The Competitive Position of E-Hailing Giant in Asia Pacific Region: Challenges for Malaysian Startups

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ABSTRACT

E-Hailing service is relatively an infant industry in Malaysia. Although still relatively new, its development is very rapid and is constantly evolving even during the pandemic and post-pandemic of covid-19. However, none of the local companies became market leaders due to delays in entering the market and legalization issues that caused the development of e-hailing of local startups is still a long way off. To drive development and become more competitive, information on the competitive conditions of rivals is very significant so that long-term strategies can be planned and improved. This study uses a descriptive method by taking five samples of major e-hailing giants in Asia Pacific to determine their competitive position in the Asia Pacific region. The data were analyzed using competitive profile matrix tools and weighted average calculation to identify the current market position of the e-hailing companies involved.

Key words: *E-Hailing, Matrix, Pandemic, Startups, Competitive Positions, Competitive Profile Matrix*

1.0 INTRODUCTION

E-hailing business in Malaysia can be considered as a new and growing industry, yet vulnerable industry especially for the new e-hailing startups. Even though e-hailing service in Malaysia had been started way back in 2012 when *MyTeksi* was first introduced to penetrate the Malaysian market, the Malaysian Government had just legalized e-hailing service in Malaysia in July 2017 after amendments of the Land Public Transport Act 2010 and Commercial Vehicles Licensing Board (CVLB) Act 1987 (APAD, 2019). Before the legalization effort was done, the e-hailing industry in Malaysia had to struggle with issues such as regulatory (Teo et.al, 2018), fraud, liability, and unskilled service providers (Ranchordas, 2015), including the credibility of e-hailing drivers as well that are still to date controversial such as sexual harassment, assault, overcharging and criminality like drug trafficking, robbery, drunk and fatal crashes (Dill, Mulholland, 2018). To date, issues related to e-hailing are still being discussed and debated in the same context.

Nevertheless, though there are still many issues that arisen, the development of an e-hailing industry remains stable (Nur, 2020). In fact, the legalization efforts by the government particularly in Malaysia to e-hailing service has shown a very positive development in the coming years.

The promising future of e-hailing has attracted many researchers from all over the world to study some aspects about the industry such as Li, Hong, & Zhang (2017) on the contribution of e-hailing service in reducing traffic congestion in Haiwaii; Mae, Adriano, Chadwick, & Su (2017) on the aspect of consumer factors who are using e-hailing in the Philippines; Clewlow & Mishra (2017), on the social, legal and economic aspects in the US; Yun, Zhao, JinxiWu, Yi, Park & Jung

(2020) from the aspect of e-hailing business models variances in China and few more. These diverse studies indicate that the study of e-hailing services is very significant in many aspects. However, the study on the industry competitiveness aspects is still lacking, probably due to the very limited accessibility on business and financial data because this industry is still considerably new especially for the developing countries like Malaysia.

Problem Statement

With more and more challenging and stiff competition, e-hailing startups in the Asia Pacific region are becoming increasingly difficult to compete as there are various barriers such as technology, financial flow, legal and licensing as well as lack of promotional and advertising activities due to financial constraints and other limited resources for growth and long term sustainability.

Coupled with the Covid-19 outbreak that has had a different impact on most enterprises in various sectors, it has further intensified the competitive situations with more small startups coming in that consequently leave a huge gap between competing rivals and the e-hailing giants. Due to this outbreak, many companies that operate based on conventional approaches are increasingly feel the unpleasant climate and slowly or more rapidly, turning to digital applications. Such digitalization, despite giving wider access to customers has made e-hailing companies compete in a very challenging and intense situation that never happened before.

One of the most important resources for competing e-hailing companies is the need for information in various aspects such as technology, competition, market, price, advertising and promotion strategies and the target market. Without information on internal and external environment, it will be difficult for strategic decisions to be taken by company executives (Citroen, 2011). This situation is also a significant factor identified as an issue that to be highlighted in this study.

In this regard, this study will examine the aspects of competition as one of the important knowledge resources to facilitate the strategic planning for the growth of local e-hailing startups in order to compete with other international e-hailing service providers that have long been established in the domestic and global markets. The lack of information as a source of important market knowledge on the real state of local and global competition in the e-hailing industry makes strategic planning difficult to be planned and implemented especially in facing the post-covid challenges.

2.0 LITERATURE REVIEW

Intense competition between e-hailing companies coupled with auxiliary value-added services such as food delivery, goods and auxiliary payment platforms makes the competition even stiffer. Therefore to ensure continuous sustainability, every industry player needs to know the competitive basis of their respective competitive advantages as well as the condition of their rivals. Thus, this study uses secondary data by employing the Market Based View (RBV) model and Resource Based View (RBV) model as theoretical underpinnings to determine the position of competitors in the market, therefore, other e-hailing startups can build competitive advantage in other significant contexts.

