

Impact of COVID-19 on Cab Aggregators

written by Rajeev Rambhatla | June 5, 2020



How did the COVID 19 Pandemic Affect the Cab Companies?

Urban transport is a major problem that seems to have been solved to an extent at least by cab aggregators such as Uber Inc. and Ola (ANI Technologies Private Limited). While point to point urban transport was a tedious affair in the yesteryears, the advent of technological advances has seen technology integrate and bring together the service providers and service recipients of the urban transport service on to the same platform. COVID 19 Effect on Cab Companies?

This integration is the unique product that has been offered by companies like Uber, Ola, Prydo, Taxi For Sure, Lyft and many more in India and the world over. While some have been successful and still rule the roost in terms of market share, others are just memories in today's dynamic landscape. The cab aggregators less than a year ago found themselves in a booming market especially in India and most of these companies even offered innovative services such as sharing of cab rides in order to accommodate more passengers in a consumer heavy market like India and introduction of luxury vehicles into their fleet should a consumer so desire to book one for a special occasion. Come March 2020, one of the biggest democracies in the world was constrained to enforce a nationwide lockdown owing to the pandemic which brought the entire world to its knees.

The Covid-19 pandemic has affected billions of lives and businesses across the world, since it first originated sometime around November 2019. The Novel Coronavirus or Covid-19 as it is more commonly known has within a span of just 6 months left the world in a catastrophic state and there appears to be no stopping the deadly virus anytime in the near future. The impact on human life and the rising death toll is indeed an unfortunate outcome but the impact on businesses and global markets has been equally disastrous. The cab aggregators haven't been spared either. Along with the food and beverage industry, the urban transport space is one of the worst-hit sectors as owing to lockdown/stay at home measures in the wake of the virus spread, citizens have stopped venturing out of their homes. Through the course of the next few paragraphs, we will observe the policies employed by these cab aggregators in order to cope with the pandemic and ensure some sort of business continuity when the world resumes. This article will be focusing primarily on two aggregators, which are Uber and Ola, and their services and

impact on the same, particularly in India.

Policies

As the nation geared up for its battle with the pandemic, the cab aggregators were also not far behind to render some relief to its drivers. Ola launched *'Drive the Driver Fund' under the aegis of its social welfare arm-Ola Foundation* as millions of drivers neither had the opportunity nor the luxury of working from home. With an intention to raise INR 50 crores, the initial capital of INR 20 crores was contributed by the Ola group and its employees, the remaining amount is sought to be raised through crowdfunding.

The proceeds are intended to provide emergency support and cater to essential supplies. Additionally, Ola announced special COVID-19 insurance cover for its drivers and their spouse and fully waived the lease rentals (akin to an EMI) of the vehicles that were leased out by Ola's subsidiary namely Ola Fleet Technologies under its leasing program. Moreover, Ola has also offered medical insurance for all pre-existing ailments for a sum of 2 lakhs upto 90 years of age for two parents (or in-laws) of its employees. It further intends to render financial aid for children's education.

Uber also recognized that the livelihood of its drivers has been tremendously impacted due to the pandemic and has launched Uber Care Driver Fund with an initial capital of 25 crores and remaining to be raised from various stakeholders including the riders. The funds are aimed at catering to the urgent and immediate needs of the drivers and their families. Furthermore, Uber also took other proactive steps like offering online medical services at no cost, waiving lease rentals, facilitating EMI relief to name a few. Uber also discharged its social responsibility by launching UberMedic car services to assist healthcare providers.

Lay-offs

As the national lockdown was announced on 24th March, 2020, the ridesharing industry came to a screeching halt. It was only in early May, the cab aggregators resumed operations in 'Green' and 'Orange' zones. By that time the industry had suffered a severe blow to its revenue with Ola registering a staggering decline of 95%.

As the revenues continued to plummet and with no immediate recovery in sight, the cab aggregators resorted to lay-offs. In India, Ola laid off as many as 1,400 employees across rides, financial services and food business and Uber has laid off 600 employees across drivers and support staff. The number is much higher globally considering the measures taken to cope up with the wrath of this unforgiving pandemic.

Way-forward

India is now close to gradually reopening the nationwide lockdown and while there have been some relaxations starting with the third phase of the lockdown, the situation in the country is nowhere close to normal at the moment. The country has been divided into three zones (orange, green and red) based on the number of positive Covid-19 cases in the area. While cab services were initially allowed only in green and orange zones, they are now operational in red zones as well. However, only 3 people are allowed inside the cab, that is, 2 passengers and 1 driver.

This means that popular rideshare services of Uber and Ola such as Uberpool and Olashare will not be operational for the considerable future. Even if the government was to give permission to resume those services, it is highly unlikely that the consumers will opt for these services given the risk of the

virus spread. Going forward, the downfall in the passenger count of these cab aggregators is only going to increase with work from home being implemented by most workplaces and people venturing out of their homes in the near future is becoming less likely unless it's for purchasing essentials or availing medical services.

Most consumers would switch to relying either on their personal vehicles for unavoidable travel or would prefer ordering their necessities online. Uber and Ola's drivers in India are even attaching to popular delivery services like Dunzo, Swiggy Genie, etc in order to ensure continued employment for themselves. This pandemic has truly placed the world at unprecedented times and cab aggregators, more specifically the drivers engaged by them are facing the brunt of the economic impact of this virus.

One can only hope that the situation will return to normal soon but with the after effect of the lockdown and social distancing measures in place, it looks like learning to live with this virus is the new normal. Consequently, that is going to have a negative impact on the usage of cab services at least for the foreseeable future.

Conclusion

There is no easy way of saying that the Covid-19 pandemic has impacted the urban transport solutions industry so far and it has adversely affected cab aggregators in more ways than those pointed out above. With the end not even nearly in sight, it is now in the hands of the cab aggregators and the individual companies to decide how they would adapt to these new circumstances and make the most of the available situation while ensuring that their customers are in a safe and hygienic environment for the duration of the ride because that is going to be the deciding factor going forward. Ola has already started moving in the right direction with its new '*5 layers of safety campaign*'. Through this campaign, Ola is assuring its customers that all social distancing and sanitization measures are being taken in order to ensure a safe ride for them. Given that passenger rides have hit an all-time low, all cab aggregators must do their best and try to make the most of the existing situation in order to ensure business continuity for themselves.

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