Dacsee Company: Expanding into Carpooling in Malaysia

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ABSTRACT

For our research topic of Nusantara project, we chose Malaysian based e-hailing application Dacsee. Currently Dacsee company’s most important revenue source is the taxi service through their mobile application. In this paper, we are suggesting that Dacsee should de-risk their business and expand their business model to ride sharing (i.e. carpooling). Furthermore, by expanding their business, Dacsee will get access to different revenue sources, gain economies of scale benefits and leverage first-mover advantage.

First, the Dacsee Company is introduced. After that, a critical analysis of the economic feasibility of our idea is analyzed from multiple perspectives. Some of the analysis done are for example Porter Five Forces analysis and VRIO analysis.

As a result of our analyses we’ll suggest Dacsee Company to include carpooling to their product catalogue. By aggressive marketing and expanding their services quickly nationwide, they will gain temporary competitive advantage over rival companies. If Dacsee simultaneously utilizes their own cryptocurrency and promotes customer revenue they will be able to create customer lock-in in the market renowned by fierce competition.

The purpose of this study was to figure out improved ways for Dacsee to conduct their business in Malaysia.

Keywords: Dacsee, business, plan, economic, feasibility.
EXECUTIVE SUMMARY

This Nusantara Project paper provides an analysis whether Malaysian based e-hailing company Dacsee should expand its product range to carpooling and suggests other possible products as a way to improve their business and increase revenue flow. Dacsee is very new player in the e-hailing industry, the application being launched just 8 months ago. The analyses made are based on the limited information available.

The paper includes multiple analyses: Porter Five Forces- analysis, VRIO and Prentice Halls Increasing Return Strategy -analysis. Porter Five Forces- analysis is used to understand the position, threats and competitors in the e-hailing industry, VRIO is utilised to analyse if Dacsee can achieve sustainable competitive advantage with carpooling feature using the resources it already has and Prentice Halls Increasing Return Strategy -analysis to survey whether the carpooling can actually benefit Dacsee and increase its revenue studying four strategies.

The paper finds that the rivalry in e-hailing industry is fierce and users switch the platform fairly easily thus having high (negative) result in bargaining power and competitive rivalry. On the other hand, the threat of substitute products and new entrants is considered low. Dacsee’s innovative and unique multi-level marketing, friend-invitation system and own cryptocurrency provides advantage compared to rivals. The carpooling service doesn’t pass VRIO test completely, even though Dacsee has the ability and know-how to design the feature that can be seen as valuable and rare resource, since competitors can fully imitate the feature fairly easily. Further analyses (Prentice Halls Increasing Return Strategy analysis) reveal that in fact Dacsee can utilize different strategies to increase its return flow when providing carpooling feature in the application. Establishing nationwide carpooling service is fairly easy using the already well working e-hailing application but large-scale operation harder to achieve considering that competitors already run their business throughout the country and have established their user-bases. Customer lock-in, that provides way to increase revenue is possible to achieve using Dacsee coin and decentralized friend recruiting system.

To conclude the findings, it can be shown that rivalry in the rapidly growing e-hailing market is extremely high and therefore brings uncertainty of uniform revenues to all companies. However, rapidly expanding the customer base and introducing well made feature that attracts money wise people can lead to a overall larger business and grown revenue.

With these results it is suggested that Dacsee:

- starts marketing aggressively its friend-recruit system, low commissions and possibility to earn revenues from network of friends to enlarge its user base and create customer lock-in
- makes the first move to utilize its unique carpooling feature nationwide to gain temporary competitive advantage and first-mover advantage
- investigates possibility to provide benefits for passengers using the carpooling feature alongside its original e-hailing service
- produces the carpooling software features in Asia to minimize the refund time.

