

Grab overtaking Uber:

The David versus Goliath of Ride-Hailing App in Southeast Asia¹

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This case study on Grab, a locally founded ride-hailing startup in ASEAN, traces its development from its humble start to its victory of ousting Uber in 2018. This case study uncovers the elements that contributed to Grab's success, providing inspiration on how Asian companies can possibly prevail over the more established Western counterparts despite of great adversity.

The report compares the development of both Grab and Uber, followed by a discussion of turning points on how Grab played out the battle with Uber across several ASEAN countries without central jurisdiction to favor it. Factors behind the success of Grab for each turning point are closely examined. Potential difficulties faced by Grab and recommendations to solve the problems are also identified.

Grab manifests the spirit of “think global and act local” to succeed in the sharing economy by putting feet on the ground and resolving real “pain points” for consumers. While there are increasing number of companies with a sharing economy business model, the conventional approach of offering a low price to customers and a high pay to employees may not guarantee success for a business anymore. This case study of Grab aims to provide insights for these enterprises to conquer the market in the competitive modern business world.

Keywords: Grab, sharing economy, ride-hailing, the Association of Southeast Asian Nations (ASEAN).

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Grab is one of the very first ASEAN homegrown ride-hailing companies. Its growth potential has attracted a lot of investments. It received the largest amount of venture capital funds in the first quarter of 2018 across the world, including a massive \$2 billion led by the Japanese multinational conglomerate Softbank and China's DiDi Chuxing (Russell, 2018). Grab's valuation skyrocketed from \$1 billion USD from 2014, a year after its founding in 2013, to \$6 billion USD in 2017, which made it the highest-valued technological startup in ASEAN (Russell, 2017). By 2018, the Grab mobile app has already been downloaded for over 11 million times, available in over 190 cities in 5 languages, saved its customers over 50% commute time on average (Smith, 2018), and obtained over 220 business partners (Lim, 2018). Grab's introduction of the online payment gateway, GrabPay, in 2017 is foreseen to hugely revolutionise and liberate the heavily cash-based ASEAN community, where only a quarter of the 600 million population have a bank account (Reinmueller, 2016).

Both Grab and Uber entered ASEAN in 2013 and competed fiercely since then to conquer the market. In spite of Uber's apparent advantages in its setup and resources, Grab was able to outrace Uber through its better understanding of local market needs, and more effective response to regulatory control.

The victory of Grab was far more significant in the ride-hailing industry, compared with Uber's previous defeat by DiDi in China and by Yandex in Russia. This is because the battle between Grab and Uber was played out across several ASEAN countries, where jurisdiction fully differs and there is no central jurisdiction to favor Grab.

The content below does not take reference from conventional business theory, considering the new and constantly expanding business model of Grab. This analysis is intended to support the belief that a good understanding and willingness to serve the constantly evolving market needs far outweighs the effectiveness and importance of adhering to any business models, regardless of how successful the models were proven to achieve a sustainable business success in the past or in elsewhere.

The Rise of Sharing Economy - a P2P Business Model

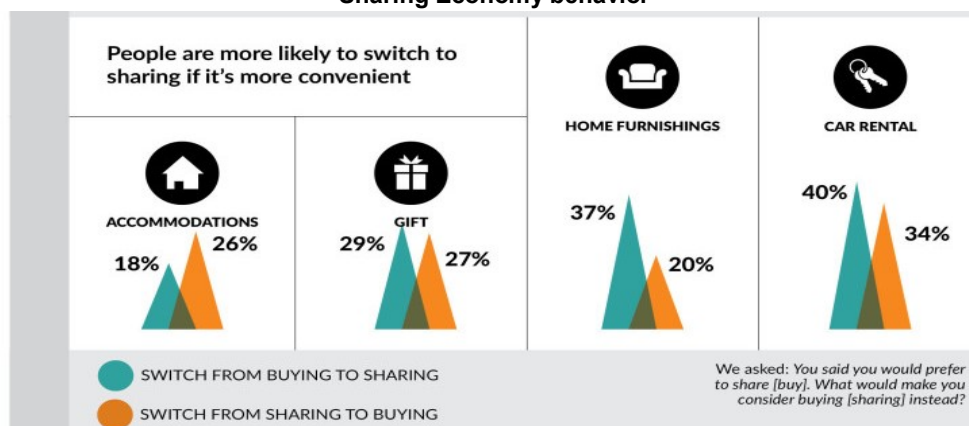
Many new business models emerged in recent years as a result of new technologies like A.I., with sharing economy being one of them. Sharing economy has a high growth potential as it creates business opportunities through a more sensible, flexible, and economic utilisation of currently existing resources, which makes it highly scalable and applicable in many industries. According to "The

Current and Future State of the Sharing Economy” report by the Brookings Institute in 2016, the market share of sharing economy companies in their sectors is estimated to increase almost 10 times from 6.25% in 2013 to about 50% in 2025, which largely eclipses the growth rate in other traditional industries.

Ride-hailing Shaping the Future of the Transport Market

Ride-hailing is chosen among all kinds of sharing economy since it has the highest growth potential, while it is also highly compatible with human psychology in sharing private ownership. According to a report by Goldman Sachs on “Rethinking Mobility” in 2017, it is estimated the ride-hailing industry worldwide will increase by 8 times to \$285 billion by 2030. The industry also has strong growth potential given that the value of the global taxi market is estimated to be \$108 billion USD - three times the size of the \$36-billion ride-hailing current market. By 2030, companies would achieve \$65 billion USD revenue when they obtain 23% commission of the gross market sales, based on Goldman Sachs’s estimates, despite of concern that autonomous cars could bring down the cost of rides. This is in parallel to Uber, the world leading ride-hailing company, being valued as the highest-valued private company in 2017. Car sharing also comes naturally in terms of human behavior. According to a report by PwC on “Shared benefits” in 2016, car sharing is the most feasible consumer behavior as compared to other sharing behaviors like sharing accommodation, gifts, or home furnishings, with details illustrated in Figure 1.