The MBV model discusses internal industry factors and external forces as primary determinants that affect organizational performance (Bain 1968, Porter, 1996). The source of organizational value is added in a competitive situation through a strategic position to the end product offered to customers as a unique added value compared to existing competitors. In other

words, the strategic positions of the firm is defined as how organizations perform their activities in the same capacity but in a unique and different way compared to rivals (Wang, 2014).

Meanwhile, the popularity of RBV is often used by researchers to develop competitive advantage by deploying and increasing value to existing resources to be different from other competitors. This theory is not new, but very popular and always evolved since half a century ago to the present day.

RBV focuses on firm resources and capabilities. Resources consist of finance, physical, human, commercial, technology and organizational assets (Barney, 1991). Howver, RBV is always being promulgated within the stable industry. Reason being, most researchers who are using RBV have a typical assumption that the firm is in a stable position and in the growing mode to improve performance. In an atmosphere after the pandemic that observes industry and the economy become sluggish, chaotic and unpredictable and unprecedented, making RBV no longer seems to be a dynamic theory for performance.

Integration between RBV and MBV as suggested by Steininger et.al. (2011) found that the factors that has been categorized to drive the performance of the firm consist of products, infrastructure, customers and finance. All these knowledge on competitive factors are very important factors for the organization to plan a strategy for driving performance ahead (Villasalero, 2017; Barney, 1991) whether in a stable or in a market turbulence such as this situation that has struck all nations.

3.0 METHODOLOGY

This study uses secondary data consisting of various up-to-date data sources such as statistical data, reports, press releases, news and company websites. All these data are then analyzed using several descriptive tools that used to plan the strategic planning of the firm. Competitive Profile Matrix (CPM) is the main tool used to find out the position of competing companies in the Asia Pacific region and to find out the position of all these companies in various aspects.

A total of five (5) major companies in the Asia Pacific region were selected in this study. Through the descriptive methodology, the rating is given based on the number recorded in the reference sources obtained. Researchers did not use predictive rating, instead descriptive calculation based on the highest value as the basis of rating categorization. From the rating value obtained, subsequently, the total rating will be calculated based on the weighted score. This weighted score will be used to analyze the current competitive situation of the giant e-hailing companies in the Asia Pacific region.

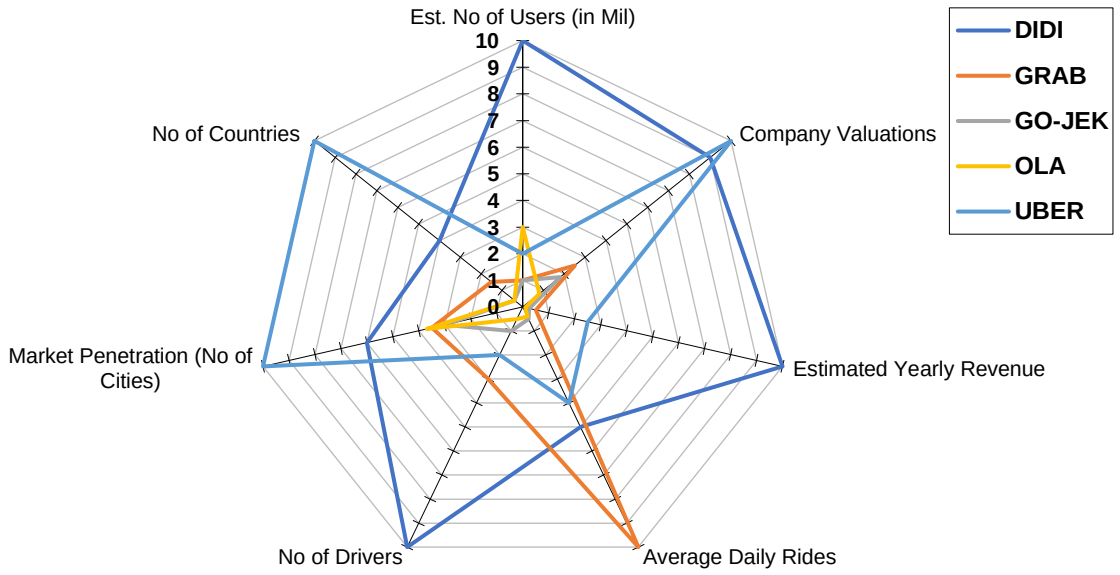
4.0 ANALYSIS AND FINDINGS

The numerical information in Table 1 shows the economic data of companies consisting of seven main categories to enable profile building of the competing e-hailing firms in the Asia Pacific region. From the obtained data, the radar chart is developed as demonstrated in Diagram 1 to explain the current competitive standing based on the available criterions.

