadequacies of existing regulations which resulted in unfair treatment of taxi drivers and app-based taxi booking platforms. To a large extent, these taxi drivers’ complaints were both reasonable and justified. They were subjected to higher costs and restrictions. Taxi drivers need a license to operate and have to pass health screening before they are eligible for the license. Once awarded a license, they have to register with a taxi company before they can roam the streets. These taxi drivers also agree to abide by the service standards of the taxi company and various rules and regulations handed down by legislation to govern proper behaviors in the industry. Furthermore, they need to go for training to ensure safe driving and have designated pick-up points and geographical territory. In addition, the taxi company charges a fee or took a cut from the taxi driver’s income. To compound matters, any driver can join an app-based booking service and start picking up passengers with scant regard to the industry’s legislations, and they are also free to roam anywhere to pick-up passengers at any location. Taxi drivers pay GrabTaxi a fee for the use of its taxi booking app. The cost of 30 cents per successful booking is 50 per cent lower than Uber’s (Lee T., 2014).

Direct competition
Even though the use of taxi booking apps is relatively new in the taxi industry, there is fierce rivalry among players and threat of potential new entrants in the industry is high. Uber is the forerunner in this market segment and has reportedly raised more than USD 5.5 billion since 2010 (Ronen, 2015). Founded in 2009 by Travis Kalanick and Garrett Camp with headquarters in San Francisco, Uber has expanded aggressively to other parts of the United States with an angel investment of USD 1.25 million. By 2011, it has raised sufficient Series A funds to begin its global quest. In 2012, Uber entered Asia through Singapore. The company is very well funded and was valued at USD 50 billion in late 2015, surpassing Chinese smartphone maker, Xiaomi as the world’s most highly valued private startup (MacMillan & Demos, 2015). Being the first mover, Uber was gaining much desired popularity as well as unwanted publicity with commuters and adversaries respectively. In California, a judge has granted class action status in labour lawsuits against Uber (Kokalitcheva, 2015). Even so, Uber has announced aggressive plans to enter 100 more Chinese cities within the year (Spring, 2015).

The market dynamics are in a flux with players’ strategies evolving rapidly. Over in China, Didi Kuaidi, financed by Alibaba Group Holdings Limited and Tencent Holdings Limited, reportedly has clocked one million rides per day (Carsten, 2015). Fresh from its success, Didi Kuaidi has invested USD 100 million to form an alliance with Lyft, Uber’s main competitor in the US, and an undisclosed sum in
India’s largest taxi booking app, Ola which is backed by Softbank from Japan. Didi Kuaidi has also reportedly invested in GrabTaxi (Crabtree, 2015). Players like EasyTaxi from Brazil, Moobitaxi by local firm Maven Lab and Hailo from London have scaled down their operations in Singapore. To observers and commuters, GrabTaxi seems to have done relatively well. Recent reports have highlighted that GrabTaxi has emerged as a contender for the top spot in taxi booking apps in Singapore (Yap, 2014) together with Uber (Hwei, 2015).

The regulatory system
Southeast Asia countries subscribe to either a taxi-operating or taxi-leasing system. In a taxi-operating system, taxi companies own and operate the vehicles. They are given licenses (in the names of the companies) to operate these vehicles and they employ the drivers. In this system, “responsibility for infractions of regulations lies with the company, which in turn must incur the costs of monitoring drivers’ conduct” (Eckert, 1973, p. 91). In a taxi-leasing system, taxi companies rent or lease their vehicles to drivers, who have no equity interest or right to the vehicles they drive. They pay a daily or monthly rental fee or lease. The rental driver has to possess a valid taxi license to be a taxi driver. In this system, the onus is on taxi drivers to solicit for passengers and operate the business. Regardless of systems, reactions by policy makers and regulators to disruptions brought about by app-based services are governed by personal costs and rewards considerations. Some countries seem accommodating while others appear hostile. Market uncertainty is apparent.

In Indonesia, the Transportation Ministry has granted temporary operating licenses while the government is deliberating on a new set of regulations for e-commerce (Kirana, 2015). The Philippines is the first country to issue comprehensive regulations for app-based ride service providers. In May 2015, her Land Transportation Franchising Regulatory Board (LTFRB) allowed Uber and GrabCar to operate legally in the Philippines, which led to massive industry protests in June 2015 against the new rules. To pacify the situation, the LTFRB introduced a new mode of public transport known as Premium Taxi that compete directly with GrabTaxi and Uber, and scheduled clampdown on unregistered Uber and GrabCar vehicles in August 2015. In Singapore, the newly appointed Transport Minister Khaw Boon Wan revealed in his blog in October 2015 that the government would be reviewing private car-sharing apps such as Uber (Lee M. K., 2015). Minister Khaw feels that taxi drivers’ demand for a level playing field is valid since UberX drivers operate privately hired cars and does not need a license to operate. However, he further added that one should not resist new innovations and new business models.