Figure 1
Sharing Economy behavior

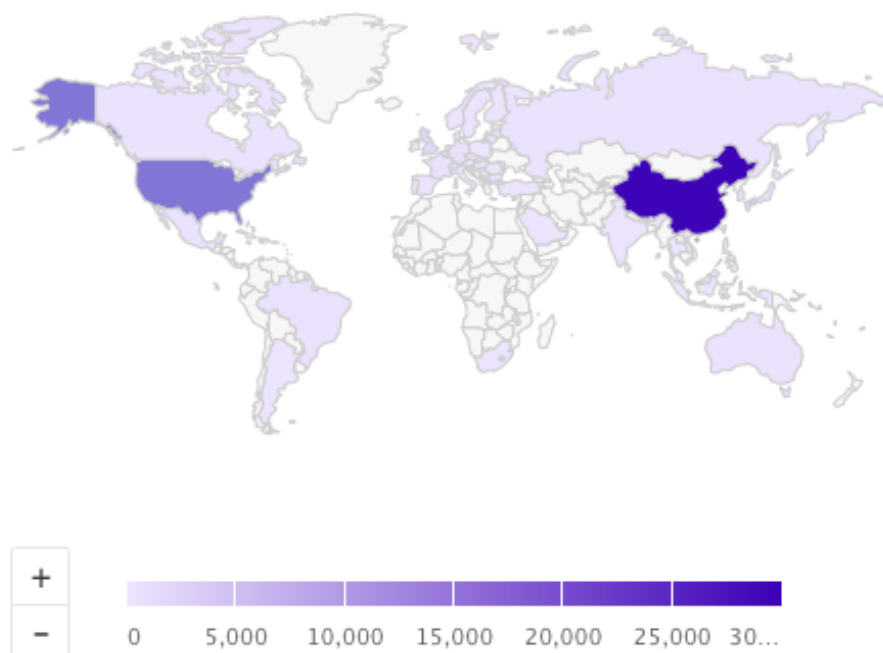


Source: PricewaterhouseCoopers, 2016

Ride-hailing Rising into Prominence in Asia

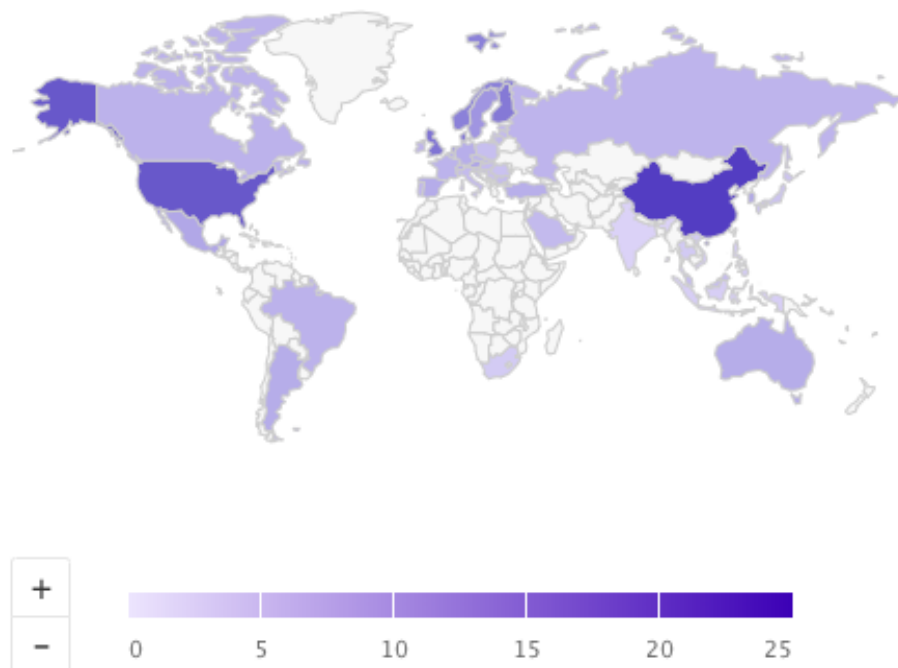
With reference to Statista, one of the world's most successful statistics databases, Asia excluding China is portrayed as underexplored in terms of ride-hailing industry's revenue and user penetration when compared with the global market, as shown in Figure 2 and Figure 3 below.

Figure 2
Ride-hailing global comparison on revenue



Source: Statista, 2018

Figure 3
Ride-hailing global comparison on user penetration



Source: Statista, 2018

ASEAN as the Incubator of Possibilities in Ride-hailing

ASEAN is an underexplored area in Asia with a strong growth potential for ride-hailing. According to studies conducted by Google and Temasek, Singapore's largest and sovereign wealth fund, the ASEAN ride-hailing market is expected to be worth up to \$13.1 billion in 2025, which will be more than ten-fold of its value in 2015, \$2.5 billion (Minter, 2017). In addition, ASEAN is currently the world's fourth largest internet-based market, with over 320 million citizens online and the number is growing rapidly fuelled by abundant young and middle-class population who are willing to try out new technology and invention (Minter, 2017). The population of middle class has already doubled from 40 million in 2010 to 80 million in 2017 according to Nielsen's "ASEAN 2015 – Seeing Around the Corner in a New Asian Landscape" report.

Development Timeline of Grab

The below comparison traces the development of Grab and its major competitor, Uber. Local competitors are listed in Appendix II.