INTRODUCTION OF THE COMPANY
Dacsee is a e-hailing company from Malaysia. The name comes from “Decentralised Alternative Cabs Serving and Empowering Everyone” (Dacsee). The official launch of the company was in July 2018. After that company has growth rapidly. After six months of company’s launch, the number of bookings growth almost 800%. Even if the company is quite new, the company value is exceeded 100 million USD. In South-East Asia that kind of e-hailing services are expected to grow to 30 billion USD in 2025, from 7,7 billion USD in 2018. (The star 2019)

The basic idea of the company is that drivers and customers have a mobile phone GPS powered application where both can see each other on real time and customers can make drive bookings. Application is easy to use and customer can choose what kind of car he/she wants and also can see drive price before booking. Customer can also see how many minutes it takes that driver comes. In addition, customer can see also driver’s car details such as brand and register plate number that it is easier to notify when driver comes. The phone app allows also to add or withdraw money from Dacsee account.

At the moment Dacsee is operating in Malaysia’s big cities, Klang Valley, Penang, Johor, Kota Kinabalu and Kuching. In a media, Dacsee has said that this year 2019 they will expand company’s services to the other South-East Asian countries too, for example Thailand. They will also expand their services to South Korea too. (The star 2019)

Company’s plan is making self-regulating and self-expanding network, which doesn’t need central authority and that’s why no middleman fees at all. Company will do it by using the newest technology and trends of cryptomoney and decentralization. Dacsee platform empowers drivers to do their own autonomous ride-hailing service and grow their own business. Dacsee driver will
reward every time when his/her recruit uses Dacsee. That is why drivers want to do driver networks and recruit more passengers to network. Drivers can pay their start up fees by cryptomoney. Drivers can also get cryptocurrency from customers but they also accept traditional cash. If passenger likes some driver, it is possible to add to favourite list and then it is possible to book the same driver again in the future. Passengers can also add friends to "circle of friends" list. (Dacsee 2019)

Dacsee’s competitors such as Grab and Uber collects commission for every drive from drivers. That commission is around 30 percent. (Dacsee 2019) Dacsee’s way to handle this is different. Dacsee’s commission is only 1-2 percent. Bonus from own recruits and smaller commissions to company encourages drivers to recruit more people and grow the network. These advantages also encourage for example Grab and Uber drivers to use Dacsee application instead.

For Dacsee safety is also important thing. Dacsee application allows passenger to choose the previous driver if preferred. For example, female passenger can book car with female driver. Anyone can’t be Dacsee driver. The decision will be made based on driver’s skills and previous records. (Medium 2019) As Dacsee is a decentralized facility they provide safety to the customer by Decentralized Driver Recruitment, Decentralized Driver On-Boarding Verification and Decentralized Safety Monitor.

BACKGROUND OF YOUR IDEA

As Dacsee is growing faster and economical according to us they have already expanded their market in the South Asian countries. They can expand their market to nearing countries like India, UAE, Australia countries. As Dacsee provides good services all this long has grown in a shorter time they can easily expand their market to other countries. To know about the country better they need to conduct pestle analysis about the countries.

- **India**: India is a vast country with many states. The geographical area is larger and as well as has a large population. There are many taxi services in India example ola, uber, meru cabs etc. but the services provided by dacsee can bring a good competition in the taxi services. These services can be provided in the big metropolitan cities like Mumbai, Delhi or Bangalore.

- **UAE**: The United Arab Emirates is an affluent Middle Eastern country located on the Arab Peninsula. UAE consist of 7 Emirates. The taxi services there are the local taxi and uber. As Dacsee can establish their taxi services can not only provide services but can get exposed to Gulf countries.

- **Australia**: Australia, officially the Commonwealth of Australia, is a sovereign country comprising the mainland of the Australian continent, the island of Tasmania and numerous smaller islands. Australia's capital is Canberra, and its largest city is Sydney. The country's other major areas are Melbourne, Brisbane, Perth and Adelaide. Australia has the cab service of GM Cabs.

