The Analysis of Competitive Strategy and Suggestions for Didi under the Background of the New Car-hailing Regulation

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Abstract. The emergence of car-hailing service satisfies the need of public travel in Internet era. Didi—the representative of car-hailing service, provides users with cost-effective service and great travel experience and quickly became the leader in the field of mobile travel depending on its price advantage, market segmentation, fast respond and some other competitive strategies. However, the promulgation of the new car-hailing regulation brings many challenges to Didi. After the new regulation, it is hard for Didi to gap away significantly from its competitors in scale and price. Thus the differentiated service is the competitive focus for all platforms. So there is an urgent need for Didi to do something to make difference, such as improving the interface design of the platform and the process of order allocation, establishing exclusive 'station', increasing the interaction between drivers and passengers. By doing so, Didi can reduce the information asymmetry and increase the user engagement and loyalty with high quality service.

1. Introduction
With the development of the Internet, the traditional trip mode has been unable to meet the growing travel demand of the public. The Internet booking taxi is born at the right moment. It establishes a platform on the basis of Internet technology and includes qualified vehicles and drivers. By integrating the supply and demand information, it provides non-parade booking taxi service[1]. The platforms providing car-hailing service, such as Didi tailored car, quickly capture the market depending on its advantage of low-cost and great convenience. However, there are many controversies about the behavior of seizing the market and the potential operational security risks. In this context, the central government promulgated the Interim Measure to the Internet booking taxi service to regulate the platform company, vehicles and drivers, operations and so on. Local governments then made their own management regulations on the basis of realities of situation. The promulgation of the new regulation weakens the original competitive advantage of Didi. As a consequence, Didi and its competitors such as UCAR Inc. and Yidao are almost back to the same starting line. In the new round of competition, Didi must rebuild its core competitiveness in order to maintain its leading position.

2. The Analysis of Competitive Strategy for Didi Tailored Cars Service before the New Regulation
The reason Didi quickly captures the mobile travel market since 2014 when it found is largely due to its cost-effective service .To be specific, its low price advantage, market segmentation, fast respond and some other competitive strategies enable Didi to provides great travel experience to users and develop the consumers’ travel habits.
2.1 Combine the Low Pricing and High Subsidy to Attract Passengers with Price Advantage

As we can see from the table 1, Didi has an absolute advantage in price compared with its competitors whether in economical kuaiche or comfortable, business and luxurious tailored cars.

In addition to low pricing, Didi also offers passengers with great subsidy. By the calculation of big data, Didi distinguishes different passengers with different sensitivity to price and then gives out red packets and discount coupons specifically. It is wise for Didi to use the price advantage which is a paint point for consumers and attract them with low pricing and high subsidy.

2.2 Devoted to Market Segment and Satisfy the Travel Demands for Different Kinds of Groups

Using market segment, Didi tries to satisfy the travel demands for different kinds of groups: kuaiche for general public and tailored cars for high-end businessmen which can divide into the comfort, business and luxury. Passengers is able to make free choices according to their demands, while UCAR only serves high-end businessmen.

In addition to this, Didi continues to mine the potential demands and provides new service. For example, considering it is difficult for the old to use the Internet and mobile devices to call a taxi, Didi provides a new service called Taxi for the old. Passengers confirm the destination for their parents in advance and the old can call a taxi just with a click. The platform automatically recognizes the children’s phone number as emergency contact so as to ensure the safety for the old. Another example service is the Enterprise Edition for Didi. It provides intelligent travel solutions for companies. The expense for employee travel is deducted directly from the company account. By doing so, there is no need to issue the invoice and apply for reimbursement. Consequently, it makes the management more efficient.

The comparison in price

| Type   | Didi SF | Didi MF | Didi TF | UCAR SF | UCAR MF | UCAR TF | Yidao SF | Yidao MF | Yidao TF |
|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Economy| 0       | 1-2     | 0.2-0.5 | /       | 6       | 2.2     | 0.3     |         |         |
| Comfort| 10      | 2.7     | 0.6-1   | 15      | 2.8     | 0.5     | 15      | 2.8     | 0.5     |
| Business| 14     | 3.8     | 1.4     | 20      | 4.5     | 0.7     | 20      | 4.5     | 0.6     |
| Luxury | 18      | 3.9     | 1.6     | 23      | 4.6     | 0.8     | 25      | 4.6     | 0.7     |

2.3 Provide Great Travel Experience by Fast Respond to Orders

Bringing in lots of private cars to the platform, Didi has the advantage of scale to provide passengers with more choices in the coverage area. In the meantime, the powerful data processing capability of the platform increases the speed of order respond and greatly decreases the waiting time of passengers.

