PM SCHOOL

Improving adoption in Tier 2 & Tier 3 cities in India

- Nayni Jain

Ola is India's largest mobility platform and one of the world's largest ride-hailing companies, serving **250+** cities across India, Australia, New Zealand, and the UK. The Ola app offers mobility solutions by **connecting customers to drivers** and a wide range of vehicles across **bikes, auto-rickshaws, and cabs**, enabling convenience for **hundreds of millions** of consumers and over **1.5 million** driver-partners.

250+
Cities covered

2799 cr (FY23)
Revenue

42%
Revenue growth

1 Bn+
Rides per year

1.5 Mn
Drivers on platform

Business verticals

- Ride-hailing (OLA Cabs)
- Cloud Kitchens (ONDC Food)
- Financial services (OLA Money)
- Electric Vehicle (OLA Electric)

Ride-hailing market dynamics

India is projected to witness a substantial growth in the Ride-hailing market in the coming years

US$11.64bn
Revenue growth by 2029 *

380.60m
Users by 2029

India ranks 3rd highest in revenue generation from this industry

Top 5 (2024) in million USD (US$)	
1. China	
2. United States	
3. India	
4. Russia	
5. United Kingdom	

Upcoming trends in the industry globally

- Increased Electric Vehicle (EV) Adoption
- Expansion in more cities
- Micro-Mobility Integration
- Data and AI-Driven Personalization
- Autonomous Ride-Hailing
- Subscription-Based Services

Competitors in the space

Uber

BluSmart

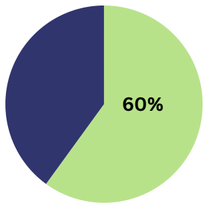
MERU

inDrive

Business Outcome/Goal → **Increase ride bookings** → **Increase revenue**

Product Outcome → **Increase ride bookings in Tier 2/3 cities**

Why Ola wants to increase bookings in Tier 2 & 3 cities in India now?



Constitutes 60% of India's population

Contributes only 20% to total ride bookings

Growing middle class in these cities

Why?

- Accelerated Digital Transformation
- Infrastructure Development
- Economic Growth and Urbanization
- Rising Consumerism
- Influence of technology

All of it presents a significant opportunity for growth. Understanding this market & capturing it is crucial for sustaining long-term growth and expanding its presence across India

Why are bookings currently low?

Let's understand the current ride hailing market in Tier 2-3 cities

Factors contributing to low adoption

- Price difference compared to competitors
- High ownership of personal vehicles
- Fewer available drivers
- Cultural familiarity and trust issues
- Socioeconomic Factors

Average income in Tier 2 & 3 cities

approx. 32000 INR

Smartphone penetration

approx. 60-80%

PROBLEM DEEP DIVE

One of the major challenge

Traffic congestion — **Tier-2 and 3 cities are seeing an explosion in personal vehicle ownership. This has resulted in traffic congestion at all hours of the day in these cities**

Demand side

Understanding user behaviour in tier 2-3 cities in India

Prioritising aspirations and allure

Budget constraints, making affordability a key factor in their choice of transportation

Prioritize convenience, such as shorter wait times and reliable service

Safety concerns, especially for women and first-time users, can influence their decision to use ride-hailing services

Users may value drivers with local knowledge and familiarity with the area

Fare breakdown for customer, as per Ola *

Base Fare - A flat fare charged up to a particular distance or for the first few kms.
Distance Fare - The fare charged on per km traveled. Depending on the city, the Rate/Km may vary after a threshold distance or an extra charge may be applicable after a particular distance.
Ride Time Fare - The fare charged on the total time duration of the trip from pickup time to drop time. This also includes driver waiting time before the trip starts, wait time in traffic or at traffic signals during the ride.
Peak Pricing (if applicable)- Peak pricing is applied on standard fares depending on the time of booking. It is not a fixed charge and varies as per the demand for the cabs in your area.
Advance Booking Fee (if applicable)- Advance booking fee is a flat amount charged on all Ride Later bookings.The fee will be added to your ride bill on completion of the trip.