High entry barriers
This industry has high entry barrier. The lead players are able to block new players from entering the market by shoring up their market share and forcing disobedient small players out of the game. Through economies of scale, the lead players ensure that they are the lowest cost producers of the service. They have deep pockets to retaliate against any promising new player which shows potential in threatening their market positions. The high startup and capital costs of the business further deter new players from entering the market. More importantly, many players in this industry are well connected politically and are able to weld a network of relationships that render the regulatory bodies weak, if not powerless. This explains why Uber recruited David Plouffe who was President Obama’s campaign strategist to step up its political clout and union support as it defended its taxi
drivers against hostile regulators and incumbent taxi companies in the United States (Bradshaw & McGregor, 2014). It was extending the same strategy to Europe by recruiting Mark MacGann who once served as head of government affairs and public advocacy for exchange group NYSE Euronext in Brussels (Irrera, 2014).

GrabTaxi’s success formula

One key success factor is its ability to create demand for app-based taxi bookings and then matching this demand with a supply of reliable and professional drivers. The company has adopted a localisation strategy in its regional expansion by adapting its marketing efforts in each country it enters. A glimpse on the use of such a strategy is evident from the company’s registered name – MyTeksi in Malaysia and GrabTaxi in other Southeast Asian countries. The company’s human resource policy supports the hiring of local talents for its business operations in order to better manage the cross cultural differences amongst the Southeast Asia countries. In its attempts to broaden its product lines in the market place, GrabTaxi practises upward and downward stretch depending on country-specific characteristics. It offers premium rides such as limousine service GrabCar, in addition to GrabTaxi in the region, and no-frill rides such as motorcycle taxis in Vietnam and Indonesia, known as GrabBike.

The company focuses its business on only Southeast Asia because it understands the diverse cultures of this region well. It adopts a more cordial and cooperative stance in its dealings with various governments and taxi companies. For example, it has decided to reduce its ride commission in Indonesia and the Philippines based on feedback from taxi drivers in these countries that the company should earn lower booking fees. This is in contrast with the disruptive and aggressive approach taken by its main competitor, Uber. Its Southeast Asian roots have facilitated effective design of marketing programs. For instance, GrabTaxi appreciates the importance of national service to Singaporeans and offers promotional discounts to national servicemen and military personnel (Yon, 2015). It has further decided not to insist on credit card payment since it is not a practice for commuters to pay for taxi rides on credit terms.

However, the company did face problems initially. When asked by TechinAsia (Freischlad, 2015) to discuss difficult moments in starting up GrabTaxi, the 34 year-old entrepreneur spoke openly and passionately about his mistake of focusing on business planning and not paying sufficient attention to cash-flows which quickly led to the company not paying staff salary on time. There were other strategic issues as well. For example, with startup capital raised from savings and family members, there weren’t adequate funds to spend on technology. The lack of a robust platform with sufficient server capacity led to its dramatic crash when there was an upsurge in driver numbers in mid-2014.

There was also the issue of attracting talents to join the company, especially, in the area of computer programming. The use of self-training (Ong, 2015) for staff training and development might not appeal to young executives and fresh graduates from universities. Making junior computer programmers solve non-work related problems for two days amidst good food, might not sound exciting enough for those who are looking for a more systematic and structured training and career development path.

Challenges ahead
While it is crucial to build a large pool of taxi drivers, GrabTaxi is mindful that not every taxi driver will provide a safe and pleasant ride for its passengers. The company insists on face-to-face interviews with taxi drivers before taking them onto the platform. This quality assurance procedure inevitably has slowed down scaling of its business model, but is considered crucial to driving customer satisfaction. Even so, the procedure is not fool-proof. Anthony related that he dropped a taxi driver due to bad customer service despite pleas from the driver that he would be “cut into little pieces” by loan sharks. “Compassion is one thing but the quality of our platform is more important” (Blend, 2014). Commuters’ satisfaction and taxi drivers’ increasing participation have contributed to GrabTaxi’s success. The entrepreneurial qualities of Anthony have played a part as well.

To improve its appeal to taxi drivers, GrabTaxi launched a USD 2.8 million GrabTaxi Provident Fund for drivers in Singapore that covers medical, accident and crisis support. The company has pledged SGD300 per month for every driver recruited. Taxi drivers will need to produce receipts and relevant documents to make claims from GrabTaxi except when claiming crisis support. These pledges are allocated from venture capital funds received by the company previously (Cosseboom, 2015a). Measures like this, undoubtedly, add to the cost of doing business for the company. However, surveys indicated that consumers have expressed willingness to pay more to support companies that are committed to making a positive social impact, this sentiment being the strongest in the Asia-Pacific region (Nielsen, 2014).

Businesses need to identify market gaps and create value through innovations. Disruptive innovations have created new markets and business models. One key consideration of the disruptive business model is to stay unattractive to every powerful incumbent in the market (Dewald & Bowen, 2010). For example, Airbnb, an online lodging rental platform, was able disrupt market leaders in the hospitality industry and in the process made billions of dollars for itself and its hosts by targeting people who are looking for unique travel experiences and want to be part of Airbnb’s community. One crucial question remains – Will GrabTaxi be capable of disrupting the taxi industry in the markets it has chosen?