Table 1
Grab versus Uber

Year	Grab	Uber
Starting Ground & Services		
Start	The two Harvard graduates founded My Teksi in Kuala Lumpur in June 2012 after their app prototype won the 2011 Harvard Business School's Business Plan Contest.	Uber was founded as UberCab in 2009 and started operation in 2010.
Growth in ASEAN market		
2012	June, My Teksi got its first partnership with local taxi venture and started operating as a third-party e-hailing mobile app for taxi in Malaysia.	December, Uber in over 50 countries across the world.
2013		February, Uber started UberBlack in Malaysia.
	July, My Teksi was renamed GrabTaxi.	
2014	December, Singapore announced regulatory for car-sharing app, which Grab and Uber need to follow.	
2015	April, Grab set up its first R&D center in Singapore.	
	July, GrabCar received licensing from the Philippines government.	The Philippines government suspended Uber for one month for regulatory breach.
		August, Uber started accepting cash in Vietnam, the first time in ASEAN
	December, Grab teamed up with Singtel, Singapore's largest telecommunication company to provide mobile wallets. Grab introduced GrabHitch in Singapore	December, Uber set up its 6th engineering center in Bengaluru.
2016	Jan, GrabTaxi set up first overseas R&D center in Seattle. My Teksi and GrabTaxi were rebranded as Grab.	
	April, Indonesia introduced official ride-hailing regulation after mass taxi driver protest on Grab and Uber	
	May, Grab and Uber ended their motorcycle ride-hailing service in Thailand after crackdown from government	
	June, Grab added Alipay to its payment system, the first payment cooperation with a foreign company.	

2017	July, Malaysian government officially legalised Grab and Uber, which was the first nation in the world to do so.	
	August, Grab started GrabPay, its official online payment gateway.	August, Uber's service was suspended for one month due to failure in complying with the new Land Transportation Franchising and Regulatory Board regulation in the Philippines
	October, Grab and Singapore Airlines formed strategic partnership to combine their app features, which was the first time a ride-hailing company cooperate with an airline in the world. Grab obtained exclusive partnership with Malaysia Mass Railway Transport, its first partnership with railway.	
	September, Grab partnered with Here Maps to develop its first real time location map.	
	November, Grab signed cooperation with Visa. GrabPay was officially available in Singapore. Grab collaborated with Disney to gamify its app using themes from star war for users in Singapore, Malaysia, Philippines, Thailand and Vietnam	November, Uber confirmed that Filipino users were exposed in a massive data breach in 2016 that had affected 57 million Uber users and drivers worldwide. Uber partnered with Momo, a mobile payment company, to seal its first mobile wallet deal in ASEAN.
	December, Grab and Garuda Indonesia, the national airline of Indonesia, formed Strategic Partnership, the second national airline to partner with Grab.	Uber partnered with Thailand taxi, Howa and Indonesia's largest Taxi company, PT Express Transindo Utama Tbk
2018	January, Grab signed three years partnership with Singapore Tourism Board.	January, Uber Technologies cooperated with ComfortDelGro, Singapore's top taxi operator, to offer the even cheaper version of UberX, UberFlash.
	February, GrabFood cooperated with the leading American food mobile ordering company, LevelUp, and launched the luxury GrabCar Plus in Singapore. Grab signed memorandum with Samsung to drive digital inclusion in ASEAN.	
	March, Grab launched Grab Financial, in a joint venture agreement with Credit Saison Co, one of Japan's largest consumer financing companies to offer payment, loans, reward system, and insurance service. Grab signed agreement with Singapore Securities Exchange Trading Limited-listed Yoma Strategic Holding to provide vehicle upgrading and financing options to Grab's drivers in the Myanmar. Grab cooperated with 4 local bike-sharing companies to launch GrabCycle, its first trial of introducing bicycle to its platform.	March, Uber announced to sell its ASEAN business to Grab, including ride-hailing and food delivery services

Figure 4
Timeline of Grab and Uber's entrance in ASEAN



Source: Chan, 2018

Turning Points

1st Turning point: Partnership with Local Taxis

Time frame: late 2012

Grab, being one of the very first ASEAN companies to enter the ride-hailing business, encountered many tough tasks right from the start. Although one of the founders of Grab is the descendent of Malaysia's prominent automobile tycoons, the two founders still had to go door to door to search for their first local taxi partners, in order to provide the Grab platform with a sizeable fleet of drivers to timely pick up customers' orders. Due to lack of local ride-hailing regulation and the ambiguous attitude by local regulators, Grab was first positioned to mainly connect customers with licensed taxi drivers, while private freelance drivers could also sign up to the platform. Although effort was also paid to attract individual drivers, gaining trust from a credible local venture was far more important. This is because it would not only help to gravatise more drivers and customers to the platform, but would also be a huge boost to prepare Grab to compete against Uber in the long run, which was by then already presiding in over 50 international markets. During the search for local partners, the founders came across many

people who do not think that Grab will be successful. Still, they worked hard and by the time they approached the fifth company, Grab finally got their first partnership and first group of drivers on its platform (Lee, 2014). Although the company only owned a small fleet of 30 taxis, it was a victorious moment as it encouraged the founders to continue with their effort of enduring in the ride-hailing race.

2nd Turning Point: Resentment from Competitors and Stricter Regulatory Control

Time frame: Mid - late 2016

In March 2016, around 10,000 Indonesian taxi drivers and 500 Malaysian taxi drivers went on a full-fledged protest against the biased regulation on Uber and Grab (by then still GrabCar) as well as the fierce competition brought by the two to the taxi industry. Such was ensued by serious traffic blockage, violent conflict, and later stricter control on Grab and Uber. The sudden eruption of this unprecedented anger from the taxi industry was mainly due to the price cutting competition between Uber and Grab, which competed to give public almost free (less than 0.1 USD per ride) riding experience for the first time in early 2016. This led to a drastic cut down of revenue of taxi drivers.