Access Fee (if applicable)- Access fee is applicable on auto rides. It is a fee charged for availing the Ola platform.
Convenience Fee (if applicable)- Convenience fee is applicable on Prime Play rides for providing you in-cab entertainment. The fee may vary from city to city. You can check the Total Fare breakup (click on the 'i' icon) for the convenience fee before confirming a booking.
Airport Charges (if applicable)- A surcharge fee may be charged for airport pickup and drop (depending on the city.)
Toll and Parking Fee (if applicable)
Taxes (as per the state taxation rules)

Prioritizing demand side(user side) for this problem statement as opposed to the supply side(driver side)

PROBLEM DEEP DIVE

Saurabh, 35
Assisstant Manager

About
Saurabh is a 35-year-old male living in Indore, working as an Assistant Manager in a mid-sized company. He resides with his wife and two young children in a rented apartment in a moderately developed area of the city. With a household income of approximately ₹40,000 to ₹50,000 per month, Saurabh is highly conscious of his spending, as he needs to manage the family's expenses, education costs for his kids, and save for their future.
In his free time, Saurabh enjoys spending time with his family, taking kids out for fun activities and he tries to avoid stressful, tiring commutes to save energy for family activities.

Pain points
Saurabh's job requires him to commute daily, and the rising fuel costs, combined with heavy traffic, make owning a vehicle less appealing. He occasionally uses public buses and auto-rickshaws, but they are often unreliable and uncomfortable for his long commutes.

- Unreliable public transport
- Cost of private transport
- Inconsistent availability
- Trust and simplicity
- Poor customer support of the existing applications
- Cancellations & long waiting times
- High taxi price
- Catching public transportation during peak hours is hectic

Goals/Needs
- Affordable commuting options
- Reliable and predictable service
- Comfortable travel

Paridhi, 20
College student

About
Paridhi is a 20-year-old college student living in a Tier 2 city, where she attends a well-regarded local university. She is highly social, spending time with her friends both during the weekdays after classes and on weekends. Paridhi is part of India's growing millennial generation, with aspirations for a modern, tech-driven lifestyle.
She uses ride-hailing services regularly for her daily commute to college, as well as for social outings. While she is budget-conscious, Paridhi is willing to pay for services that meet her quality and safety expectations. Paridhi is conscious of both style and quality, and she seeks a balance between affordability and a premium experience. She also is inclined towards more sustainable solutions

Pain points
- Safety Concerns
- Budget vs. Quality
- Peak-hour surge pricing
- Cancellations & long waiting times
- High prices as compared to other apps
- Overcrowding in public vehicles

Goals/Needs
- Safe Travel Options
- Affordable experience
- Reliability
- Customization & Rewards
- Sustainability

Reasons for choosing given personas

Demographic and economic growth in Tier 2/3 cities

Increasing middle-class population

Urbanization

Demand for affordable, quality services

Frugality vs. Quality

Aspirational spending

Potential market size and growth opportunities

Represents a significant growing segment

Potential for increased usage

Early adopter behavior

These personas represent a significant portion of the population with specific needs and preferences that align well with Ola's value proposition. By tailoring its offerings and marketing efforts to these segments, Ola can drive user adoption, increase revenue, and establish a strong market presence in these regions

WHY THESE PERSONAS?

Product Feature #1 - Ola commute subscription

Feature Description

Ola's Commute Subscription feature is designed for regular commuters, who need reliable and cost-effective transportation for daily office commutes or anywhere predefined. Users can subscribe to a *monthly pass* that allows them to pre-book rides for a defined period, ensuring they have a guaranteed ride at their desired time, for a lower fare than regular bookings.

