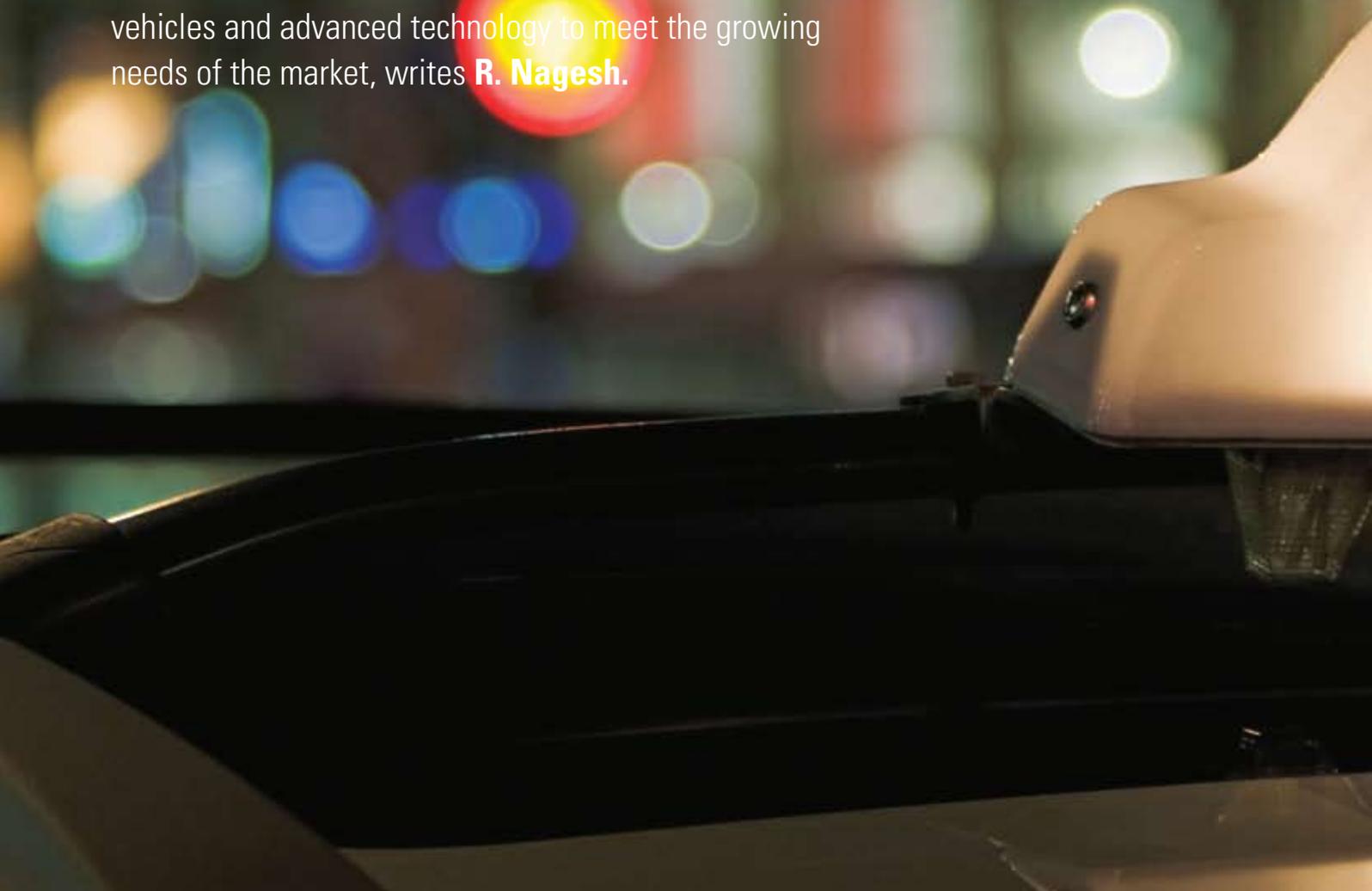


RADIO A CAB

The Radio Cab business is all set to zoom on the fast lane in India as operators are investing in thousands of vehicles and advanced technology to meet the growing needs of the market, writes **R. Nagesh.**





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.