With the current services provided by Dacsee can be expanded with various innovative idea. We have come up with much more ideas that can help them expand their business and make them different from their competitors.
- They can request the taxi to be there on a certain time. While booking the taxi they can also prefer the time they would like the driver to pick them up. They can pre-book the taxi in advance for a future trip.
- They also can provide food services. As other services provide like Uber has UberEats. Dacsee can also provide food delivery which can have faster delivery. They can take orders in advance; for example, a customer can pre-book orders if they have any party or such. They also can give a discount to their members who use the taxi services when they use their food services. They can also provide cab services if the customers want to dine in to a restaurant booked through their app. The advantage of this is as they already provide services along with this, they can also deliver food by tie-up with good food joints.
- Self-drive. As to rent a car is getting expensive and hard to get, Dacsee can provide self-drive option to their customers that they can enjoy the experience of self-drive along with service experience provided by Dacsee. They can provide them replacement if any breakdown occurs.
- Carpooling is beneficial as many riders of the same place can ride at the same time. The customer who has booked the taxi can also allow the nearing riders to join in this will not only reduce the fare cost but also allow to split the fare among them customers. The cons of this can be that Dacsee might earn lesser returns out of this as the fare is been split and the distance travelled by them by cost can be high but due to the share fare, they get less charges.
- Off road taxi: they can provide customers to book a taxi for a vacation to a nearby place. At a reasonably priced vacation activity that can be enjoyed by every member of the family.
- They also can provide bicycle rent stands that the customers have to download the app and add cash in their vault and the ride will change on an hours basis. This will provide with shorter distance services along with stands where they can park their bicycle.
- They also can provide car servicing center for the customers to service their own car. They can pre-book their appointment and Dacsee employee can collect their car and service it brings it back at their doorstep.
- Movers and packers' services also can be provided if the customers are shifting from one place to another. Or any basic truck services where they can hire.
- Providing taxi services for senior citizens and disabled people. They can add an option on their app so that they can take special care of them and provide them with a comfortable trip.

**JUSTIFICATION OF THE IDEA**

**Porter Five Forces Analysis on e-hailing market**

To have a better visibility into Dacsee’s possibilities in the e-hailing industry, we had decided to start our analyzing process with conducting a Porter Five Forces analysis. Today’s e-hailing segment in Malaysia amounts for approx. US$855m in 2019 with the projected growth rate (CAGR) of 11.9% for the upcoming years 2019-2023 (resulting in market volume of US$1340m in 2023) (Statista, 2019).

The current market has various incumbent players dominating the market like Grab, MyTaxi, and Mula. Therefore, for understanding Dacsee’s positioning in the market, it is essential to understand what is the overall level of competition and other variables such as bargaining power of the different parts of the supply chain. One efficient way to do this is Porter’s Five Forces (PFF) Analysis. On top of analysis on existing rivalry, a broader insight to threat of new entrants and substitute products and to the bargaining power of buyers and suppliers can be measured (Porter, 1979). Our Porter Five Forces analysis to the current situation in e-hailing industry is carried out in below in table 1.
Table 1. Porter Five Forces Analysis on e-hailing market

<table>
<thead>
<tr>
<th>Competitive Rivalry: <strong>HIGH</strong></th>
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<tbody>
<tr>
<td>- Many players in the market such as Grab, MyTaxi and Mula</td>
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<tr>
<td>- Product differentiation is low (negative)</td>
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<tr>
<td>- Competitors have already established economies of scale benefits (negative)</td>
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<tr>
<td>- Some companies are operating internationally already</td>
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<tr>
<th>Bargaining Power of Suppliers (drivers): <strong>MODERATE</strong></th>
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<tbody>
<tr>
<td>- Barrier to switch to competitor are low (negative)</td>
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<tr>
<td>- Multilevel marketing structure and Friend system to attract and engage more drivers (positive)</td>
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<tr>
<th>Bargaining Power of Buyers (users): <strong>HIGH</strong></th>
</tr>
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<tbody>
<tr>
<td>- Barrier to switch to competitor app is low (negative)</td>
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<tr>
<td>- Friend invite system (positive)</td>
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<tr>
<td>- Lower prices are supporting to use Dacsee</td>
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<tr>
<td>- Competitors have other services to support their application (e.g. food delivery for Grab)</td>
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<th>Threat of New Entrants: <strong>LOW</strong></th>
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<tr>
<td>- High revenues need economies of scale benefits which makes this threat low (positive)</td>
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<tr>
<td>- Establishing a driver base require time and money (positive)</td>
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<tr>
<td>- Threat of international incumbent companies to make a push for this market such as Uber and Lyft (negative)</td>
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<td>- High operating margins (negative)</td>
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<tr>
<th>Threat of Substitute products: <strong>LOW</strong></th>
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<tr>
<td>- Traditional taxis are out of favor in Malaysia due to higher prices (positive)</td>
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<td>- Innovativeness in the sector is limited (positive)</td>
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<td>- Disruption in the sector is unlikely (positive)</td>
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First of the five forces is competitive rivalry among the existing players. For Dacsee, this Force is considered high because of multiple reasons. First of all, in Malaysia there are numerous different e-hailing companies operating and competing about the best drivers and the biggest user base. Secondly, product differentiation in the sector is considered to be difficult, since the very nature of the business is to act just as a platform to order rides. Other difficulties present in this force are the facts that some companies have already established economies of scale benefits (Grab), while the biggest international players have not even entered the market yet (lyft).