Feature Working

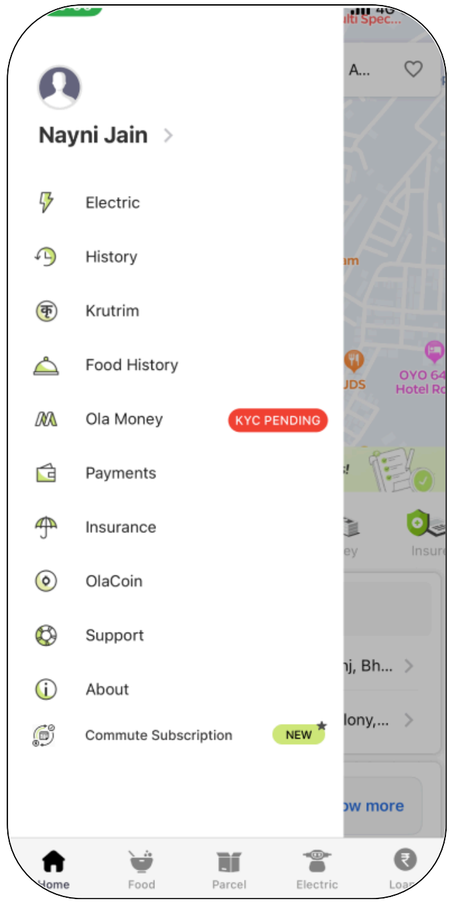
- Users are prompted with a "Commute Subscription" option on the side nav
- The user chooses a subscription plan (e.g., 5 days a week, Monday-Friday, 8:00 AM and 6:00 PM or for custom days), ensuring rides are automatically booked for their daily commute
- Users can select their pickup and drop-off locations (home and office) and the ride category (Ola Micro, Mini, Prime or Auto) based on their comfort and budget
- A discounted monthly rate is calculated based on the number of rides and type of vehicle selected
- Users can choose to pay via diff methods & the system automatically pre-books the rides and users receive reminders or ride confirmation 30 minutes before their ride
- If the user needs to make adjustments (like changing the ride time or pausing the subscription), they can do so in advance through the app
- The feature also allows users to cancel rides up to 1 hour in advance without a penalty

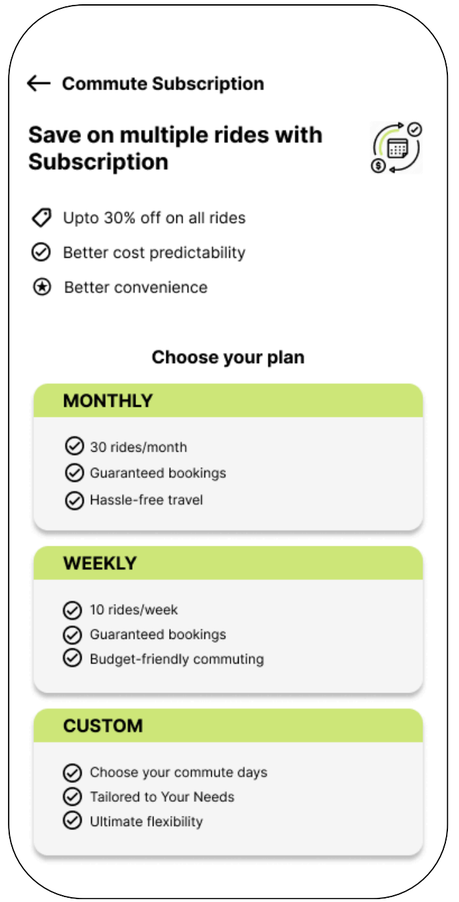
Feature Advantages

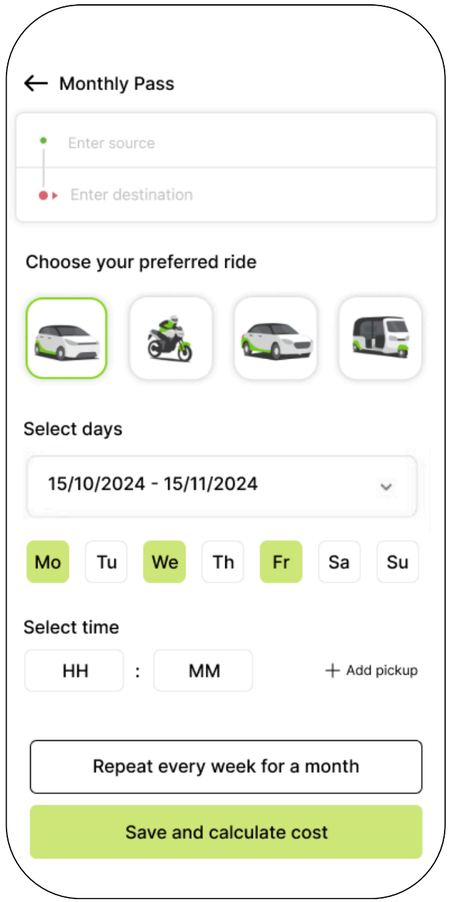
- Cost savings for regular commuters
- Guaranteed ride availability
- Improved user convenience
- Operational efficiency for ola

