



## OLA CABS: START UP BY 2 IIT BOMBAY GRADUATES

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**Abstract:** The research paper on Ola gives a brief about the start up of 2 IIT Bombay Graduates. From an idea of providing cab services to a common man to hailing market which is valued at more than \$10Billion.

ANI Technologies Pvt. Ltd., operating under the trade name Ola, is an Indian origin online transportation network company. It was founded as an online cab aggregator in Mumbai, but is now based in Bangalore. As of September 2015, Ola was valued at \$5 billion. Ola Cabs was founded on 3 December 2010 by Bhavish Aggarwal, currently CEO, and Ankit Bhati. As of 2017, the company has expanded to a network of more than 600,000 vehicles across 110 cities. In November 2014, Ola diversified to incorporate autorickshaws on a trial basis in Bangalore. After the trial phase, Ola Auto expanded to other cities like Delhi, Pune, Chennai, Hyderabad and Kolkata starting in December 2014. In December 2015, Ola expanded its auto services in Mysore, Chandigarh, Indore, Ahmedabad, Jaipur, Guwahati and Visakhapatnam. In January 2018, Ola extended its reach into its first overseas market, namely Australia, and has plans to eventually run the service in Sydney and Melbourne - having already arrived in Perth in late February.

**Keywords:** Ola, Start up.

**Introduction:** Ola (ANI technologies) previously known as Ola Cabs was started in Dec 2010 by 2 IIT Bombay graduates. Ola

serves as an efficient taxi aggregator and bridge the gap between cab owners and commuters. Instead of buying and renting out their own cars, Ola partners with a number of taxi drivers and owners, add a touch of modern technology to the whole set up, where people could book cars at short notice through their app.

In Spanish, Hola translates to 'Hello' hence the name Ola probably to indicate that their services

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are as easy and friendly as that, just like saying a 'hello'.

Ola is India's largest ride-hailing app with about 60% market share in India.

**OLA –Founders:** Bhavish graduated from IIT Bombay with a B. Tech in Computer Science in the year 2008. Bhavish has worked for Microsoft research, Bangalore for two years right after college. There, he passed two years with filing 2 patents and 3 research publishing in international journals. While trying to chase his dream of entrepreneurship, he started an online company to sell short duration tours and holidays online before changing that into OlaCabs.

Ankit Bhati heads the technical aspects of Olacabs, ensuring a quick, convenient and instinctive experience for our customers and partners. He joined IIT Bombay in 2004 for Btech in Mechanical Engg and MTech in CAD and Automation. By 2009 he had already worked on several freelance projects and startups like Wilcom, QED42 etc. and finally decided to give up his nomadic professional life for a start-up of his own. He joined the Olacabs journey in November 2010.

The 29 year old IIT–B Grad – Bhavish Aggarwal is the founder & CEO of India's most popular Cab Aggregator OlaCabs.

OlaCabs, more popularly known as Ola, is just like any other marketplaces online, but more specifically into providing Taxi services. Ola, which started as an online cab aggregator in Mumbai, now resides in the Silicon Valley of India a.k.a. Bangalore, and is also known to be one of the fastest growing businesses in India, out-beating its competitors Uber & Meru.

Coming back to the man behind Ola; simple yet charming Bhavish, with the success of his prodigy has certainly become the talk of the town. But even after becoming a millionaire, he still prefers to not buy a car and take a cab (to set an example, we presume), certainly doesn't go down well with his wife. He believes that, such is a small price that every entrepreneur has to pay.

Anyways, when not crushing his competitors, one can catch Bhavish cycling, playing squash or doing what he loves the most – photography. He also maintains a largely popular photoblog!

**OLA – Starting Up:** Born in Ludhiana, Bhavish just like every other success-driven and successful entrepreneur, while trying to keep his holiday and tour planning business afloat, Bhavish had to travel from Bangalore to bandipur, for which he rented out a car, which ended in a very bad experience. The driver stopped the car in the middle of the journey and demanded a renegotiation of what Bhavish was paying. After being refused, he proceeded to abandon him en route his destination. This is when he realized how his plight was probably similar to a lot of customers across the country who were looking for a quality cab service, For the first time, he saw the amount of potential that an extraordinary cab booking service could have, and hence, he changed his business from his earlier start-up to the one we today know as – OlaCabs.