For Dacsee, the bargaining power of suppliers is considered to be moderate. In the negative side, switching to competitor company is relatively easy. On the positive note however, Dacsee has managed to differentiate their product a little bit and managed to engage their drivers through their multilevel marketing system. On the bargaining power of buyers (the application users) side, the risks are much higher. First of all, competitors like Grab has wider driver base which supports to use their application. Secondly, these same competitors have already expanded their product offering (e.g. food delivery, taxi on command etc services). This is where expanding to carpooling business
comes inevitable for Dacsee; to mitigate the bargaining power of buyers and to hook-up their customers through the wider service offering.

The last two forces are threat of new entrants and threat of substitute products. The threat of new entrants in the sector are considered to be low, since operating profitably in the e-hailing business require enormous economies of scale benefits to establish driver and user base. On the negative said like mentioned before, the biggest international players have not made a push to enter the Malaysian market yet. If the Dacsee would enter carpooling market, they would increase their user base, which in the turn would make the Malaysian e-hailing industry even less attractive for foreign incumbent players. The threat of substitute product is also considered to be low, since the traditional taxis are out of favor and they are notably more expensive than the application-based taxis. Furthermore, the innovativeness and possibility of disruption in the sector is considered to be low, which also supports this force.

**VRIO analysis for carpooling**

After analyzing the competitive landscape of e-hailing industry it is time to check if the idea is actually good enough. To analyze our idea further to see if Dacsee can actually achieve sustainable competitive advantage through carpooling, we decided to use VRIO framework to measure our idea.

VRIO is framework which help firms to understand, do they have sources that create sustainable competitive advantage for them. It is analysis tool which is used internally in the company and VRIO comes from the words Valuable, Rare, Imitable and Organized. Originally VRIO was introduced by Mr. Barney in 1991. At that time, analysis was called VRIS, and the last letter stated Substitutability. VRIO model is simple to use and it can provide huge value to organizations who are trying to stay ahead of their competitors. Resource is analyzed through the four-stage framework and if it is able to pass all the stages, it can be said that resource is providing competitive advantage to the company. (Barney, 1991; Cascade, 2019) Figure 2 below shows the stages and order of questions how tool is used.
First step is to evaluate is the resource valuable. Resource is valuable to firm when it provides or improves efficiency and effectiveness of company (Barney, 1991). Carpooling is perfect way for Dacsee to wider their user base and increase awareness by offering platform which enable normal people to share their driving cost in easy way. Awareness is evaluated to have positive impact also to their regular business as app use become more daily basis.

It is hard to find resource that is valuable and rare at the same time, because firms are constantly analysing others. Competitors usually imitate the resource if it seems to create competitive advantage. That's why valuable and rare resource is called temporary competitive advantage. (Cascade 2019) Resource is defined to be rare, if number of firms that use particular resource is less than number that is needed to create perfect competition dynamics in an industry (Barney, 1991). Carpooling is seen as rare resource, because current competitors do not have exactly similar type feature in their application. Closest feature is Grab’s ride sharing, where people can share their taxi ride with another person. This is considered to be different because in our carpooling driver normally wants to cover just some of the costs, when Grab’s feature aims to split costs evenly.