Malaysian government's response was rather lackluster, so the revised legislation finally debuted in 2017. Yet, the scene in Indonesia was far more radical. Right after the protest, the Indonesian government temporarily banned Uber and Grab, followed by rolling out a lengthy decree. Direct partnership or recruitment of private individual drivers was officially outlawed and could only be achieved through more costly and complicated liaison with local registered transport entities. Coupled with that was more restrictive regulation on driver registration, safety check, drivers' employment term, and data disclosure (Freischlad, 2016). This was a huge setback for Uber and Grab as it largely obliterated their flexibility in expanding into Indonesia - the most populated market in ASEAN.

However, what mattered was Grab and Uber's response to the crisis. Immediately, Grab promised to comply with the new regulation by planning to introduce a cooperative to get local partners on board, while Uber failed to give any prompt reply although it later also complied with the regulation (Chilkoti, 2016). The failure of giving immediate response to the legislator is ineffective, if not damaging, to confine the impact of the crisis and secure trusty relationship with local legislator. This demonstrated that Grab was more skillful than Uber in liaising with local regulator, which is crucial as a good relationship with local regulator would save lots of trouble.

In fact before 2016, there was no existing clear legislation on ride-hailing in the whole ASEAN at all, and liaison with local government did not play a great part in influencing ride-hailing companies' day-to-day operation. However, after 2016, more legislation came into place and communication with local government on legislative control become increasingly important. As Uber was less adapted to communicate with local regulator than Grab, Uber was subjected to more severe restriction than Grab. For example, in late 2017 when the Philippines government introduced the new regulation to ban the recruitment of new individual drivers, Grab responded swiftly and was permitted to continue its business. As Uber failed to respond immediately, it was suspended for one month, during which many consumers moved to Grab's platform. Although Uber later pleaded for misunderstanding the term, it was not accepted, and Uber had to pay the government 190-million Philippine peso (around \$3.7 million USD) in addition to bearing the one-month suspension.

3rd Turning Point: Acquisition of Uber's Businesses in ASEAN

Time frame: 2017-2018

Competition between Uber and Grab was the fiercest in 2017 as the third largest regional player, Easy Taxi, officially left ASEAN in 2016. This meant that Uber and Grab were left as the two biggest players in the market in 2017. Also, Uber left China in late 2016, meaning that by 2017 Uber shall have more resources to focus on ASEAN. The competition was so intense that both side competed to offer customers free rides in many ASEAN countries (Madhavan, 2017). 2017 also continued to be a bumpy year for Grab and Uber, with both of them facing different kinds of protests and scandals, with detail in Appendix V.

Uber remained to be superior to Grab in many aspects. Uber had more capital from its investors, with detail in Appendix II. Uber also offered relatively higher commission fee and better technological support to drivers, and charged relatively less on passengers across ASEAN, with detail in Appendix III. Given that Uber and Grab operated in the same ASEAN countries and offered highly similar services, with detail in Appendix IV. Uber should have won the competition. However, the result showed otherwise.

In March 2018, Uber suddenly announced to sell all of its ASEAN business to Grab. The deal was strategic to Uber as developing markets like ASEAN had never been proven too profitable compared to the more mature markets like the US (Russell, 2018). By default of the deal, Uber earned 27.5% stake in Grab and Uber's CEO would be able to join as Grab's board member.

However, Uber's exit was not a well-planned move due to several observations. First, barely one month before the announcement, Uber's CEO continued to forcefully dismiss rumour of exiting ASEAN and pledged to "invest aggressively" in ASEAN while acknowledging the unprofitability of the region in the short-term. Second, Uber continued to strengthen its presence in ASEAN prior to the takeover. Uber paid a hefty fine (around \$3.7 million USD) fine to end the suspension in the Philippines and continued seeking out local partners few months before the deal. Finally, the gain from the deal does not outweigh the investment Uber made in ASEAN all the years. Although Uber gained around \$100 million USD from the deal, it was meager compared to the \$700 million it already invested in ASEAN over the past five years (CNBC, 2018).

On the other hand, the deal was paramount to Grab as it not only removed its greatest and fiercest competitor, but also provided Grab with access to Uber's resources and talents (Russell, 2018).

Simply being a local brand did not put Grab ahead in the game, interviews of Uber and Grab users during the price cutting campaign found that customers were fickle in brand loyalty and mostly just float to the ride-hailing company with the best discount price (Pham, 2017). Grab's ability to endure in the seven years battle against Uber and many other market players and gradually gaining an upper hand in the very end was largely due to its effort of matching its services and strategies to local culture and market condition. In the first half of 2017, Grab's app download number stood at 16 million, which considerably outpaced Uber's 9.9 million in ASEAN, according to the independent San Francisco-based mobile apps analytics firm Sensor Tower.

Success factors

Success Factors/Strategies for Turning Point 1

Resolving Real Social Pain Points

From the very beginning, Grab was founded to resolve the public concern regarding the safety and service quality of taxi services, especially for female passengers, by building a platform to connect accredited taxi drivers with passengers. In interviews with the media with the two founders of Grab, Anthony Tan and Tan Hooi Ling, it is clear to have held close to heart for this social issue. The founders of Grab are raised in Malaysia, thus having a strong localized understanding on the unique cultural contexts of their country and her neighbours in order to devise suitable services for the local commuters. Grab's founders

envisioned to serve the bottom of the pyramid, rather than solely trying to profit from the top notch earning population (Tung, 2015). In contrast, Uber's entrance into the ASEAN market was positioned to provide high-class ride-hailing services. Its first entrance in ASEAN began when it offered UberBlack, the limousine ride-hailing service, in Malaysia in February 2013. It was not until late 2013 that Uber tried out more diverse ride-hailing service in Malaysia. Although targeting the high-class service secures a faster financial return in the short term, starting low and serving the masses helped Grab to earn public trust and loyalty amidst competition with well-established companies like Uber and other taxi brands. Having a clear mind on the problem to resolve and an insightful understanding of the market's need allowed Grab, despite of its many inferior aspects, to develop the right technologies to match up to customers' need. This included a real time location sharing of passengers' information to their family and an emergency button to contact the closest police station. Uber did not introduce similar functions until mid-2016 and 2018 respectively.