This was in December 2010; he was joined by his co-founder Ankit Bhati in his start-up journey. His parents didn't agree with his idea in the beginning of course, like all Indian Parents won't. They were thoroughly displeased with his decision to become a 'travel agent', but when but nevertheless, their support increased as they got their first round of angel investment (from Snapdeal founder Kunal Bahl, Rehan yar Khan and Anupam Mittal).

Bhavish believed that anyone can have a good business idea but to function it successfully one must a scalable model upon which the business runs. According to him, the best or one of the best & safest model one can or should adopt is running a business with owning "zero" inventory.

### **The Wild Chronicles of OLA**

So this is how it all began!

After quitting Microsoft, Bhavish started an online company which dealt into selling of short duration tours and holidays online.

Now while he was at it, he happened to rent a car from Bangalore to Bandipur and had a lasting bad experience.

The driver of that car stopped right in the middle of the road and started re-negotiating the while deal. When Bhavish refused to agree to his terms, the driver proceeded to abandon him en route his destination.

The entrepreneurial-headed Bhavish, instead of whining about the situation or rather the problem, decided to solve it good, and at large!

**OLA – Initial Team:** After the idea, the design and vision were done by Usha Loutongbam, product manager and Bhavish himself.

As for the developers who converted these ideas into reality:

The first version for Android was built by Ajinkya Potdar and for iOS by Khushal Bokadey. Both of them joined the company for two months of internship and did an excellent job rolling out the release in real quick time. After that the iOS app was taken over by atul manwar, android by Ankit Kumar and backend apis by Neeti Birla. The main focus of the new releases is to make the app feature rich while constantly improving the user experience and yet not losing the essence of one touch cab booking.

**The Formation:** Because he got a first-hand experience of such a problem, after decent amount of research also realised that, this in actuality was a genuine and deep rooted problem for the masses. A lot of customers had fallen prey to such situations and were desperately in need of a quality cab service.

That was when for the first time, he could vision the amount of potential a cab booking service could have. And after basic calculations, Bhavish changed his business from the earlier mentioned start-up to – OlaCabs.

Ola was the collective prodigy of Bhavish Aggarwal and Ankit Bhati and was officially owned by ANI Technologies Pvt Ltd, which translated to ‘Hello’ in Spanish!

**OLA – Product:** Over the last one year, Ola has been expanding its range of services —offering

a range of ride options from budget to luxury, subscription deals, and more recently in-cab entertainment — to outmatch Uber on strategies beyond pricing.

**OLA – Business Model:** The business model works on a very simple concept. OLA acts as a facilitator in providing cab-booking services. Customers can book their cabs through the app. OLA does not own any of the cabs. Only those drivers with valid permits duly authorized and verified by transport authorities can sign up with OLA and they could be either self-employed or work for an operator who owns multiple cars.

Just like how we use an OLA App, the drivers get access to a driver mobile app on their Smartphone once they register with OLA. This is done only after a thorough check of authenticity and conducting due diligence of commercial papers and personal papers of driver and operator. The drivers have flexibility to decide their own time to login to OLA Application and accept requests for rides from customers. They may choose to remain logged out of the system as per their convenience.

Ola takes a commission of about 15% on all the booking done through the app.

Users are charges for the following things:

The Bill for OLA Cabs consist of following elements

- 1: Base Fare [Charged Flat]
- 2: Distance Fare [Charged Kilometer Wise (different for different cities)]
- 3: Ride Time Fare [Charged time taken to travel]
- 4: Peak Pricing [Direct Ratio depending on demand for cab]
- 5: Service Tax [5.6 %]
- 6: Swach Bharat Tax [0.2%]
- 7: Toll Charges [Toll Collection in case you cross Toll Junction on roads.

