International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR

E-ISSN: 2985-9468

Giant Asia Pacific Region E-Hailing Competitive Position During The Pandemic: A Breath Of Fresh Air For Malaysian E-Hailing Startups

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Abstract

E-hailing service is a relative 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, legalisation issues as well as the pandemic COVID-19 that caused the development of e-hailing of local start-ups are still a long way off. To drive development and become more competitive in the post-pandemic, information on the current 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 the Asia Pacific Countries to determine their competitive position. The data consists of various up-to-date sources such as statistical data, reports, press releases, news, and company websites. All these data were analysed using several descriptive tools that are used to plan the strategic planning of the firms. Collected data were then analysed using the Competitive Profile Matrix (CPM) as the main tool used to find out the position of competing for those e-hailing companies to find out their position in various aspects by calculating the weighted average which simultaneously identifies the current market position of those e-hailing companies involved. As predicted, the competitive position of the major e-hailing players in the Asia-Pacific region has far-left domestic players in Malaysia that sadly can be considered as still in the infant stage. This paper rang the bell for the Malaysian government especially the Ministry of Transports that the 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 e-hailing apps used.

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Furthermore, this industry is proven to become 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 in both domestic and global arenas. Thus, the critical success factors need to be further identified rigorously in the future so that continuous strategic improvisation can be exercised effectively by the local Malaysian transportation operators and policymakers. This will subsequently contribute to the growth of local transportation industries and boost the local economy. Moreover, this study also provides better insight for the local transportation operators at large to explore and invest in this potential innovation of public transportation services as well as contributes to the existing knowledge on the importance of e-hailing services during the endemic in stimulating economic growth.

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

INTRODUCTION

E-hailing business in Malaysia can be considered a new and growing industry (APAD, 2017), 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, 2018). Before the legalization effort was done, the e-hailing industry in Malaysia had to struggle with issues such as regulations (Teo, Mustaffa, and Rozi, 2018), fraud, liability, and unskilled service providers (Ranchordas, 2015), including the credibility of e-hailing drivers as well that are still to date controversial (Afiq Aziz, 2018) such as sexual harassment, assault, overcharging and criminality like drug trafficking, robbery, drunk and fatal crashes (Dill and 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 have arisen, the development of the e-hailing industry remains stable (Nur, 2020). 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 of the industry such as Li, Hong, and Zhang (2017) on the contribution of e-hailing services in reducing traffic congestion in Hawaii; Adriano and Su (2017) on the aspect of consumer factors who are using e-hailing in the Philippines; Clewlow and Mishra (2017), on the social, legal and economic

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aspects in the US; Yun, Zhao, Wu, Yi, Park and 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 of business and financial data because this industry is still considerably new, especially in 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 situation 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 increasingly feel the unpleasant climate and slowly or more rapidly, turn 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 the 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 is 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 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.

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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 (Bain, 1968) as primary determinants that affect organizational performance (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 are defined as how organizations perform their activities in the same capacity but uniquely and differently compared to rivals (Wang, 2014).

Meanwhile, the popularity of RBV is often used by researchers to develop a competitive advantage by deploying and increasing the value of existing resources to be different from other competitors. This theory is not new, but very popular and has always evolved from 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). However, RBV is always being promulgated within the stable industry. The reason is, that 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 have been categorized to drive the performance of the firm consist of products, infrastructure, customers, and finance. All this knowledge on competitive factors is a very important factor for the organization to plan a strategy for driving performance ahead (Villasalero, 2017; Barney, 1991) whether in a stable or in market turbulence such as this situation that has struck all nations.

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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 analysed using several descriptive tools that are 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 for 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 analyse the current competitive situation of the giant e-hailing companies in the Asia Pacific region.

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 criteria.

