

Hailo: The Digital Cab Hailing Disruption



Digitizing Cab Hailing with Hailo

Who hasn't faced this: it's late at night and it's raining with no licensed taxis in the vicinity. The only option seems to be an endless wait for a cab. Meanwhile, after what seems like hours, you see an open taxi cruising for fares on the next block. Unfortunately, the driver doesn't see you in the rain and turns the corner onto another street. Much to your chagrin, your wait continues as does the driver's search. This problem is fundamental to the taxi industry – licensed taxi drivers in London spend anywhere from 30-50% on "downtime," where they are not carrying passengers¹. On the other hand, passengers are known to wait for up to 15 minutes for a taxi each day².

Hailo was created to address two key challenges that drivers face - isolation and profit maximization.

Enter Hailo. Since its inception in 2011, Hailo has emerged as the dominant cab hailing app with nearly 60% of all cabbies in London using the service. A Hailo 'Hail' is made every seven seconds in London by over 375,000 registered customers³. Hailo is adding over a 1,000 new customers every day in London. Globally, over 42,000 drivers use Hailo⁴.

Why has Hailo been so successful? Hailo has focused on the needs of all stakeholders in the ecosystem, not just the end-users. They have tailored their value proposition to be as compelling for drivers as for passengers. Hailo attempts to bridge inefficiencies in the taxi market

by putting customers directly in touch with drivers. The idea is to eliminate the whole 24/7 call service that traditional dispatchers need while also eliminating the costs of maintaining and running hardware associated with computer-assisted dispatch services.

“ Unlike most apps that focused on addressing passenger requirements, Hailo decided to launch an app addressing driver concerns. ”

Hailo's Origins

When Hailo first launched the app in London in the fall of 2011, there were at least six other players ahead of it in the e-hailing market⁵. Hailo realized that in order to stand out from the competition, it would need to offer an app that was different from what others were already providing. As Ron Zeghibe, Executive Chairman of Hailo says, "We had to find a different approach as we were the 6th or 7th mobile application in the market⁶." Until then, taxi apps focused on addressing only passenger requirements. Hailo opted to build an app that addressed drivers' concerns, and build a community of cab drivers to support it.

“ Hailo was founded by six individuals: three business entrepreneurs and three cab drivers. ”

To address these challenges, the startup formed a team comprising three London Taxi drivers and three Internet entrepreneurs. The rationale was to tap into the collective learning and experience of people from within the industry and technology experts. The three taxi industry veterans were already working on a startup business of their own for two years called Taxilight and had recruited about 800-900 drivers. They brought an understanding of the local taxi market to help tailor the product to address challenges that cab drivers faced. The team's technology visionaries helped develop an app using a sophisticated algorithm that would be multi-platform compatible and ensure seamless connectivity on-the-go.

Hailo also leveraged a number of notable technology investors. To date, the company has raised over \$50 Million⁷. Investors include Niklas Zennström, the co-founder of Skype, along with Accel Partners and Wellington Partners, who funded companies such as Facebook and Spotify.

“ It's like Foursquare, but for cabbies. ”