**OLA – Funding:** Ola has raised a total of \$1.38 Billion in 8 rounds from 20 investors. Top investors include likes of SoftBank, ABG Capital, Accel Partners, Mauritius Investments, Tiger Global Management, Matrix Partners, Steadview Capital, Sequoia Capital and DST Global. Their current valuation is somewhere

between \$3 billion to \$4 billion. However, in Nov 2015 it was valued more than \$5 billion. Consider that their four-year-old startup is valued at \$2.5 billion—the third highest valued consumer internet company in India. Since 2011, when it was set up, Ola (formerly Ola Cabs) has raised a little over \$900 million from over a dozen investors in at least eight rounds (see box Constant Inflow). This includes angels, marquee venture capital firms and hedge funds. The lure of this home-grown cab aggregator has proved irresistible to investors. And not all of it was about the sector opportunity or the company's business model: "I was very impressed with Bhavish. He gave me a sense of confidence.

**OLA – Competitor:** Ola directly competes with Uber world's most well-financed startup having raised \$15 billion in equity and debt.

**The Change:** This change including the entrance of Ankit Bhati was brought about somewhere around December 2010.

His solution was simply introducing a technology that bridged the gap and connected the cab owners with the commuters through the Internet, telephone or a mobile phone app.

On the other end, just like every starting entrepreneur, his parents too didn't support his new venture as well, and for them he was as good as a 'travel agent'. Basically a lot of pressure.

But nevertheless, their support increased as they got their first round of angel investment (from Snapdeal founder Kunal Bahl, Rehan yar Khan and Anupam Mittal.).

Moving on, Bhavish's believed that anyone can have a good business idea but to function it successfully one must a scalable models upon which the business runs. According to him, the best or one of the best & safest model one can or should adopt is running a business with owning "zero" inventory.

And following his own words, Ola, didn't buy even a single car and instead rented them.

They went on to partner with a long range of Taxi Drivers, and all he did was added a touch

of modern technology to the whole thing through which consumers could book cars at a short notice via their call centers or via their app.

**The Strategy:** Simply putting it, their strategy was to leave no stone unturned; be it attending customer calls to driving a passenger to the airport while managing the operations, they did everything.

And on the other end, to woo the drivers, they used an equally unique strategy!

For the first few months, they used to pay drivers 5000/day tips + no salary. Provided they met the criteria which was that, a Driver must have completed one single trip for that given day. To add to that, the Integration Devices which they use were provided free of cost!

During that time, with a rough potential monthly income of 1.5Lakhs literally every driver, even including many part-timers did anything to get themselves attached with Ola.

As their motive was fulfilled, later this payment module was reduced to half i.e. 2500/day and then 750/day tips + salary consecutively. And now the tips would be provided only if they covered minimum 10 trips in a day.

Now clearly, the idea of cabs was not new to the Indian market, and there already were players like Fasttrack who had established themselves. There were radio Taxi services in every city of the country which used to run in the interiors as well, and you could easily find some of them at the airports and railway stations. Not to forget the car rentals and travel agencies. Basically, all of these had more or less a focus which was on similar lines.

*So what made Bhavish or Ola One-up?*

Bhavish very smartly had taken only cars which had an All India permit (similar to travel agencies) and used to run them both inside as well as outside the city. And then there were the unique and budgeted plans which they used to offer, to lure the customers.

But more than all that or what at least on an equal note, what helped them was M-commerce (mobile). Bhavish could clearly see that, M-

commerce was growing at the speed of light and would only get better in the times to come.

Hence, given this environment, it would only become far more easier for the consumer to knowledge or data without much of a hassle, merely through their Smartphone. And with the amount of connectivity this would create would only increase the convenience for the masses.

Bhavish decided to capitalise on this untouched factor, and took the leverage of this growing industry.

**The Present Growth:** And with the help of such ahead of its time & long term strategies, the company began to grow at the speed of light.

By 2014, the company was now pocketing a network of more than 200,000 cars across 100 cities. Additionally, it was also clocking an average of more than 150,000 bookings per day and also was now sitting on 60% of the market share in India.