Success Metrics

- ***User Adoption Rate***: Number of users subscribing to the commute plan over time especially in Tier 2-3 cities
- ***Increase in Monthly Active Users (MAUs)***: Tracking the increase in the number of users using Ola for commuting on a daily basis due to the subscription model
- ***Ride Frequency Per Subscriber***: Calculating the average number of days subscribed for
- ***Average Revenue Per User (ARPU)***: Understanding how this feature increases revenue by locking in consistent ride bookings over time
- ***Ride Cancellations and Adjustments***: Monitoring how often users pause, modify, or cancel their subscriptions, which helps fine-tune the service for more flexibility







Product Feature #2 - Ola Electric Rental

Feature Description

Ola can expand into electric bike rentals specifically for Tier 2 and Tier 3 cities, targeting budget-conscious users and eco-conscious millennials who seek affordable and sustainable commuting options. Electric bike rentals would provide students, young professionals, and daily commuters with a cost-effective, eco-friendly alternative to traditional public transport, auto-rickshaws, and fuel-based scooters. This service would leverage Ola's existing electric vehicle (EV) infrastructure and technology while meeting the demand for short-distance and low-cost rides. Users could easily book electric bikes for quick commutes around the city, whether for school, college, or leisure trips with friends.

Feature Working

- The app shows the "Electric Rentals" tab on the side nav, where users can browse available e-bikes for rent
- Users enter their pickup and drop-off points or find a nearby station. The app displays the nearest available electric bikes, along with pricing options (per minute, hour, or subscription)
- After selecting the bike, users choose the rental duration and payment method (digital wallets, UPI, etc.)
- Upon confirming the payment, users can unlock the bike using a QR code on the app. The bike starts and can be used for the chosen rental period
- Users can track the bike's battery status and current ride time in real-time. After completing the ride, they return the bike to the nearest designated drop-off point
- The app charges the user for the duration used, and the trip concludes when the bike is safely parked and locked

Feature Advantages

- ***Affordability for Budget-Conscious Users*** : the service offers lower cost alternatives to traditional ride-hailing or vehicle ownership, making it accessible to daily commuters and students
- ***Convenience for Young, Aspirational Users :*** Millennials and Gen Z users, especially students like Paridhi, prefer services that are convenient, tech-driven, and environmentally friendly. Ola's e-bike rentals tap into this need, providing a modern, seamless experience at a low cost
- ***Sustainability and Reduced Congestion :*** With zero emissions, the electric bike rentals help reduce urban pollution and lower Ola's environmental impact. The lightweight, small vehicles can also reduce traffic congestion in crowded Tier 2/3 city streets, where traffic jams are common
- ***Safety and Maintenance :*** Ola's electric bikes will come with real-time GPS tracking and safety features like helmet provisions, ensuring that riders feel safe and secure
- ***Expanding Ola's Service Portfolio :*** Ola's expansion into electric bike rentals strengthens its position as a holistic transportation provider, leveraging its existing EV technology while meeting different consumer needs in underserved markets

Success Metrics

- ***Adoption Rate of Electric Bike Rentals***: Track the number of users opting for e-bike rentals and the repeat usage rates, particularly among students and budget-conscious commuters
- ***Cost-Per-Ride Reduction***: Measure the reduction in costs for users who shift from cab-hailing to electric bike rentals and how that impacts affordability for regular commuters
- ***Ride Utilization and Frequency***: Analyze the average distance and duration of rides, along with the frequency of usage by different segments (e.g., students, young professionals)
- ***Environmental Impact***: Calculate the reduction in carbon emissions and fuel consumption in cities where e-bikes are available
- ***User Satisfaction and Ratings***: Measure feedback on the convenience, safety, and affordability of the service through app ratings and reviews to continually improve the offering

WHY?