The ASEAN market is characterized with a low overall credit card registration and usage rate and relies mainly on cash transaction. A report by UBS stated that the penetration of credit card in Thailand and Indonesia, two of the biggest markets in ASEAN, was only 5% and 6% respectively. To serve the bottom of the pyramid, Grab started by accepting cash and later grew to accept card payment in early 2016. In contrast, Uber only allowed card payment in the beginning. It did not accept cash until much later and gradually in selected countries like Vietnam in late 2015, Thailand in 2016, Singapore in 2017, etc. (Minter, 2017). Although it is understood that Uber's rejection of cash payment was due to its concern with transaction credibility, its lack of trust in the locals meant that it lost the best chance to Grab in penetrating the ASEAN market.

Success Factors/Strategies for Turning Point 2

Liaison with the Public and Local Regulators

From the incident, it is clear that Grab had a better understanding of the importance liaising with local regulators and their expectations. In response to stricter regulation, the regional ASEAN team of Uber tried to bribe their way out of trouble. (Newcomer, 2017) While bribing may be a common way to resolve a crisis in ASEAN, Grab did not choose to handle in this way. Understanding that complying with regulations is a necessary step to the future success of the firm, Grab agreed with the government immediately. Meanwhile, Grab gained an overall higher level of trust from customers and employees after demonstrating its commitment.

Success Factors/Strategies for Turning Point 3

Understanding and meeting local needs

Five success factors for Turning Point 3, the most critical turning point, are identified and listed in the sequence below in terms of their importance in contributing to Grab's success. In particular, Grab's capability of capturing local customer's needs serves as the most crucial success factor. This is attributed to the business model of Grab, which is more than just a cellphone app that allows the transaction of ride-hailing services between riders and drivers, but it is also a customer-oriented business with a strong focus on generating great user experience by catering customer's needs and optimizing their economic efficiency. Grab provides tailor-made services that maximize customer satisfaction and retention by understanding and adapting to the local culture and lifestyle of customers. Meanwhile, other success factors include the understanding of the needs of drivers, who are service providers that directly communicate with customers, so that they are more likely to provide ride services with higher quality, thus creating a virtuous cycle that generates better experience to customers.

Capturing local customers' needs.

In spite of similar pricing and services of Grab and Uber in 2017, Grab was much faster in uncovering the needs of consumers. For instance, to better cater to the strong family sentiment in ASEAN, of which many families commute with their children, Grab introduced GrabFamily in late 2016 to provide special cars with children seats. This was also introduced in response to the new government regulation in Singapore that the exemption of child seat requirement is not applicable to private hired cars. Uber followed suit but it was until late 2017, Uber introduced similar service called Uber Car Seat to provide special car seats for children. Another example would be GrabBike, the motorcycle version of ride-hailing. Grab first launched GrabBike in Vietnam, where motorcycle is the main way of transit, in late 2011 while Uber only launched similar service called UberMoto in early 2016 as a pilot test in Thailand. The extent of Grab's willingness to cater to local market needs extended to its decision of localising its payment gateway. Grab made its first acquisition of local payment gateway in start of 2017, on the Indonesia-based company Kudo. Meanwhile, Uber did not acquire its first local payment gateway until late 2017, on the Vietnam-based Momo, despite Uber faced constant criticism for its inconvenient payment method due to its rejection of cash payment before late 2016.

Serving local needs despite the uncertain profitability.

Grab first introducing GrabHitch in late 2015 to provide rural commute service so that drivers could pick up orders on their way home through advertising their route. This did not only provide services to rural transportation, but it also allowed drivers living in suburban areas a chance to earn money during their commute back home (The Economist, 2017). Although Uber also launched Uberpool in mid-2016, which was a carpooling service, the scope of the service remained largely in the city urban center rather than the less developed rural area, where most of the population in ASEAN reside in. Another example would be the introduction of GrabShuttle in Singapore in early 2017 which provides alternative transportation other than school buses to young children. Uber in turn did not introduce its equivalent. It is obvious that school commuting is not a highly lucrative business since only two trips are guaranteed on a school day, not to mention the high installation cost due to the much higher safety requirement for school shuttle. Grab still forego higher profitability by implementing this proposal as it realises the importance of this service to local customers.

Understanding the needs of local drivers.

The biggest obstacle for drivers to get on the ride-hailing platform is not a lack of trust in technology, but the inability to afford smartphones or technological illiteracy. Therefore, every time Grab entered a new market, Grab would provide smartphones and tutorials to teach the drivers, who then pay back through daily instalments (Minter, 2017). Such was unheard of from Uber's side. Therefore, although Uber seems to be able to offer a relatively higher commission and more advanced interface, it could not be compared to Grab's human touch in recruiting drivers. Moreover, Uber never offered any specific welfare to cater to drivers' needs like Grab. Such could be easily found by comparing Uber's "90 days of change" with Grab's "Better 365", both introduced in 2017. Although Uber's campaign would provide drivers with more earning by driving Uber through adjusting its algorithm, Grab's campaign offered university scholarships and fuel reimbursement to Grab drivers. Grab also created plenty other welfare to drive social change, one being GrabSchool, a program to teach life skills and entrepreneurship spirits to the children of Grab's drivers. (Lin and Dula, 2016).