Since 2014 when Didi provides tailored car service, it has been the leader in the field of mobile travel because of its low price, coverage for all target users and high efficiency.

In December 2015, CNNIC, short for China Internet Network Information Center released the Special Report on the Research of the Development of Tailored Cars Market. The report shows that the current tailored car market has formed a stable pattern where Didi ranks first with the 87.2% rate of utilization while UCAR and Yidao occupy part of the specific market[2]. In March 2016, the global performance management company Nielsen conducted a research on 4000 passengers and 320 drivers in 13 cities in China and released The Report on the Research of the China Internet Mobile Travel Market. As we can see from Fig1, Didi ranks first in user penetration, overall satisfaction, brand preference and brand loyalty[3]. In the same month, I Research released The Report On The Research Of China Mobile Travel Service Market In 2016 which shows that in mobile travel service industry, the rate of active user penetration of the APP of Didi has reached 77.6%, only the proportion of the tailored car users is up to 88.4, and the average order accounting for the 84.1%[4]. In the same year in October, the data of iiMedia Research shows Didi still has the advantage in the proportion of drivers with the ratio 68.4% even after the platform reduced the subsidy for drivers[5]. A month later, Trust Data, a domestic mobile Internet data monitoring organization, released The Report On The Trend Of The Development Of Car-hailing Platforms In China in 2015-2016. The dates show by the end of
September, Didi ranked first with the 36.48 million active users and 25.41 million average times the active users open the APP daily. While the gap between Didi and the following UCAR and Yidao is greatly large[6]. All these indicate Didi has been the absolute leader in the industry.

![Figure 1](Link to the image)

**Figure 1** The comparison in consumers' satisfaction with brand

### 3. The Challenges New Regulation Brings to Didi

On the one hand, the rapid development of the car-hailing service helps to solve the problem in calling taxi and ease traffic congestion. On the other hand, the lack of effective supervision results in the worries about the safety and violation of legal rights. It also becomes a reason for the disorder of the travel market.

#### 3.1 The Strict Limitation on the Vehicles and Drivers Leads to the Sharp Decrease of the Legal Cars in the Platform. There is no Doubt the Travel Experience will be Less Satisfying

The regulation in Beijing and Shanghai are the strictest in all. Both cities require the drivers and cars to have local residence cards and license tags respectively. A group of data from Didi shows that the proportion of cars meeting the demands is only 20%. The data iiMedia Research provide indicate that in Shanghai, there is at most 2% of the cars fit requires considering the limitations on drivers and cars comprehensively. Besides this, some other cities such as Shenzhen, Guangzhou and Nanjing also have a limitation on the year of the cars. That is to say, almost new cars can be used. The requirement of at least 4 SRS in Wuhan makes most cars unable to be used too.

Before the new regulation, the large scale of private cars ensures Didi to have sufficient vehicles in the coverage areas. This helps it to increase the speed of order respond and reduces the passengers’ waiting time. According to iiMedia Research, among the improvements of the car-hailing service in 2016, 68.5% of the users hope that it can be easier to call a taxi and 32.1% of users want there are enough cars to satisfy the public needs. As is known to us, the restrict limitation on drivers and cars directly leads to the sharp decrease in cars that can be used for Didi. This is the first challenge the new regulation brings to Didi. So, it is important for Didi to figure out how to use the limited cars to offer equal even value-added service and how to continue to reduce the waiting time and offer more satisfying service.

### 3.2 There is no price advantage any more. The strategy of low pricing can’t support the sustainable development of Didi.

The main reason Didi occupies most of the market just in a few years is the price strategy, which is in the manner of ‘burn money’. Because of the large amount of subsidy to drivers and passengers, Didi became the absolute leader. To some extent, cheap has become the pronoun of car-hailing. But it is regulated in the Interim Measure: Adhere to give priority to develop the urban public and then develop taxis. Develop car-hailing service in accordance with the principle of high quality and
differentiated operation. All platform companies must mark the price clearly. They shouldn’t obstruct the fair competition and violate the legal rights of passengers as well as the social public interests. Such behaviors like operating with price lower than cost for squeezing other rivals out and monopolizing the market, disturbing the normal market order, operating with high, unfair price to violate the interests of country and other operators are all illegal.