Resource can be imperfectly imitable, if it has one or combination of three reasons: resource requires unique historical conditions, link between resource and sustained competitive advantage is causally ambiguous or it is socially complex (Barney, 1991). One example of imperfectly imitable situation is when company protects their idea with patent (Cascada, 2019). Dacsee cannot reach this position which their idea, because there are no reasons which would prevent other companies to use same feature in their applications. This means that with our idea Dacsee cannot reach long term competitive advantage, but temporary competitive advantage is possible.
Last stage is organized, which means that firm need to have culture, processes and structure which supports current strategy to capture value. If the resource passes all the stages, company can achieve long term competitive advantage. (Cascade, 2019) Dacsee have all the technological skills to create feature to their application, but because resource didn’t pass 3rd stage above, Dacsee cannot reach long term competitive advantage with carpooling.

Even though carpooling didn’t pass the VRIO analyze completely, we believe that Dacsee should exploit this opportunity and gain temporary competitive advantage. In the next chapter we are going to discuss how Dacsee should apply their idea to market.

IDEA APPLICATION

Analysis of Dacsee’s capabilities of leveraging their technological capabilities in carpooling industry

After analysing the competitive nature of the current e-hailing industry (where Dacsee is operating currently), it is necessary to see what are the possible benefits of expanding Dacsee’s service portfolio to the carpooling industry. In this part, an analysis on Dacsee’s possibilities to leverage their technological know-how in carpooling is carried out. To have better understanding of whether it is wise for Dacsee to move into this industry, a Prentice Halls Increasing Return Strategy analysis is carried out. This analysis considers four different moves for strategy of increased returns. (Brian Arthur, 1996) These are:

1. Establish large-scale operations
2. Build Installed base quickly
3. Create customer lock-in
4. Be a first mover

The first move of the strategies for increased returns is to establish large-scale operations. Basically, this means that when making the transition to carpooling industry, Dacsee should try start operating nationwide as soon as possible. Since they are already operating in the e-hailing business, transition to the carpooling is relatively easy; they already have the know-how of how to build an smooth and easy-to-use application and transitioning of this know-how to carpooling should not be a challenge for them. The problem to make this move is the fact that Grab (through their application GrabShare), Dacsee’s biggest competitor, has already established large scale operations in Malaysia in Carpooling industry. Other big competitors are Droupr, which also is already operating nationwide. Because of this, it means that the competition to attract people to use the app will be fierce.

The second move is to build installed base as quickly as possible. Carpooling industry is all about the large user-base, meaning that there is no use for your application if people (the users) are not sharing their rides in it. This means that through aggressive marketing, Dacsee should try to increase their user-base as rapidly as possible. This will be difficult move for Dacsee, because the competitors have already built their user-base meaning that the market share for Dacsee will be built through stealing from another players market share. However, we believe that Dacsee is able to do this through their multilevel marketing application and because of their already existing friend system. This means that they should try to leverage this same system in the carpooling application: invite people and receive compensation and other benefits. Also, they should try to build installed
base through marketing the combined use of their e-hailing app and the carpooling app and possible benefits received by using both of these.

Third move for increased returns -strategy is to create customer lock-in. Like discussed before, Dacsee has been able to leverage their multi-level marketing system and the friend system quite efficiently. In our opinion, this should be their number one strategy for trying to attract more users to their carpooling app and to create customer lock-in. After they have been able to build their customer base and have created a partial customer lock-in through the ways mentioned before, they should try to come up with other ideas to attract and to keep up their users. One of these moves could be, for example, to encourage people to use their app with Dacsee coins. An integrated software for e-hailing and carpooling combined with their own cryptocurrency will make their service offering superior compared to those of their competitors.