Effective advertising with corporate social responsibilities initiatives.

At a lower level, Grab injected a local cultural icon into its marketing campaign to make it memorable to the users, such as setting "Goceng", referring to the IDR

5000 onenote bill, as the promotion code in Indonesia. This was positively received as the promotion was easy to remember and customers could pay easily with an IDR5000 onenote bill (Maulani, 2015). At a higher level, Grab collaborated closely with local municipal governments to improve transportation related issues, like traffic congestion, which many ASEAN cities are notorious for. In early 2015, Grab partnered with The World Bank's Open-Traffic project to provide real-time data streaming to allow local governments better model traffic condition and understand congestion patterns. Uber did nothing in comparison to address similar issue (Lin and Dula, 2016). This shows that Grab does not only focus on developing its own business, but also realise its obligation to fulfill social responsibility in solving the wider transportation problem in ASEAN cities. Such contribution has helped it to further localise and penetrate ASEAN markets.

Local labor acquisition.

Although Uber branded itself for granting country offices the freedom to propose and actualise localized policies and ideas, its ASEAN market lacked real decisional power for a long time. This was reflected from Uber finally creating a regional head position in ASEAN in late 2017, before that ASEAN remained largely directed by the head quarter in the US (Russell, 2017). Uber also did not hire many locals for managerial positions. It finally hired locals to sit on senior positions in ASEAN in Indonesia in 2017. And in early 2018, it realised its problem of connecting to local users and regulatory body after facing increasing regulatory problems, like the one-month suspension in the Philippines, and finally started to hire more local people for senior positions in Vietnam, Cambodia and Burma (Green, 2018).

Future challenges and recommendations

Ride-hailing is a very new business model that heavily integrates the big data technology with physical on-site taxi industry. Therefore, a ride-hailing company would be confronted with many unprecedented problems, e.g. regulatory control, as compared to traditional taxi industry. The following summarises the difficulties potentially faced by Grab and the appropriate recommendation. Although problems like labour strike and customers complaints constitute a large part of factors in obstructing normal business functions, they are generic issues which context differ greatly by the geographical and jurisdiction setting. For that, the following would mainly focus on thematic issues specific to the ride-hailing industry and the business structure of Grab that are applicable in a regional sense.

Necessitated transformation in its business structure

So far the business model of ride-hailing companies in the world, including companies like Uber and Grab, mainly relied on heavy initial investment to incentivise customers and drivers to try out their platform. Although argument is put in a way that the business would be profitable once a mature penetration in the market is achieved, it is hard to foresee the time needed for the penetration given that the largest ride-hailing company, Uber, is still not showing profitability nine years after it entered the market. It is also argued that the big data harnessed from the ride-hailing business could be turned into profit, but again not much breakthrough on that aspect. Raising charge on customers and drivers are also a risky move as they would easily move on to other emerging ride-hailing or switch back to taking taxi as a result. It is foreseen that Grab would be facing a difficult time if it could not prove to be financially standalone in the nearby future.

Recommendation: The advantage of Grab over Uber on this matter is that the underdevelopment of ASEAN in many aspects, e.g. e-commerce and online banking, provides lots of possible exodus for the transformation of Grab. A most short-term solution would be including more high-revenue sideline businesses that would not affect its ride-hailing business, like online advertising and online banking, to its platform to increase its source of revenue. Grab can as well form partnerships with other established brands to share and secure diverse sources of customers, such as telecommunications and e-payment providers, and make use of network effects to generate value.

Cyber attack

One of the biggest risk would likely be cyberattack. In 2017, Uber was hacked and data of over 20 million users were leaked, which seriously indented Uber's reputation. As Grab continues to grow in scale and extend its service to the more lucrative businesses, like fintech, it would inevitably collect more sensitive customers' information, turning Grab into an attractive target for hackers. In addition to that, Grab was not known for its technological sophistication despite of its setting up of several development centers. The integration with Uber would likely expose it to more technological vulnerability, such as system loophole, in the short term if the system are not connected appropriately. Grab experienced an internal technical error in early March 2018, which affected operation in four ASEAN countries and resulted in some users switching back to using Uber. Although Grab had not yet experienced any mass scale cyber attack from external bodies, the technical failure showed that the potential impact on operation could be enormous. Thus, prior preparation would be essential to protect Grab's reputation

as a reliable ride-hailing platform.

Recommendation: Although Grab is still a startup in a sense, it shall adopt a rigid risk review system to cope with its enormous growth in recent years. Some basic risk prevention methods including but not least to a better definition of role and escalation channels in time of cyberattack, adding risk rating on critical systems on its platform and those provided by third parties, more rigid internal vetting system, regular drill on possible risk scenarios, and better encryption and segregated storage of information shall be prudently considered and implemented.

Increasing regulation control

ASEAN is observed to adding on the type and complexity of regulation on ride-hailing from 2016 onwards, especially concerning the interaction between ride-hailing companies and local drivers. It is highly possible that there would be more mature regulation on taxing, safety compliance, and labour laws. Grab's growing presence in ASEAN would also increase possibility of regulators imposing competition law on it, as what several ASEAN government prodded into Grab for investigation after its merging with Uber. It is foreseen that probing and blockage by regulators would be a huge obstacle to the smooth operation of Grab.