The radio cabs business has emerged as one of the fastest growing businesses in the Indian transportation sector. In the past, passengers at airports, railway stations and bus terminals, or those wanting transport at odd hours of the day had to depend on unreliable public taxis, often having to pay much more than the stipulated rates. Cabbies often fleece out-station passengers landing at airports, many are rude and some even join hands with criminals to loot the newcomers.

In recent years, many companies, especially in the information technology and ITeS (information technology enabled services) sectors, have hired a fleet of cars to transport employees from their homes to the work place and back. But those travelling to airports and railway stations – both on work and vacation – had to depend on unreliable public 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 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 Delhi, Bangalore, Mumbai, Chandigarh, Hyderabad and Pune. They operate under brands such as Meru, Megacabs, Easycabs and Metro Cabs.

Many state governments are encouraging radio cab services by issuing permits for fleet operators, as they believe that efficient transport services are essential in a modern economy with a fast emerging market. At a time when the government is attracting international and domestic investors, offering them a slew of incentives, or promoting tourism

For the small-time investor the franchise route would be the most advisable, since it takes care of technology and infrastructure.

in a big way, the need for organised taxi services is inevitably growing.

State governments are keen to issue licenses to operators of radio cabs. The Delhi government, for instance, wants to triple the number of radio taxis on the capital's streets to 5,000. The Maharashtra government is also encouraging operators to expand their fleet, even urging owner-drivers of the yellow-and-black taxis to switch over to the modern vehicles.

Rajiv Vij, ceo, Carzonrent India Pvt Ltd – a Hertz licensee in India that operates Easycabs in Delhi – notes that the next decade will see about 450,000 taxis and auto-rickshaws being replaced in major Indian cities, presenting an over US\$2 billion opportunity for the radio cab business.

In Mumbai, for instance, the high court recently endorsed a move by the state government to phase out 7,000 yellow-and-black taxis that have been on the roads for more than 25 years. There are about 55,000 taxis in Mumbai, but most of them

are old. For example, Premier Automobiles Ltd, a Mumbai-based automaker, stopped producing Padminis in 2000, but a majority of Mumbai taxis are of this model.

Environmentalists have been urging the government to phase out such old vehicles as they add to the city's pollution. Says Debi Goenka, president, Bombay Environmental Action Group: "Many of the taxis are old and look as if they will fall apart. They should be replaced with modern vehicles that provide protection to passengers."

Mumbai has the largest number of public taxis (besides the 55,000 taxis, there are 30,000 auto-rickshaws) in India and provides tremendous opportunities for operators of radio cabs. Other cities have far fewer public taxis and auto-rickshaws – Delhi has about 4,000 taxis and 30,000 three-wheelers and Kolkata around 5,000 taxis – but radio cab operators see good potential for growth.

The dozen-odd operators, besides aggressively expanding their fleet, are also planning to start operations in other cities including Chennai, Jaipur and even popular tourist destinations such as Goa.

By 2010, about 200,000 radio cabs will be operating in nearly a score of Indian cities. About a dozen operators have got the license to operate radio cabs in Delhi alone. The operators see huge potential for growth in not just Mumbai and Delhi – both cities have relatively efficient public transport systems – but in other Indian cities, including tier-I and tier-II ones.

"The demand for our services is rising steadily every month," explains Mark Pereira, ceo, Meru Cab Co Pvt Ltd. "Currently, we offer a fleet of nearly 2,000 cabs in Mumbai, Delhi, Bangalore and Hyderabad. We plan to deploy an additional 2,000 cabs in all the operational markets over the next three months. By March 2011, we plan to operate about 12,000 cabs," he adds. The company is injecting US\$20 million into the business and expects a turnover of nearly US\$85 million by 2011.

Meru Cabs currently operates on a pure B2C (business-to-consumer) model, but plans to enter into strategic tie-ups with corporates. It has already established corporate travel programmes with three firms in Delhi. "We are observing the needs and requirements of the corpo-



A UNIQUE BUSINESS MODEL

The radio cab business operates on a unique business model. The driver (known in some firms as a 'subscriber') cruises around a city, his (or her – as some companies have started hiring female drivers to attract women customers) ears alert for any messages on the global positioning system (GPS) or the general packet radio service (GPRS).