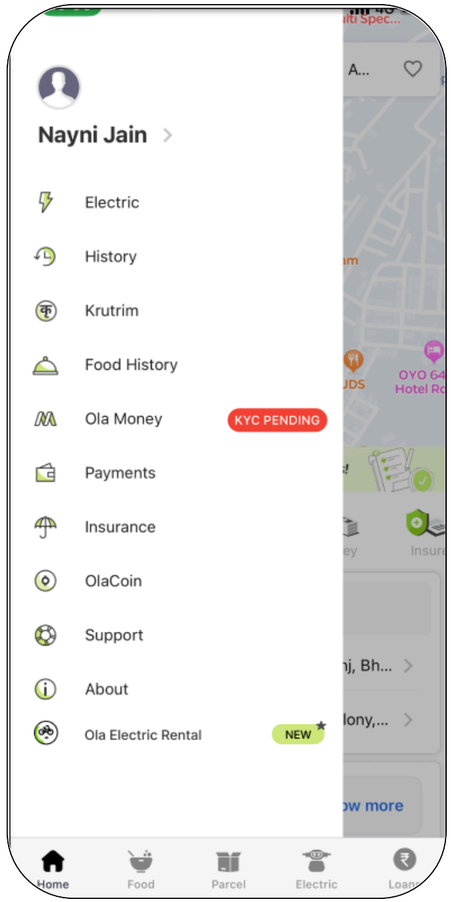
Growing market share 35%(23-24) - 49%(24-25

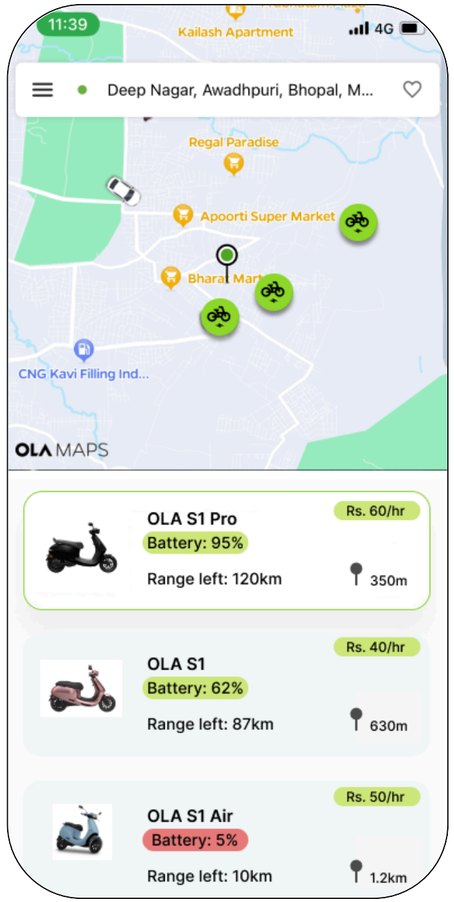
Growing demand and adoption

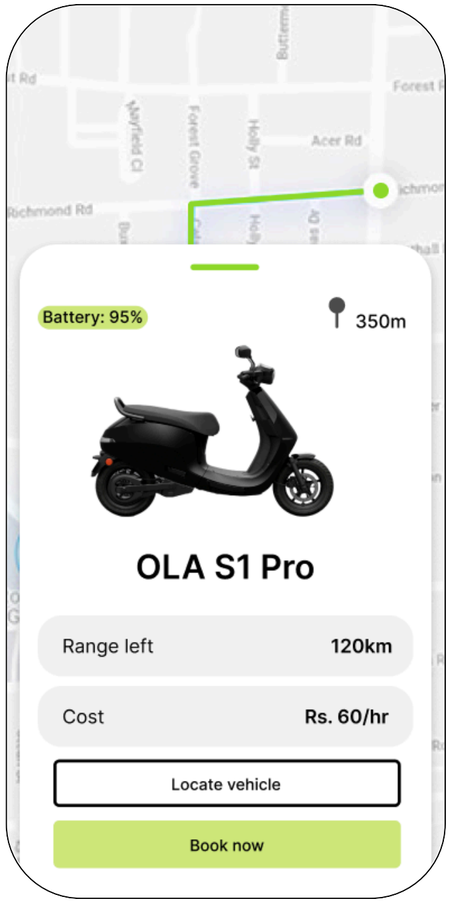
Growing inclination towards smart, eco-friendly mobility solutions