On the one hand, these rules limit the car-hailing service in the more high-ended tailored taxi service and make the private cars Didi bringing in before illegal. On the other hand, the rules indicate that it’s impossible for Didi and any other companies to continue to occupy market in the manner of ‘burn money’ after the regulation. While the data of iMedia Research show that there are more than 70% users pay attention to the rise of the price after the regulation. This suggests the public demand is not rigid and the price tend to be an important factor they consider when choosing vehicles. So it is not sure whether Didi can maintain its leading role after the new regulation without the advantage of price.

4. Suggestions for Didi after the New Regulation
It is difficult for Didi to gap away significantly from its competitors in price and scale after the new regulation. Thus the differentiated service is the competitive focus for it. Didi is expected to mine the potential needs of passengers and provide them with differentiated service in order to increase the users’ engagement and loyalty.

4.1 Improve the Interface Design and the Process of Order Allocation
Now the interface design of Didi is — passengers choose the current position, the App will show them the cars nearby and the system will send the order to drivers. It is up to drivers to decide whether to accept the order or not. However, there are several problems about this design and order allocation.

First, what the App shows is the cars nearby rather than the cars available. This often causes passengers to mistake there are many cars nearby and one of the driver maybe come here quickly and drive him/her to the destination. While this is always not the truth. So it often takes passengers more time to wait after placing an order than expected. So it is necessary for Didi to update the interface design according to specific conditions. For example, differentiate available cars from those nearby but in service. If there are available cars, passengers can decide to call one. If there not, Didi should make sure the system has the ability to provide users with extended informational service, such as information about the amount of the cars which can finish the current service within a period of time, the average time to wait, the way to contact drivers and so on. With these informations, passengers can decide whether to continue to place the order or give up.

Second, there is no way for passengers and drivers to make mutual choice now. This can’t satisfy some passengers having special require and cause them to cancel the order. Also, the lack of mutual choices always leads drivers to select the orders they want and refuse those they don’t prefer. In comparison, the competitor Yidao tries many way to meet the differentiated demands as much as possible. For example, it allows users to choose the types of cars freely and creates information channel for them so that they can collect information about drivers and cars they prefer. So it is feasible for Didi to classify cars on the basis of needs for both drivers and passengers so as to provide mutual choices for them. Specifically, categories cars according to main factors passengers focusing on, such as the type, the gender of drivers, drive experience, invoice, carpooling and so on. Based on these informations, passengers can select freely. For drivers, they can decide whether to accept the order or not according to the requires passengers rise. Of course, it is essential to make a rule that passengers have the preference to choose. That is to say, if a passenger chooses a driver, this driver has the right to refuse, but this will affect the responsively, which is related to their salary.

Third, make use of intellectual technology to optimize the procedures of order acceptance and allocation. According to the current design, many orders can’t be allocated reasonably because it doesn’t consider the specific situations of drivers. They must click the option ‘Don’t grab orders temporarily’ after they have accepted one. Otherwise, when they are in service, they will often receive voice reminder about orders which not only disturbs passengers but also distracts their attention. If the driver wants to know information about the order or accept the order, they must look away and even manipulate the steering wheel with one hand, this will cause potential risks. So Didi should optimize
the procedures to solve problems above. For instance, make use of the technology to help drivers make
the intelligent choice. When allocating orders, system should take the drivers’ current
condition—whether the driver is in service or not, into account. For example, the system won’t send
orders to drivers who can’t finish the current order within 10 kilometers or in 15 minutes. In addition,
Didi can improve its supporting facilities. Provide drivers with (Bluetooth) headsets and force them to wear when necessary. Convert cars such as install a wireless Bluetooth button on the steering wheel
to help to make more convenience for drivers. All of these can greatly reduce the security risks during
the service as well as improve users’ travel experience.

4.2 Establish Exclusive Didi ‘station’ and Strive to Make Information Equivalency between Users and Drivers
It is probably inevitable for users to have such experience: drivers can’t find passengers with the
information system provides. No matter the result is the passenger successfully gets to the destination
by the longtime of waiting and communication or one party cancels or refuses the order reluctantly, it
must be a failure experience for users. In this regard, Didi should improve its positioning technology
and establish virtual -physical stations to reduce waiting time and improve travel experience.