- Jay Bregman,
CEO, Hailo

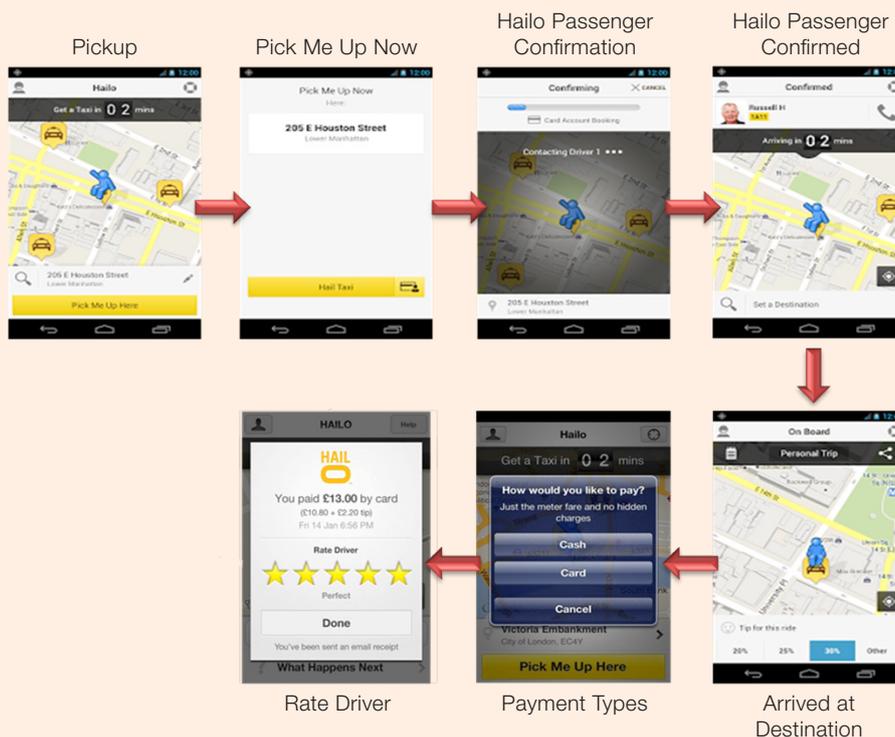
Hailo's Interactive E-Hailing Taxi App

Hailo makes use of many technology features of today's smartphones to create a rich experience for users and drivers alike.

Hailo's Interactive Driver App - Screenshots of Driver App



Hailo's Interactive Passenger App - Screenshots of Passenger App



Source: Company Website

Changing Business Dynamics with a Cabbie-led focus

Since its inception in London over a year ago, Hailo has grown with over \$100m in sales in 2012 and is doing a job every four seconds somewhere in the world⁸. With smartphone penetration among London cab drivers surpassing 60%, the app has seen a rapid uptake amongst cabbies⁹. In London, there are over 23,000 drivers; Hailo has over half of them registered, with over 6,000 actively using the app in any given week¹⁰. On the contrary, in 2012 traditional taxi dispatch services like Dial-a-Cab in London have seen a 13% decline in their turnover¹¹.

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Since inception, Hailo has carried over 8.5 million passengers with over 30,000 registered drivers.

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Hailo's success is attributable to a value proposition that extends beyond providing basic travel convenience to the consumer. The app's emphasis is on creating a community of Hailo users while also providing a complementary channel for cabbies to drive additional revenues. Hailo has also used technology extensively to achieve this. Ron Zeghibe says, "We are a tech-led business. We have 175 people, but some 80-odd people are engineers."¹²

A Global Launch Strategy that is Highly Localized

Hailo's typical launch into a new market focuses on addressing the supply-side first. Hailo identifies three cab drivers in each city who are influential in the taxi cab space. This helps bring in a local flavor to the app that ensures a more customized offering. It starts by distributing the app to the driver community and actively engaging with them in the process. Once the service hit a "critical mass" of a few

thousand drivers, the Hailo app goes live for drivers and passengers alike. This ensures an adequate supply of cabs on the market and avoids any inconvenience to the consumer.

A Revenue Model that is Tailored for Each City

For each city that Hailo operates in, it tailors its revenue model to the local market. Hailo makes money by taking a cut from the driver or the passenger, or both¹³. For instance, in London, Hailo charges drivers around 10% of the fare. In some markets such as the US, passengers are charged a fee to hail a cab. This fee varies between \$0.99 to \$3.00 depending on the city and the time of day¹⁴.

A Low-Cost Pay-As-You-Go model

In most markets, Hailo, typically adopts a pay-as-you-go model for drivers which charges a flat fee on each fare booked through the app. The commission charged includes back-end credit card transaction costs and guarantees payment even if the credit card is declined. Drivers are allowed to keep any further tips that consumers provide as well.

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Hailo's app is being used to hail a cab every four seconds somewhere in the world.

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While the fee structure varies from city to city, Hailo has positioned its rates competitively when compared to traditional cab dispatch services. For instance, in Toronto, Hailo charges a 15% commission on each fare. Traditional cab agencies typically include other charges on top of commissions including credit card charges, terminal rental charges, and weekly fees. These

charges can collectively add up to as much as 35%-40% of a driver's total earnings¹⁵. Ron Zeghibe highlights a key attraction of Hailo for drivers when he says, "The key principle behind our proposition that drivers find beneficial is zero subscription fees¹⁶."

An App Designed for Drivers

Access to Real-Time Data and Analytics

The Hailo app is a tool that does far more than simply providing drivers with a job. It provides them with access to back-end analytics. This feature has a dashboard that allows cab drivers to record every trip and build a statistical profile of their uptime, downtime and earnings (see Figure 1). It enables drivers to set daily personal targets and identify regions with more potential for passenger pickup. Using predictive analysis the data stored in the app is also used to build up a city "heat-map" of where drivers are most likely to find their next fare. For instance cab drivers can use real-time information about crowds of passengers at sports events, concert halls, among other places. As Ron Zeghibe points out, "We have even put in a complete logbook that drivers can fill with information about each trip, whether it is through Hailo, or not¹⁷."