Recommendation: Grab's handling of compliance with local regulators has to be essentially delicate as some are known to react radically even upon the slightest suspected variance, as shown by the Philippines government suspending Uber for one month in 2017 due to delayed and unclear reply from Uber. It is desirable for Grab to stay accountable and transparent for communicating with local regulators, including regular data disclosure to the local governments regarding their non-sensitive information like pricing policy, deals and agreements with other companies, to secure its right of continuous operation in the countries.

Continuous competition brought by entrance of new market players

Although Grab had overcome the challenge posed by Uber, there are still numerous local competitors for Grab to compete against. Go-jek would likely be Grab's biggest competitor for the years onward, as it is a \$5 billion USD worth Indonesian-based ride-hailing startup that is backed by companies like Google and Tencent and likely going to expand into the Philippines in the coming year (Russell, 2018). As shown in Grab's competition with Uber, in which when one introduced certain service or promotion, the other followed straight away, the ride-hailing business could be easily replicated if the brand could not develop unique features or services to differentiate itself from the others.

Recommendation: Grab should leverage the resources and technology from Uber to advance and establish itself as the most trusted ride-hailing platform regionally. GrabPay would be the key for Grab to penetrate deep into users' usage pattern and further diversify its business into potential aspects, like e-commerce and social media, to retain users on its platform even after they move to region outside of ASEAN.

Conclusion: Going beyond Grab

Standardization appeared in plenty of scholar discussions as the strategy to streamline and uphold business service quality for corporates operating across the globe. However, as in the case of Uber losing out to Grab in ASEAN, it is evidenced that the model is limited in encompassing the profound importance of the solid understanding of local needs. Even with advanced technologies and handful of resources in hand, local knowledge and approach still excel. Although Grab belongs to a fairly new business sector, the lesson it brings forth of how an Asian new company could outrace the far more established western counterpart by thinking locally and acting strategically remain to be relevant and applicable to many others today. Grab's victory shows that there is no single answer to business success, but simply adopt methods that seems to work elsewhere and should be appealing to all in the new market, like competitive pricing or monetary incentives, would be generalising and underestimating the constantly evolving market's expectations. With Grab's merger with Uber coming to its completion, it is hoped that Grab will bear deep in mind the real reason of its success when it expands abroad or into new business sector as to prevent committing the same mistake of Uber in the recent past.

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Appendices³

Appendix I

Local competitors (In chronological order)		
Year of launching the app	Name	Country
2010	Go-jek	Indonesia
2011	My Blue Bird	Indonesia
2012	iCarsClub	Singapore
2012	Micab	The Philippines
2013	<u>PingTaxi</u>	Vietnam
2013	PPZuche	Singapore
2013	<u>Aloxeom</u>	Vietnam
2013	Tripid	The Philippines
2014 (founded in Germany in 2014 and entered Mailna in 2016)	Wunder	The Philippines
2015	Ryde	Singapore
2017	Thailand government Taxi app	Thailand
2018	MVL	Vietnam
2018	MyCar	Malaysia
2018	Filo	Singapore

Appendix II (Information as by the end of 2017)

Compare	Grab	Uber
Valuation as by 2017	Valuated at US\$3 Billion	Valuated at US\$68 Billion
Total investment received as by 2017	Estimated to have raised over 3 billion USD worldwide by 2017.	Estimated to have raised over 12 billion USD worldwide by 2017.
Operating assets	NA	The company has about US\$7 billion, and around US\$2 billion in untapped credit that could cover its operations for at least three years, analysts said.

³ The details about information and data sources can be available from the reference list.

Appendix III (Information as between 2017-2018)

Registration		
Comparison	Grab	Uber
Online Application	2 processing days after having Apps Training lesson	Online processing takes up some time.
On Site Application	No on site application.	Offline application available at UberHUB.
Apps Training lesson	Fixed hour from Monday to Sat.	All working hour from Monday to Sat
Incentives	Only credit incentive and not cash incentive	Cash incentive for drivers without a referral, other incentive for drivers with referral
Conclusion	Uber has better registration arrangement as offline option and more incentive are available.	
Apps Function		
Comparison	Grab	Uber
Interface	Similar app interface with a map in the center	
Position Tracking	Track driver position even when app is not in use.	Track driver position only when app is in use.
Earnings report	Just payment history but no payment statement or comparison over time.	Payment statement and weekly earning report available.
Passengers' Feedback	Driver could not view passengers' feedback (Grab launched feature in October 2017 for drivers to rate passengers)	Driver could view passengers' feedback and rate the passenger since Uber enter ASEAN.
Promotion/ incentive	Not available in the app, but available in blog. (Later inserted in app)	Available below the earning report in the app
Conclusion	Uber has a better app function and interface as compared to Grab	

Operating Procedures		
Comparison	Grab	Uber
Credits	Need to pay credits before being allowed to drive. Grab Service Fee will be deducted from the credit wallet and earnings will go to the cash wallet.	No need to pay credits before being allowed to drive. Uber Service Fee will be deducted from the earnings afterwards
Service Fee	20%	10-30%. 10% for UberPool without match, 20% for UberX, 30% for UberPool with successful match
Job request	Driver can view passenger's location and trip earnings before picking up the passenger.	Driver could only see the passenger's location before picking up the passenger. Passenger's destination and earning could only be viewed after finishing the journey.
Map navigation tool	Grab did not have its map navigation tool. Drivers could use Google Map or Waze to navigate, but the mis-positioning or freezing of the driver's location happened quite often. Grab partnered with Here Maps to develop real time location setting in September 2017.	Uber navigation, Google Map or Waze
Tolls	Drivers needed to calculate on their own	Uber automatically calculates it
Additional income	Waiting for more than 10 minutes, e.g. during traffic jam, would receive \$5. Additional stop nearby would receive \$5.	Uber automatically calculates it depending on road situation
On-going Job request	Can only view next job when finish the current one.	Can receive and view ongoing request.
Cancellation	For cancellation done by driver, the driver would have a lower eligibility in receiving incentives. For cancellation done by passengers, drivers would receive \$2 each time.	For cancellation done by driver, the driver would have a lower eligibility in receiving incentives. For cancellation done by passengers, drivers would receive \$6 each time.
Conclusion	Uber is better as its automation saves drivers from manually calculating the fare.	