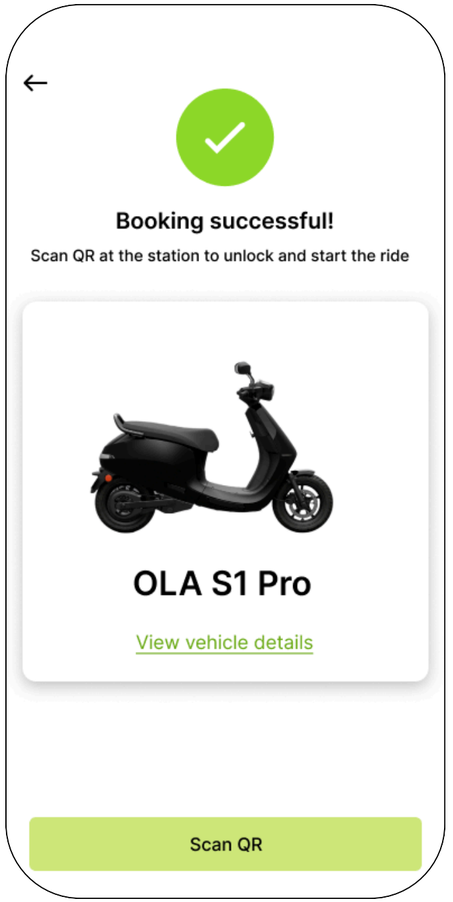
Development of charging infrastructure

Product Feature #2 - Ola Electric Rental









PRODUCT FEATURES

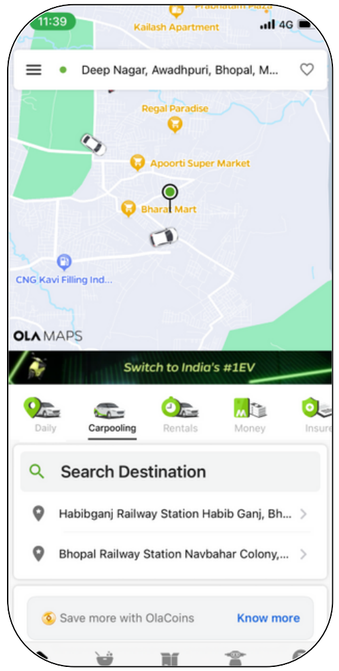
Product Feature #3 - Ola Carpooling

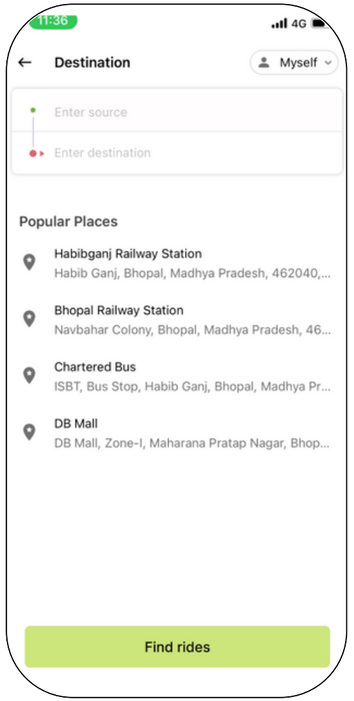
Feature Description

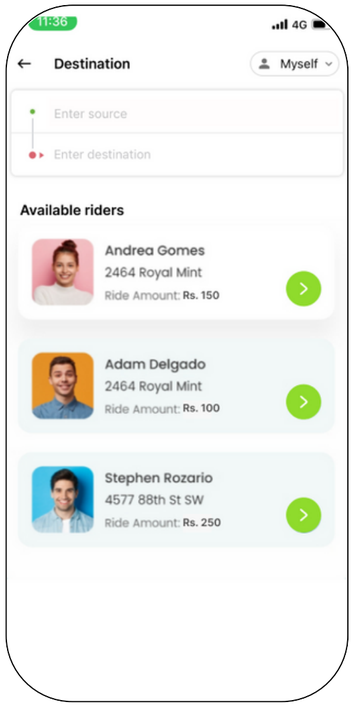
Carpooling allows Ola users to share rides with others traveling to nearby or similar destinations. When a user requests a ride, the app scans for other users in the vicinity with matching routes. If a match is found within a predefined radius (e.g., 5-10 km), users are given the option to join a shared ride, reducing the overall cost for each passenger. This option can also be selected in advance as the user books a ride, so they're automatically paired with others heading the same way. This feature also will help to split the fare between friends travelling to one destination from multiple sources.