Table 1: Asia Pacific and Global Competitive Situation (2018-2020)

Type of Company	Country of Origin	Market Penetration (By Number of Cities in Asia)	No of Countries Operated	No of Passengers (Est. In mil)	Valuation (in Billion USD)	No of Drivers (in mil)	Ave. Daily Rides (in mil)	Estimated Annual Revenue (In Billion USD)
DIDI	China	400	28	550	56	21	30	48
GRAB	Singapore	235	8	36	14	2.8	46	2
GOJEK	Indonesia	204	4	36	10	2	1.57	1
OLA	India	250	4	150	4.3	1	1.5	0.36
UBER	United States	700	65	103	62	3.9	17	13.7

Data source : www.expandedramblings.com



Digram 1 : Competitor Radar Chart

From the radar chart above, DIDI shows the highest usage followed by OLA and UBER. While GO-JEK and GRAB data show the lowest and most equivalent number of usage. The highest penetration indicates that UBER is at the top position, but the number of users against the number of drivers do not show the balance between them, possibly due to legal problems faced in each country UBER penetrated.

This economic data is then formulated to determine the competitive position of the competing e-hailing companies based on the rating as shown in the radar graph chart below and also the cumulative rating as shown in the subsequent Table 2 diagram as follows :

Table 2 : Weighted Average Rating

Competitors	Est. No of Users (in Mil)	Company Valuations	Estimated Yearly Revenue	Average Daily Rides	No of Drivers (in Mil)	Market Penetration (No of Cities)	No of Countries	Total Score
DIDI	3	1.8	2	0.5	1	0.3	0.2	8.8
GRAB	0.3	0.5	0.08	1	0.3	0.175	0.075	2.43

GO-JEK	0.3	0.36	0.05	0.05	0.1	0.15	0.02	1.03
OLA	0.9	0.16	0.01	0.04	0.05	0.185	0.02	1.365
UBER	0.6	2	0.5	0.4	0.2	0.5	0.5	4.7

Data on the total number of drivers shows that DIDI is the highest and in tandem with the number of its users but the market concentration is more in the home country. Nevertheless, this is the most significant competitive advantage DIDI has, while GRAB shows the largest number of rides compared to other competitors, but estimated annual revenue is not in tandem with the total rides, possibly due to the low foreign exchange value, compared to UBER which has higher foreign exchange value due to its main market being in the United States, compared to UBER whose market majority is concerted in Southeast Asia.

Since DIDI's total revenue is the highest, it affects the company's valuation to be at the leading position compared to other major e-hailing competitors. Judging by this radar chart, GO-JEK and OLA are still far left behind to compete with other major e-hailing companies. The overall competitiveness weightage data from this descriptive analysis is shown in the following diagram:

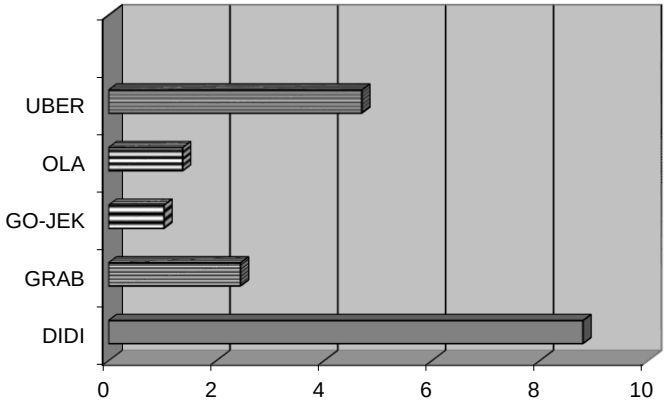


Diagram 2 : Total Adjusted Competitor Score

Overall, DIDI occupies the top spot among the main competitors followed by UBER, GRAB, OLA and GOJEK. DIDI is in the most stable position due to various advantages it possesses, namely the enormous population in China, continuous research in the field of artificial intelligence, optimization and use and operation of big data technology, smart transportation system that integrates smart city traffic management in smart city regions in China, including self-driving car technology integrated with smart mapping technology. All these are the catalyst for DIDI's success which has been firmly established in China.

5.0 CONCLUSION

From the findings, the competitive position of the major e-hailing players in the Asia-Pacific region has far left domestic players in Malaysia that can be considered as still in the infant stage. The latest data for 2020 indicates that there are 44 e-hailing companies in Malaysia. GRAB is the largest market shareholder in this country with a total market size in 2020 expected to be USD577million with the number of consumers stands at 7.5m (Statista, 2020), compared to China alone that has reached USD55.5Billion. This shows that a very large market size and potential can

be tapped by local players if the strategies are right especially in the context of promotion and effectiveness of the apps used.

The e-hailing industry is becoming increasingly relevant and important especially during and after the covid-19 outbreak, but the diversity of services needed to be enhanced by domestic players to become more relevant and competitive at both domestic and global arena. The critical success factors need to be identified rigorously so that continuous strategic improvisation can be exercised effectively by the local Malaysian e-hailing enterprises.

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