The fifth move for increased returns strategy is to be a first-mover. Unfortunately for Dacsee, their biggest competitor Grab has already expanded their business to the carpooling industry through their application GrabShare. However, Grabshare is only meant to share the e-hailing ride (meaning that the customer orders a grab, and other passengers can join the ride mid-way through). For our idea, it is the normal people who are operating as the drivers, so basically Dacsee would be the first-mover in this kind of industry. This could give them a Competitive Advantage over other players in the industry. Executing these four moves is possible for Dacsee, and if executed in the right way, it could provide Dacsee with increased returns and higher profitability.

**How the money is made through our idea and what are the costs**

As Dacsee already have the lowest commissions (2%) compared to its competitors (average 20%), it will lure new customers to use their app for earning money (Pikri, 2018). Cost of developing e-hailing app depends on multiple things. Some of the aspects that influence to price are country where software is produced, how many features it includes and to which platform software is made. Developing taxi application also requires that there are two different softwares: one for the driver and one for the passenger. Cost components which need to take into account developing new app are following: web development, backend development, native app development, management & quality assurance and design. (ThinkMobiles, 2019)

On average, each feature takes 100 to 200 hours of development work, depending on complexity of feature and skills of developer. Hourly rates fluctuate between $20 to 40 in Asia, $40 to 80 in Europe and $100 to 150 in UK/USA. Most time-consuming action in application development is quality and assurance management, which requires 39% from the total work. After that becomes passenger app which requires ¼ of the total amount consumed creating app and 14% for driver app. Rest of the hours goes to developing admin dashboard. (ThinkMobiles, 2019)

Because Dacsee app already includes all the basic features, there are only need for some fine tunings which needs to be done to implement new idea into action. To calculate the cost for developing new feature we used the information above. We evaluate that total developing cost in Asia will be $8892. Cost include additional feature for both applications, drivers and passengers, with average hourly rate $30 requiring 296 hours of work in total, as shown in Table 2.
In the table above are listed fixed costs required for developing the new feature. Besides that, there will be some variable costs caused by increased server traffic etc. These costs are evaluated to have such small influence to current situation, that variable cost are excluded from calculation. It is also extremely hard to forecast how much new feature will lift up user base which is related to fact how much server space is required.

Dacsee should include their current 2% commission fee also to their new feature and provide them another revenue source. Our new feature is focusing on long distance trips, varying from 30 minute to 2-hour ride costing 40RM-100RM with normal Dacsee. This is on average 80RM ($20) for one-way ride, and instead of using this, regular user with new feature could charge $5 from other passengers heading same way. This means Dacsee is getting $0,1 from each ride and it will require approximately 90 000 rides to cover the development cost.

RECOMMENDATION

Based on the analyses we have completed in this paper we suggest Dacsee to expand its business to carpooling industry. We highly believe that by doing so they can not only positively differentiate their product catalogue from competitors and thus gain larger user base and higher revenue from commissions but also benefit and gain revenue flow from the grown customer network in the original e-hailing feature of the application.

To summarize the findings from analyses we recommend Dacsee to:

- Start actively growing both driver and passenger network by aggressively marketing the benefits, lower consumer prices and commissions and mostly the possibility to earn revenue every time when recruited friend uses the services of the application
- Investigate the possibilities to expand the service to nearby countries with huge market potential to vastly enlarge the user base and revenue flow
- Analyse the other innovative and potential service models and business ideas provided to gain knowledge if valuable and rare business opportunities emerged
- Differentiate their product from other companies by offering carpooling as a first in the market. First-mover advantage enables Dacsee to attract more customers in the rapidly growing industry
- Create customer lock-in with friend-network, user benefits and Dacsee coin to decrease the bargaining power of consumer
- Investigate the possibility to reward the loyal customers using both original e-hailing service and carpooling services
- Produce the software features required in the new carpooling service in Asia. The hourly development costs in Asian countries are estimated to be 30 dollars compared to the 130 dollar/hour cost in United States. Smaller development costs minimize the refund time of the new service
- Include the nominal commission fee in the carpooling service

SOURCES

https://www.statista.com/outlook/368/122/ride-hailing/malaysia