Drivers and users have difficulty finding each other is largely because that the existing positioning
system isn’t precise enough. So it is important for Didi to improve the accuracy of GPS positioning
system if it wants to win in the service. With the cooperation with leading companies in the field Didi
is able to improve the deficiencies of the current GPS positioning system and provide perfect service
combining its powerful big data.

On the other hand, Didi can establish its exclusive stations to change the information asymmetry
between drivers and passengers. Outdoor stations have been built in Beijing and Shanghai, but the
feedback is not as satisfactory as expected. The public don’t know the existence of stations due to
insufficient propaganda. In addition, users haven’t experienced the convenience yet because the
amount of stations is small. Considering these, one feasible solution is to establish virtual-realistic
exclusive stations. Make cooperation with entities such as chain convenience stores, fast food shops
and shopping malls to post up logos of stations in eye-catching areas. Besides this ,it is necessary to
mark these stations accurately in the map and provide these information to passengers using App, so
they can see the stations nearby clearly from the map when place an order and decide whether to go to
the station or just wait here. With these means, it will takes passengers less time to wait and allows
them to get to the destination as soon as possible, especially in busy commercial areas.

4.3 Increase Interactions between Drivers and Users to Improve the Service Quality and Users Engagement
Because of the few interactions between drivers and users, their role definition is simply consumers
and service providers. So it may be helpful for Didi to carry out some activities online and off-line to
increase interactions and users’ engagement on the basis of protecting their legal rights.

In 2015, Didi comprehensively upgraded the anonymous evaluation mechanism for users. If a
passenger is not satisfied with the driver or the service, he/she can grade and evaluate the service
anonymously after the order. The system will show this information to drivers randomly after a period
of time, hiding the information about the user. The scores and evaluations drivers get will be linked to
their salary and reward. This evaluation mechanism indeed urges drivers to provide better service and
is helpful for users to protect their rights. However, something embarrassing will happen. For example,
certain passengers make some unreasonable requests or even threat to give low scores and negative
evaluation which makes a lot of drivers feel wronged. Therefore, in the next competition, there is need
for Didi to upgrade the evaluation mechanism constantly. To be specific, the mechanism should allow
drivers to evaluate passengers so that drivers can protect their rights too. It is reasonable to show
passengers their scores so as to encourage more civilized behavior. In addition to this, the system can
manage the users according to the evaluation and scores they get. For passengers who get lower scores,
it is necessary to send them reminders to regulate their behavior. While for those always have
improper behaviors, it is considerable to stop their accounts for some time or forbid them to use again.
By these means both drivers and passengers can safeguard their legal rights.
Besides the bidirectional evaluation mechanism, Didi can consider to extend interactions beyond the boundary of service. For example, on Thanks-giving Day, Didi made a video about gratitude under the background of its Kuaiche service and put this video on App to propagandize. Users are allowed to send red packets and words via Wechat to show their thanks online. Didi collected thanks offline in the form of drift. Passengers wrote down their thanks voluntarily in the notebook and passed this warm and sweet to the next one. Also, Didi combined the online and off-line activities together. It put those collected thanks words on the body of cars to replace users to express their gratitude. This sincere, equal online and off-line activity has a remarkable effect. On Thanksgiving Day about 10 million people visited the online website and more than 80000 people received red pockets. There are more than 260 messages collected off-line.

This online and off-line interactive activity shows users’ great enthusiasm for interaction not just great travel experience. So next, Didi can further extend its interactive pattern both online and off-line, such as theme activities about festivals and a variety of communication channels (including online chatting, send and receive red packet, floating cards and books etc.) to allow more drivers and users to join in. With these, it may be a warm and even surprised travel experience rather than a simple consumption. These activities will not only further consolidates existing users, make them trust and like Didi, but also successfully promote to more new users in an effective way so that they may pay attention to this brand and use the service.

5. Conclusion
The competition in car-hailing market is extensive before the new regulation. Platform companies such as Didi captured the market quickly with the advantage of low pricing, high efficiency and coverage for all groups. However, the new regulation, an invisible hand, points out potential problems faced by platform companies and regulates the further development pattern. The time platform companies compete with extensive management has gone. Didi must change its mode from barbaric growth to intensive cultivation in order to face the challenges and take chances the regulation provides. Only when Didi provides high-quality and unique service can it attract more users and maintain the leading role in the future competition.

6. Acknowledgement
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