Figure 1: Hailo's Statistical Dashboard for Drivers



Source: Company Website

Engaging Drivers through a Communication Platform

Hailo provides tools to drivers that help them communicate through a private social network. Hailo's free driver app includes a location-based social network for taxi drivers. It has a newsfeed that allows drivers to update their status, and provide other cabbies with peer-to-peer traffic reports and updates on traffic hotspots helping improve efficiency (see Figure 2). The company CEO Jay Bregman even describes Hailo as "Foursquare, for cabbies"¹⁸. Taxi drivers claim the use of Hailo has led to an average 30 percent spike in business¹⁹.

Creating the e-Hail Advantage

Hailo realized early on that technology cannot be a barrier to entry in the e-hailing market. It therefore strived to differentiate itself by using technology to create sticky features that tied people together. This application of technology to create a happy network of drivers to ensure a

steady flow of customers has played a key role in its success.

The use of Hailo has not only resulted in an increase in productivity of drivers but also in a better consumer experience for users. One driver saw an increase of as much as 47% percent in his occupancy levels and a 50% increase in earnings²⁰.

Since inception, in London alone, Hailo has carried out over 3 million jobs, transporting at least 1.5 million people. Globally, it has carried over 8.5 million passengers²¹. The company's passenger app boasts near five-star ratings in the Apple App Store and on Google Play from a combined 13,000 users²².

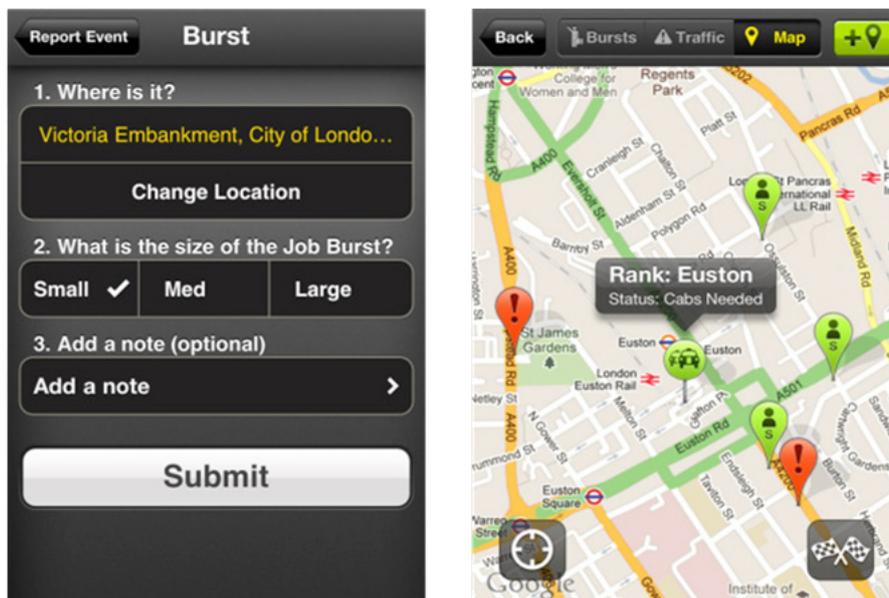
Expanding the Service Portfolio

Hailo is starting to vie for a slice of the corporate market while also experimenting with new pricing models, e.g. flat fees for any trip beyond 10-12 miles; flat fee to the airport etc. The company is also considering leveraging

the network of customers they have built to provide a customized service platform for all their traveling needs. As Ron Zeghibe says, "The real value is in the network that we are building. If we can create a set of opt-in services for this network, then that will in turn allow us to create a customized service platform for all sorts of travel. We can then mix, match and sell this to the companies as the opportunity to be on that platform. This network then gives us the ability to engage with such service providers for preferential deals for our customers, thereby enabling us to add more value."

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Hailo uses a pay-as-you-go model that charges significantly lower than traditional cab dispatch services.
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Figure 2: Hailo's Geo-Located alerts about Job Bursts



Source: Venture Beat, "Put your hand down! Hailo, yet another cab app, gets \$17M from Accel Partners, March 2012

Disrupting New Markets with E-Hailing

Hailo currently operates in sixteen major cities across the world, including Boston, London, Dublin, Toronto, and Chicago (see Figure 3). The company has identified three categories of cities for growth - global gateway cities such as London, New York, Tokyo, Singapore, Hong Kong, Dubai, Beijing and Shanghai; national cities that could perform effectively as a hub e.g. Dublin, Chicago, Toronto, Washington D.C; and satellite cities such as Cork²³.

The company has also recruited senior executives with proven experience to help establish their presence. In the United States, it has hired a former Starbucks Executive to leverage his expertise in scaling while maintaining top-notch customer experience. In Japan, it hired an executive credited with bringing software giant SAP to market leadership.