When a customer dials the call centre of a radio cab firm, the operator locates vehicles that are closest to the caller and seeks the driver's response. Once a driver confirms with a 'bid', the vehicle's number is flashed back to the customer.

Radio cab firms operate on a 24x7 basis. Customers can book a vehicle even a day or two in advance. The vehicles are clean, air-conditioned and well-maintained, the drivers are well-groomed, polite and hired after a thorough check of their credentials.

The government-fixed fares are transparent (calculated on a kilometre basis, and not fixed – or haggled – arbitrarily as often happens at airports and railway stations), the meters are digital and tamper-proof and the customer gets a printed receipt on payment.

Radio cab operators plan to install equipment that would enable them to accept credit or debit card payments. Importantly, the vehicles are tracked by the call centre, so customers are assured that it is safe to travel even long distances late at night.

Even for the 'subscriber' the business appears to be attractive. The driver (or franchisee) has to pay about US\$10 or a little more a day for the vehicle and the rest of the income is his.

Some drivers in Mumbai and Delhi now take home around US\$400 a month, more than double their previous earnings. Of course, some of them have taken a bank loan to put in their share of the initial investment, but for now it appears to be a lucrative investment.

rate sector, and will decide on the future tie-ups," adds Pereira.

Mega Corp of Delhi, among the first to launch radio cab services in India, aims to increase its fleet size from 1,000 cars at present to over 20,000 in about three years. Easycabs plans to expand its fleet to over 12,500 vehicles in the near future.

The system of franchises is making the radio cab business more popular and profitable. Many of the cab operators are keen to rope in taxi owners and drivers to become their franchisees. Meru in Mumbai has already got many cabbies to transfer their licenses to the company and operate new vehicles under a profit-sharing scheme.

Firms such as Easycabs and Megacabs are also encouraging cabbies to take up the new franchise model. "For the small-time investor, including an existing cabbie, the franchise route would be the most advisable, since it takes care of technology, infrastructure and marketing," explains Vij.

Some of the operators are also looking at other potential investments from small and medium firms in related businesses, including owners of private taxi services,

car-rent firms, garages and even petrol pumps. The franchisee has to invest around US\$8,000 for a vehicle; the returns can be as high as US\$10,000 a year in the major cities, where demand for radio cabs is high.

Besides passenger fares, there are other revenues streams including advertising. "It is a good outdoor medium for advertisers," explains Kunal Lalani, managing director, Mega Corp. Besides ads within the vehicle – on the back of seats, headrests, or even through small TV sets – there are opportunities on the sides and on the roof of the vehicle.

But a company that starts a radio cab business has to make huge investments – in vehicles, sophisticated gadgets, telecom equipment, call centres, training programmes for drivers and even parking lots. In cities like Mumbai, Delhi and Bangalore, parking a fleet of 20,000 cars can be an expensive proposition, especially at international airports where the charges are high.

The linkages of this business to the rest of the automobile sector are unparalleled. Automakers are obviously eager

that radio cab fleet operators select their vehicles. Maruti Suzuki, for instance, offers discounts on some of its models for taxi operators. Toyota Kirloskar Motor Pvt Ltd plans to offer a compressed natural gas (CNG)-based variant of its multi-utility vehicle, the Innova, to radio cab operators. The running cost of a CNG vehicle is a third of that of a petrol version, so the company expects a surge in demand for the new variant, says Sandeep Singh, deputy managing director (marketing), Toyota Kirloskar Motors.

The radio cab business has tremendous potential for growth in India as the transport needs of the corporate world – and even of middle-class and affluent Indians – grow more sophisticated. With most cities facing enormous parking problems, many residents would prefer to call up – or SMS – a call centre to summon a radio taxi for the purpose of visiting a shopping mall, a beauty saloon, or even to attend a late-night cocktail party. This option scores higher points over wasting time in search of parking space for your own vehicle, or negotiating treacherous snarls on a leisurely weekend. 🌈