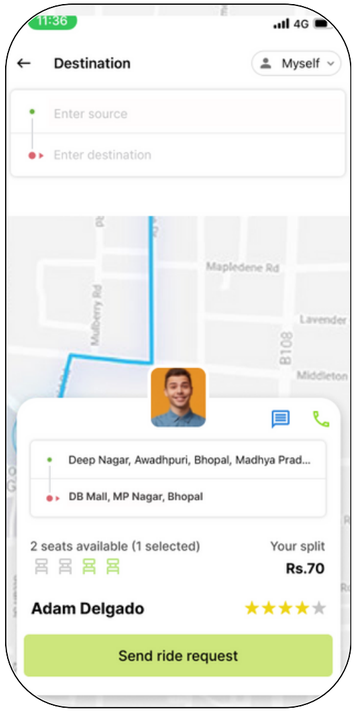
Feature Working

- When a user opens the Ola app and selects their pickup and drop-off locations, they are prompted to choose between a standard ride or the carpooling option
- If the user chooses carpooling, they agree to be matched with others traveling in a similar direction
- Ola's algorithm scans for other passengers within a defined radius who are also heading to similar destinations. The system calculates the optimal route and determines if passengers can be combined into a single ride
- Users get an instant notification if a match is found, along with the estimated cost reduction and details on any small detours for pickups
- Once the users confirm the shared ride, they are matched with a driver who picks up each passenger sequentially
- The app displays real-time tracking of the other pickups and the shared route









Feature Advantages

- Cost Savings
- Sustainable transportation ecosystem
- Reduced downtime for drivers & increased earnings
- Affordable & reliable commutes

Success Metrics

- ***Carpool Adoption Rate***: Track the percentage of users opting for carpooling compared to standard rides
- ***Driver Utilization***: Track how efficiently drivers are used during carpooling rides, focusing on reduced idle time and improved earnings
- ***Environmental Impact***: Calculate the reduction in carbon emissions by tracking the number of pooled rides and kilometers traveled per pooled passenger
- ***User Satisfaction***: Measure passenger satisfaction through ratings and feedback after each carpool ride

Prioritization

Solutions	Reach	Impact	Effort	Confidence	Value	Rank
Commute subscription	High	Medium	Medium	Medium	Medium	1
Ola electric rental	Medium	High	High	High	High	3
Carpooling	High	High	Medium	Medium	High	2

- **The subscription model** for daily commutes ranks highest in terms of potential impact and effort required. It has a clear user base and moderate implementation requirements
- **The carpooling feature** is also highly impactful, but its confidence level and technical challenges reduce its score slightly
- **Ola Electric Rentals** are a long-term investment, but they require more upfront resources and have a relatively smaller reach at the early stages of adoption. However, this could be prioritized later as infrastructure and demand scale up

Pre-launch

Objective: Build anticipation, gather insights, and prepare the ecosystem

Market Research and Segmentation

Target Audience: Focus on personas like Saurabh, regular commuters (office goers, students) in Tier 2/3 cities who seek affordability and reliability.
Survey & Focus Groups: Conduct surveys to understand commute patterns, pricing preferences, and features. Use the feedback to fine-tune the subscription plan (e.g., number of rides, pricing options, peak/non-peak rides).
Partnership Research: Identify companies and organizations that would benefit from tying up with Ola for employee shuttle services. Target industries with significant daily commuting needs (IT firms, factories, call centers).

Early Access Campaign

Beta Testing: Offer early access to a small group of users in select cities to test the subscription model. Gather data and feedback to refine the product before a full launch.
Exclusive Offers: Provide exclusive discounts or incentives for early adopters (e.g., extra rides, first-month free offers) to create buzz.

Building Strategic Partnerships

Corporate Tie-ups: Begin conversations with companies for post-launch collaborations, especially for employee shuttle services and bus rides. Offer them the potential for customized corporate subscriptions that could replace traditional employee transportation.