With Japan's taxi services market alone estimated to be around \$25 billion, Hailo aims to be Japan's first end-to-end mobile taxi app. It has signed an exclusive partnership with KDDI, leveraging its 35 million subscribers to support launches in Asia, starting with Tokyo²⁴.

In 2014, Hailo is planning to scale without mass using its Hailo Anywhere app. Hailo is planning to launch a program that will allow people to sign up to drive for the service in places where the company doesn't operate formally²⁵. By doing so, the company is taking a different approach from its competitors who are slowly growing by vetting one driver at a time. The service is expected to be launched in early 2014.

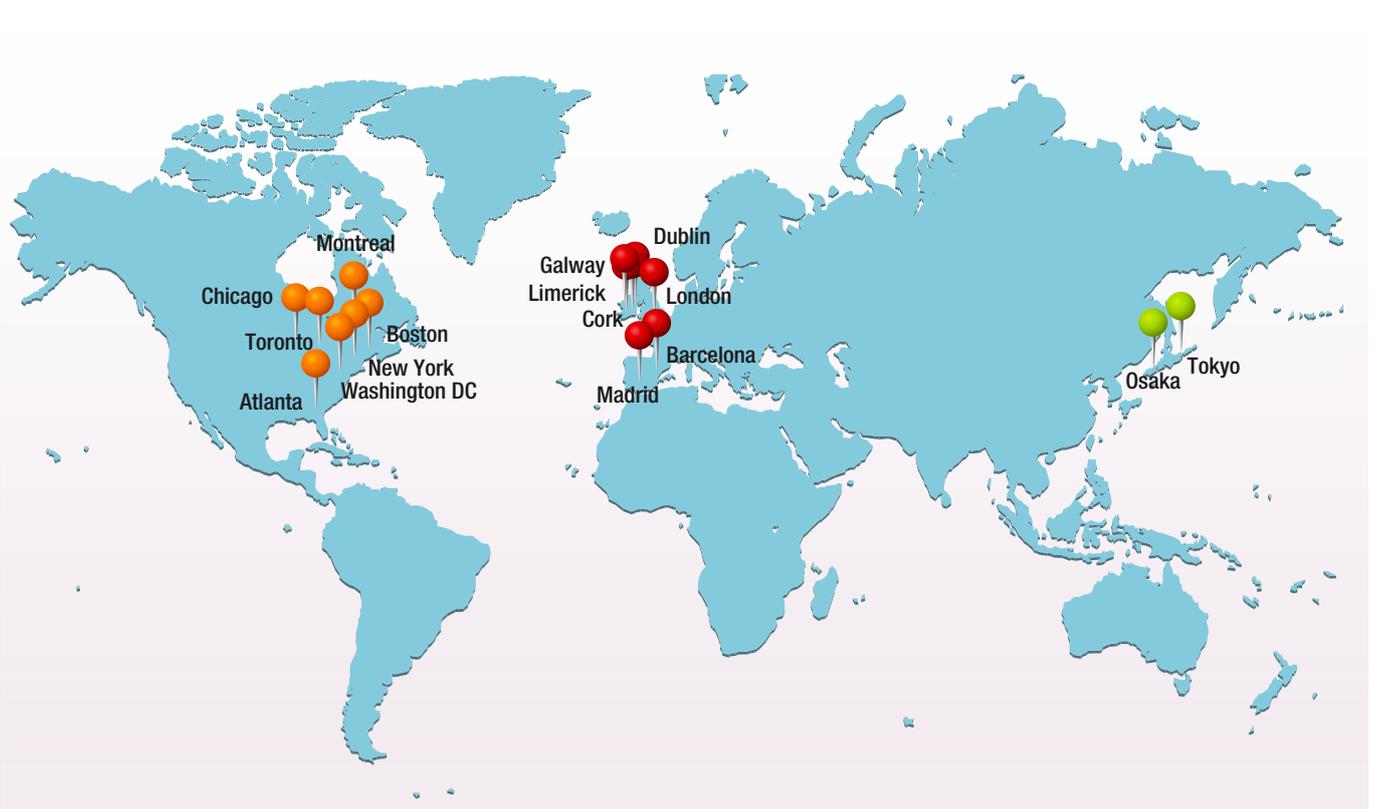
According to Jay Bregman, Hailo CEO and Co-Founder, "Hailo is mobilizing a massive, global shift in consumer behavior from hail to e-hail which

will substantially improve the control passengers and taxi drivers have in their lives."²⁶ More importantly, Hailo is creating a network at scale of consumers and drivers that can be mobilized for other services in the future. Ron Zeghibe, the executive chairman of Hailo sums it up, "The real value is in the network that we are building"²⁷.

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The real value is in the network that we are building.

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- Ron Zeghibe,
Executive Chairman

Figure 3: Hailo's Global Operations



Source: Company website

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