Soon the company also brought about some huge developments which again, benefited them greatly. Some of these included: –

They launched their Ola Mini service in Bangalore & consecutively in Delhi (NCR) with a fleet over 250 cars and were also in preparations to grow to 800 by 2015. Their offer again was pretty unique and luring. They had started with an introductory price of Rs12/km with a base price of Rs.150 for the first six kilometres, making them the cheapest AC cab services available.

Next, by the end of the year, Ola also expanded to incorporate autos in Bangalore and also expanded this service to other cities like Delhi, Pune and Chennai.

Later, they announced their biggest news so far. OlaCabs bought TaxiForSure or TFS in March 2015 for about \$200 million. Although, this wasn't their initial plan. Their initial purpose was to fill in their huge requirement of drivers and hence, they had first tried to attract their drivers by paying them some Initial Bonus + Attachment Devices Free of Cost, but since they failed, they had to buy the company to maintain their stable growth.

Additionally, Ola who so far only had worked with Drivers had now also begun working with the cab operators after the acquisition.

With this acquisition in place; they also launched “Cashless Rides” which not only worked with the cabs on their network, but was also extended to “Auto rickshaws and Kaali-Peeli taxis” as well!

And lastly, Ola recently has launched “Ola Cafe”. In simple terms, through this service one can order food, grocery, vegetables etc., and get it delivered to their households.

And when you look at Ola today, it has gone on to become India's most popular mobile app for cab booking, out-beating their competitors like Uber. To add to that, they are also the largest platform with 40,000+ cars across almost 100 cities (2015) and growing.

Talking about their funding; Ola has raised a total of \$676.8 Million so far from investors like SoftBank, ABG Capital, Accel Partners, Mauritius Investments, Tiger Global Management, Matrix Partners, Steadview Capital, Sequoia Capital and DST Global. Their current valuation is roughly \$3.5 Billion.

**OLA – The market:** The Indian cab market is pegged to be anywhere between \$8-10bn and is forecast to grow at an over 20% annually. Most importantly, barely 5% of this market is organized and the rest of it is scattered across small to medium sized operators owning a car of their own or a few cars over time with appointed drivers. India, annually sells 2.6mn cars and over 13mn two wheelers in the personal vehicle space segment. Car ownership in India is still very low and the only known public transportation option at (any) known scale are the autorickshaws! In spite of this, mobility is an issue and a high quality, reliable transportation option a dream for most cities in the country.

Look around yourself on the roads and you'll find most cars with one or at most, two passengers. This is not just inefficient, but also expensive in the long run for individual car owners as well as those availing of cab services.

Using technology, especially mobile, at scale has been the strategy adopted by Ola as a provider of Transportation as a Service. To put it in perspective over 8mn smartphones are bought in India every month! That means, there is an emerging medium to reach out to the Indian customer and solve basic problems like transportation for him, efficiently.

**OLA – Challenge:** Ride sharing is an interesting area where Ola has still not set foot into. While this could be a sustainable and scalable

solution, there have been no success stories in the past around this in our country. This product can potentially change the way Indian cities move and can atleast partially solve for the ‘Indian transportation problem’. There are clearly three use cases here:

Ola users who are also personal car owners - enabling ride sharing for privately owned cars across the city.

- Public transport users or others who do not use a cab today only due to the entry barrier of prohibitive pricing at an individual level.

- Existing cab users who can potentially travel at a far lower fare. Why isn't ride sharing an Indian phenomenon?
- A car is seen as something very personal, may not be something Indians are prone to share proactively.
- Privacy while travelling is a concern – travelling with strangers and the possibility of making new friends doesn't seem very motivating.
- Predictability and planning are tough nuts to crack in the Indian context - with roads, traffic etc. adding to the woes
- Regulation, safety measures, payment system etc. create another level of barrier to adoption.

**OLA - Achievements**

- Received the ‘mBillionth award South Asia 2013’
- Awarded as the ‘Best start-up of the year’ by IAMAI,
- Received the ‘HATT awards’
- Listed in ‘30 under 30’, by Hindustan Times and Forbes