Teasers & Pre-launch Marketing

Social Media Teasers: Run campaigns across platforms (Facebook, Instagram, and regional languages) to create curiosity. Highlight the “affordable, convenient commute solution” coming soon.
Influencer Marketing: Partner with regional influencers to promote the new subscription service.
In-app Notifications: Use Ola’s app to create targeted notifications for users who have frequent ride activity, giving them sneak peeks into the upcoming subscription feature.

Launch

Objective: Drive maximum adoption, awareness, and usage in the early weeks

Launch Day Campaign

App Promotion: Highlight the subscription feature prominently within the app for users in Tier 2/3 cities. Use push notifications and banners to showcase the cost savings compared to regular bookings
Personalized Offers: Use customer data to send targeted SMS and app notifications to frequent users with personalized subscription offers

Launch Events and Partnerships

Partnership Events: Partner with local colleges, office complexes, and factories to host launch events. Offer free or discounted first-time subscriptions to students and professionals
Corporate Partnerships for Employees: During the launch, announce partnerships with a few companies to pilot employee subscription programs. Create a story around the success of the partnership to share with other organizations

Localized User Engagement

Offline Campaigns: Conduct local marketing drives, such as distributing flyers and posters at high-traffic areas like metro stations, colleges, and business parks

Post-launch

Objective: Sustain growth, improve user experience, and introduce new features for long-term success

User Retention Programs

Subscription Renewal Discounts: Offer existing subscribers discounts or free rides when they renew their subscription for the next month to ensure retention.
Feedback and Improvement: Actively collect feedback from early adopters and improve the feature based on common concerns (e.g., ride reliability, subscription flexibility).
Data-Driven Engagement: Use ride frequency and subscription usage data to recommend the ideal subscription model to users based on their habits (e.g., suggesting smaller or larger packages)

Corporate Shuttle and Bus Collaborations

Corporate Partnerships Expansion: Post-launch, expand the subscription service to include corporate shuttle rides. Offer companies the ability to book dedicated rides for their employees or collaborate with local bus operators to create shared shuttles.

- Companies like Infosys, TCS, and Wipro in Tier 2/3 cities can benefit from an exclusive shuttle subscription.
- Offer bus pooling or shuttle rides to high-traffic areas in cities where public transport is underdeveloped.

Feature Expansion: Multiple Subscription Tiers

Flexible Subscriptions: Offer different subscription tiers based on the user’s commute needs, such as daily, weekly, or occasional ride plans. This would allow for better personalization.
Family Subscriptions: Introduce family plans where multiple family members can share a subscription, encouraging more regular Ola usage

Driver's Perspective

Pitfalls and Tradeoffs:
Reduced Flexibility: Drivers may face reduced flexibility in terms of accepting or rejecting rides, as they are committed to serving subscribers.

Reduced Earnings: In some cases, drivers may earn less than they would from individual bookings, especially if the subscription model involves a discounted rate**.**

Mitigation Strategies:
Dynamic Pricing: Implement dynamic pricing to adjust fares based on demand, ensuring that drivers are compensated fairly even during peak subscription hours.
Priority Dispatch: Prioritize subscription rides to ensure that drivers receive consistent income.
Flexible Scheduling: Allow drivers to set their preferred working hours and limit the number of subscription rides they are assigned.
Incentive Programs: Offer additional incentives to drivers who consistently fulfill subscription rides, such as bonuses or priority access to new features.

User’s Perspective

Pitfalls and Tradeoffs:
Limited Flexibility: Users may find it restrictive to commit to a fixed subscription plan, especially if their commute patterns change frequently.

Potential for Overcharging: If the subscription model is not designed carefully, users may end up paying more than they would for individual rides, especially if they don't use all their allotted rides.

Prebook charges: Based on their pricing model, the prebook price might come out higher

Mitigation Strategies:
Flexible Subscription Plans: Offer various subscription options to cater to different user needs, such as weekly, bi-weekly, or monthly plans.
Pause or Cancel Features: Allow users to pause or cancel their subscriptions without penalty under certain conditions, such as extended absences or changes in commute patterns.
Customizable Ride Options: Provide options for users to customize their rides, such as choosing different pickup or drop-off locations or adjusting the ride time.
Transparent Pricing: Clearly communicate the benefits and potential savings of the subscription model, ensuring that users understand the value proposition.