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

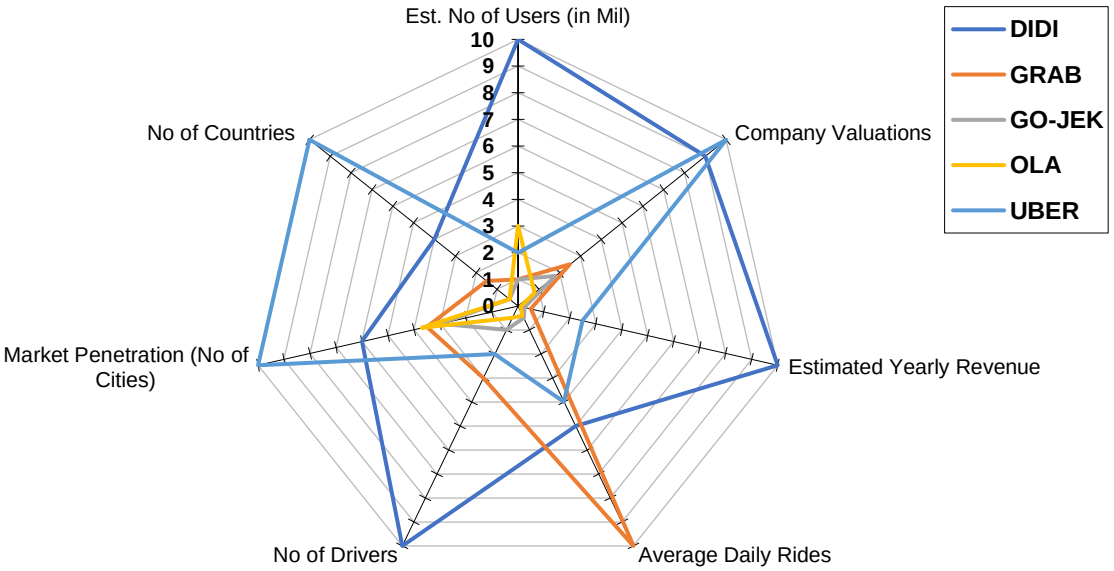
Type of Company	Country of Origin	Market Penetration (By Number of Cities in Asia)	No of Countries Operated	No of Passengers (Est. In mil)	Valuation (in Billion USD)	No of Drivers (in mil)	Ave. Daily Rides (in mil)	Estimated Annual Revenue (In Billion USD)
DIDI	China	400	28	550	56	21	30	48
GRAB	Singapore	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

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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 usages. The highest penetration indicates that UBER is at the top position, but the number of users against the number of drivers does 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

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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:

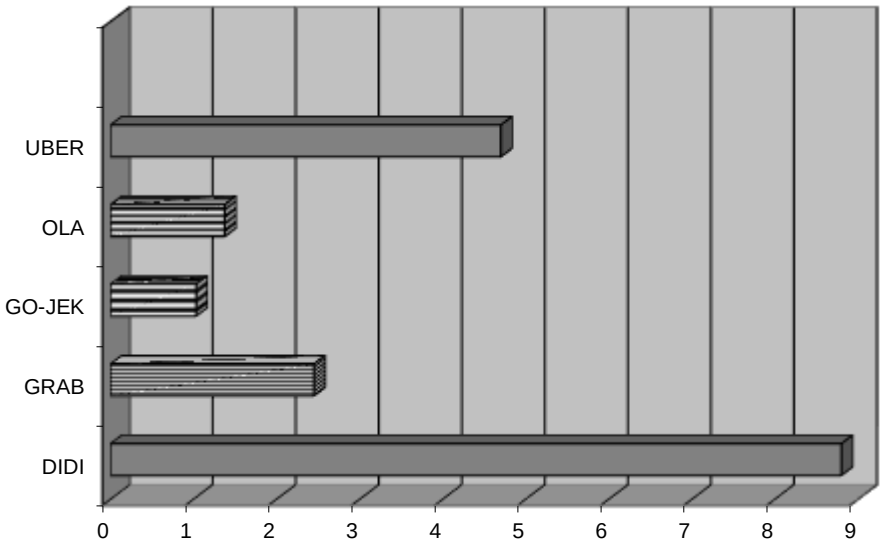


Diagram 2: Total Adjusted Competitor Score

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, a 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.

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CONCLUSION AND MANAGERIAL IMPLICATION

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 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 standing at 7.5m (WSJ, 2022), compared to China alone which has reached USD55.5 billion. In 2021, the company has grown by 44 % compared to the previous calendar and gained around 675 million U.S. dollars (Leander von Kameke, 2022; Statista, 2022). This shows that very significant and huge numbers of business opportunities and potential can be tapped into this industry. This paper rang the bell for the Malaysian government especially the Ministry of Transports that the very large market size and profitable possibility can be exploited by local players if the strategies are right especially in the context of promotion and effectiveness of the e-hailing apps used. Furthermore, this industry is proven to become 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 in both domestic and global arenas. Thus, the critical success factors need to be further identified rigorously in the future so that continuous strategic improvisation can be exercised effectively by the local Malaysian transportation operators and policymakers. This will subsequently contribute to the growth of local transportation industries and boost the local economy. Moreover, this study also provides better insight for the local transportation operators at large to explore and invest in this potential innovation of public transportation services as well as contributes to the existing knowledge on the importance of e-hailing services during the endemic in stimulating economic growth.

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ACKNOWLEDGEMENT

This research was supported by the Centre for Research and Innovation, Universiti Kuala Lumpur, and Universiti Kuala Lumpur Business School, Malaysia. We would also like to show our gratitude to the Management of Universiti Kuala Lumpur, the Dean of Universiti Kuala Lumpur Business School, the Management of Manipal International University, Malaysia as well as all citizens of both institutions for their endless support and assistance towards the completion of this research. Our special thanks also go to the organizer, publication editors, and also to everyone in the impact hub. Thanks for all your support and encouragement! Finally, to Mak (Hjh. Normah Hj. Hashim) and Bak (Hj. Ahmad Hj. Akib), may Allah grant both of you with His Jannah. Aamiin Ya Rabb

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