Driver's earning		
Comparison	Grab	Uber
Average earning per hour including basic incentive	Including Guaranteed Hour Rate Incentive = \$22 – \$30/hour (Gross earning)	Including Boost Incentive = \$20-\$25/hour (Gross earning)
Incentive	Drivers Loyalty Rewards require drivers to achieve certain weekly driving target to earn additional cash reward	Cash King require drivers to drive certain number of trip within a fixed time to earn additional cash reward.
Conclusion	Uber's incentive is more flexible for non-full time drivers. Although the hourly incentive of Uber seems lower than that of Grab, after calculating using Uber's system, Uber's driver would earn slightly more.	

Passenger fee

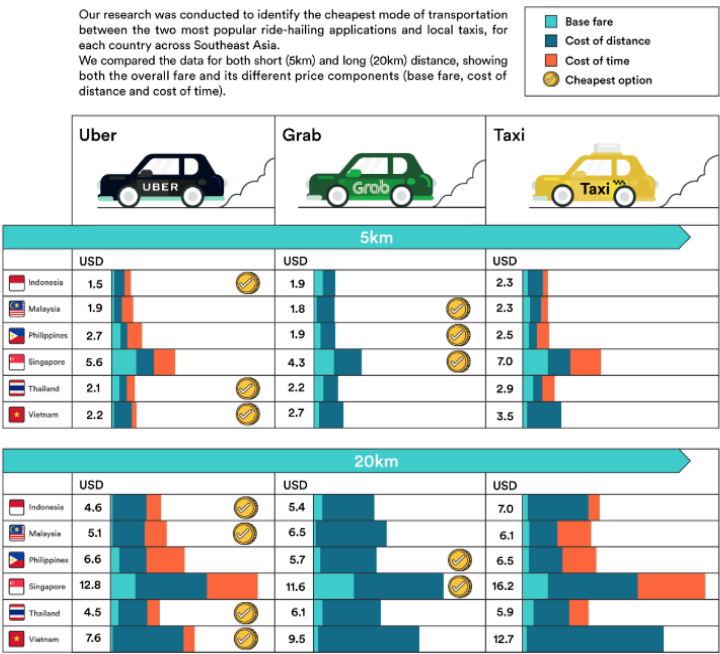
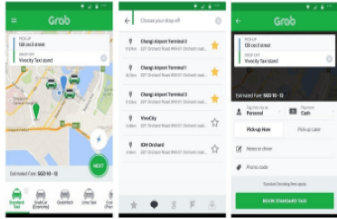



Figure from (Pham, L., 2017).

Conclusion

Uber charge relatively less than Grab across ASEAN.

Appendix IV (Information as of 2017)

Coverage	Both Grab and Uber covered the same 8 ASEAN countries (except for Lao and Brunei) by 2017.	
Similar Services	GrabCar	Uber X
	GrabTaxi	UberTaxi/UberFLASH
	GrabCar Premium	Uber Black
	GrabCar Plus	UberXL
	GrabBike	UberMoto
	GrabFood	Uber Eats
	GrabFamily	Uber Car Seat
	GrabHitch	Uberpool
	GrabExpress	UberRush
	GrabRent	UberTrip
	GrabAssist	Special Uber services for disabled and elderly
Different services	GrabVarsity	N/A
	GrabShuttle	N/A
	GrabCoach	N/A
Payment method	Cash; GrabPay was introduced in Singapore in 2016, which was planned to be made available across ASEAN by 2018; card payment was available in September 2015	Credit card; Cash (Uber accept cash payment in Vietnam since August 2015, Manila in Philippines and Bandung in Indonesia since November 2015, Bangkok in Thailand since February 2016, Singapore since April 2017)
App interface	 	

Appendix V

Protest & lawsuit		
Year	Grab	Uber
2016	April, Taxi drivers protested in Malaysia and Indonesia	April, Taxi drivers protested in Malaysia and Indonesia
	May, Grab ended GrabBike in Thailand after crackdown from government and launched GrabFood in Indonesia.	May, Uber ended UberMoto in Thailand after crackdown from government. Uber's data leakage led to exposure of over 380,000 Singaporean data, which was the largest scale of data leakage in Singapore
2017	January, 700 drivers protested in Indonesia against the ban on 180 drivers who infringed company regulations, despite for the safety of passengers.	March, Thai transport authorities cracked down on Uber
	March, Thai transport authorities cracked down on Grab.	August, Uber's service was suspended for one month due to failure in complying with the new LTFRB regulation
	June, a rally was held in Jakarta by drivers who were suspended due to fraud.	September, Uber was involved in bribery scandal in at least five countries, two being Thailand and Indonesia
	October, Malaysian authority cracked down on 153 Grab and Uber drivers cheated on customers.	
		November, Uber confirmed that Filipino users were exposed in a massive data breach in 2016 that had affected 57 million Uber users and drivers.
2018	March, Grab Indonesian drivers protested. Grab prepared to increase the drivers' salary shortly afterwards. Grab hit by technical issue during rush hour, which affected users in Singapore, Malaysia, Indonesia and Vietnam. Some users are forced to use Uber or other way of commute.	
	April, Indonesian motorcycle taxi drivers demanded legal protection and a standard fare. The Transport Ministry had applied same regulations of bus and taxi companies on Grab, but no regulations were applied to motorcycle taxi drivers yet.	