In an oligopolistic market condition, taxi companies offer homogeneous products. The ride from one location to another is the same regardless of the taxi company one uses. The dominant players dictate the market dynamics to further their own business interests, for example by setting taxi fares. Although affordability is a key consideration for commuters, they are helpless price-takers. In Singapore for instance, there is a regulated fare structure – SGD 0.22 for every 400 meters for the first 10 kilometers and SGD 0.22 for every 350 meters thereafter, with slight variation in flag-down charges ranging from SGD 3.00 to SGD 3.40. Industry experts have commented that the structure works in favour of and safeguards the business of the taxi companies (Musfirah, 2015).

Furthermore, service quality research (Bakti & Sumaedi, 2014; Govender, 2014; Welan, G., Wardman, Jevons, & Marshal, 2004) has showed that the quality of taxi service is influenced by factors such as comfort, taxi driver’s attitude, physical condition of the vehicle, reliability, safety and affordability. Table 1 summarises the service quality attributes of taxis.

Table 1: Service Quality Attributes of Taxis

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<tr>
<th>Service Quality Dimensions</th>
<th>Key Variables</th>
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<tbody>
<tr>
<td>Comfort</td>
<td>Air-conditioning</td>
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### Service Features

<table>
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<tr>
<th>Feature</th>
<th>Description</th>
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<tbody>
<tr>
<td>Sheltered Waiting Areas</td>
<td>Smooth ride, Cushy seats</td>
</tr>
<tr>
<td>Driver’s Attitude</td>
<td>Honest, Polite, Helpful, Good knowledge of routes and destinations</td>
</tr>
<tr>
<td>Physical Condition of Vehicle</td>
<td>Clean, No foul stench, New car</td>
</tr>
<tr>
<td>Reliability</td>
<td>Arriving on time, Short waiting time, Free from delays enroute</td>
</tr>
<tr>
<td>Safety</td>
<td>Low probability of accidents, Free from assault, Free from reckless driving</td>
</tr>
<tr>
<td>Affordability</td>
<td>Cheap fares, Value for money</td>
</tr>
</tbody>
</table>

The future of the industry is uncertain. Regulations have changed rapidly and have been largely protectionist. After nearly two years of presence in Asia, in September 2015 EasyTaxi announced its exit from five Asian markets, namely India, Indonesia, Hong Kong, Taiwan and Singapore, citing stiff competition as a reason. What should Anthony do to sustain GrabTaxi’s future?
End-of-Case Questions

*Question 1*
Examining the business environment of GrabTaxi in Southeast Asia, what are its current and future opportunities and threats? How should GrabTaxi respond to such opportunities and threats?

*Question 2*
Assess GrabTaxi’s business model in Southeast Asia and suggest any areas for improvement.

*Question 3*
How should GrabTaxi sustain its future growth? Justify your answers.
References


Spring, J. (2015, September 8). Uber to enter 100 more Chinese cities in next 12 months: CEO. *Reuters.*


About Nanyang Technopreneurship Case Centre

With funding from both the National Research Foundation of Singapore and Nanyang Technological University, the Nanyang Technopreneurship Case Centre (NTCC) was one of the initiatives of the Nanyang Technopreneurship Centre (NTC) to enhance the quality of entrepreneurship education through the case pedagogy. These are part of NTC’s efforts to foster, promote and nurture enterprising mind-sets, skills and knowledge in entrepreneurship education.

There is a plethora of business cases but a general paucity of cases highlighting the specific problems faced by technopreneurs in growing their ventures. NTCC adds value to Technopreneurship education by developing a pool of cases on technology-based local and international enterprises. Through the cases, NTCC hopes to share the experiences, success stories and challenges faced by entrepreneurs/intrapreneurs in growing their organisations and how they overcome their problems to sustain growth.

The theme of this first compendium is “innovation through technology”. It features Singapore-based and global companies confronting issues and challenges due to technological shifts in the industry and changing market and competitive dynamics; when introducing new products in the marketplace; and in using technology to drive organizational change.

Online versions of these cases are available for complimentary downloads at www.ntc.ntu.edu.sg/ntcc.

Teaching notes are also available to faculty members for use as reference, reading and/or teaching materials in various academic and professional programs. For further information, please contact Ms. Denise Lee (deniseleecw@ntu.edu.sg) and Mr. Wu Chong Chuan (wucc@ntu.edu.sg).

Acknowledgment

The Nanyang Technopreneurship Case Centre (NTCC) was supported by the National Research Foundation (NRF) and the Nanyang Technological University (NTU). We would like to thank NRF and NTU for their funding support.

We would also like to show our gratitude to all the writers, reviewers and anyone who have contributed to the accomplishment of the NTCC.