

Indonesia: 2022 New Business Trends in Ride-hailing Industry

Overview of ride-hailing industry in Indonesia

Indonesia has one of the world's largest and fastest-growing populations, with over 275 million people as of 2022.¹ It is also the largest ASEAN economy, with a nominal Gross Domestic Product (GDP) of US\$1186 billion as of 2021.² Despite recent increases in central government spending to improve Indonesia's public transport system, usage rates for public transport remain low (5%-20% of trips). Instead, most Indonesians rely on private vehicles such as cars and motorcycles for transport, resulting in enormous growth potential for shared mobility. As of 2022, Indonesia has a high user penetration of 63.9% for the shared mobility industry, which is expected to further increase to 77.4% by 2026.³

The gross merchandise value (GMV) of Indonesia's shared mobility industry is projected to reach US\$13.47 billion in 2022. It is also projected to reach a market volume of US\$23.02 billion by 2026.⁴

Service types in the shared mobility market are divided into 7 mobility verticals: ride-hailing, ride-pooling, car-sharing, P2P car sharing and ridesharing, shared micro-mobility, aerial mobility, robo-taxis and shuttles.⁵ This categorisation would also encompass public transportation, rental cars and traditional taxi services.

¹ www.bps.go.id. (n.d.). Badan Pusat Statistik. [online] Available at: <https://www.bps.go.id/indicator/12/1975/1/mid-year-population.html>. Accessed 27 July 2022.

² IMF. (n.d.). Report for Selected Countries and Subjects. [online] Available at: <https://www.imf.org/en/Publications/WEO/weo-database/2022/April/weo-report?c=536>. Accessed 27 July 2022.

³ TOMÁS HERRERO DIEZ. "How Can Indonesia Achieve a More Sustainable Transport System?" Blogs.worldbank.org, blogs.worldbank.org/transport/how-can-indonesia-achieve-more-sustainable-transport-system. Accessed 27 July 2022.

⁴ "Shared Mobility - Indonesia | Statista Market Forecast." Statista, www.statista.com/outlook/mmo/shared-mobility/indonesia#revenue. Accessed 27 July 2022.

⁵ Heineke, Kersten, et al. "Shared mobility: Where it stands, where it's headed." McKinsey, 11 August 2021, <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/shared-mobility-where-it-stands-where-its-headed>. Accessed 27 July 2022.

Specifically, this report will dive into the ride-hailing industry. As defined by McKinsey & Co, the ride-hailing service is the service where riders order a car via a virtual device to pick them up and drive them to their designated location.

Ride-hailing services in Indonesia have established themselves as accessible, affordable and safe modes of transportation for commuters. Applications like Grab and Go-Jek, the two largest ride-sharing companies in Indonesia, have recently improved their services, using targeted GPS services to speed up pick-up and provide easier navigation, faster journeys and lower price points.



(Source: Go-Jek)

Governmental regulation and involvement in Indonesia's ride-hailing industry

Indonesia has been one of the world's leading adopters of ride-hailing since 2013, especially due to the growth of local companies like Ojek Syar'i and Go-Jek.

undercutting by ride-hailing to gain market share and ensure comparable pricing with conventional taxi companies.¹⁰

In October 2017, Ministerial Regulation No. 108/2017 was issued, stipulating that ride-hailing apps could only operate in specific areas, with the government working to set limits on ride-hailing vehicles in each region. The regulation also prohibits such drivers from picking up passengers directly on the street, and ensures that a minimum standard of service is provided.

Key players and characteristics of ride-hailing industry in Indonesia

The ride-hailing industry is dominated by two key players, Go-Jek which holds a 40% market share and Grab which holds a slightly higher market share of 54%.¹¹ The remaining 6% is held by much smaller players including Blu-Jek and LadyJek, a motorcycle platform catering to women.

In terms of service types, the car and taxi sector is dominated by Grab (63% of market) and Go-Jek (37% of market). The motorcycle sector is more equally distributed between Grab and Go-Jek, with Go-Jek holding a small lead.

A unique characteristic of Indonesia's ride-hailing industry is the popularity of motorcycle services over car services. This is because private hire motorcycles (known as o-jeks) have been a popular mode of transport since before the introduction of ride-hailing. In 2011, Go-Jek was started as a motorcycle-hailing company, and later branched out to other transportation options. Similarly, while Grab entered Indonesia in June 2012 as a taxi-ordering application, it also began to offer motorcycle transportation options.

¹⁰ "Indonesia Sets Tariff Ranges for Online Car-Hailing Services." Reuters, 2 July 2017, www.reuters.com/article/indonesia-transportation-regulation-idINKBN19N0DY. Accessed 27 July 2022.

¹¹ "Ride or Die: Gojek versus Grab in Indonesia." Data Insights - Measurable AI, 26 Mar. 2021, blog.measurable.ai/2021/03/26/ridehailing-marketshare-ride-or-die-gojek-versus-grab-in-indonesia/. Accessed 27 July 2022.

In 2020, both Grab and Go-Jek had more ride-hailing orders for motorcycles than cars. However, due to higher prices for car rides compared to motorcycle rides, car rides are likely to remain a key revenue stream for both companies. For Grab, car rides constitute only 42% of its ride orders but contribute to 67% of its overall ride-hailing revenue. Similarly, for Go-Jek, car rides make up only 31% of its orders but make up over 50% of its revenues.¹²



(Source: NurPhoto)

Shifting to digital payments

The disruption caused by the COVID-19 pandemic to the ride-hailing industry allowed both Grab and Go-Jek to pivot towards non-transport services such as food and retail delivery and payment services. These services include Grab's GrabMart grocery delivery feature and GrabAssistant concierge assistant program, and Go-Jek's GoFood delivery platform and GoPay e-wallet feature. The use of such online services have resulted in widespread adoption of digital payment systems, with electronic

¹² Chalermpong, Saksith, et al. "Ride-Hailing Applications in Southeast Asia: A Literature Review." *International Journal of Sustainable Transportation*, 8 Feb. 2022, pp. 1–21, 10.1080/15568318.2022.2032885. Accessed 27 July 2022.

money transactions reaching an estimated value of US\$ 13.95 billion, growing by 38% from 2019, according to Bank Indonesia.¹³

This is a stark contrast to the situation before the pandemic, when consumers surveyed across ASEAN preferred cash (51%) as their main method of payment, followed by debit card (29%) and credit card (5%).¹⁴ While Grab and Go-Jek also mainly accepted cash payments beforehand, the rise of digital payments can provide an opportunity to streamline ride payments, obtain more extensive revenue data and make their services more affordable.

Shifting to electric vehicles

One expected trend in the ride-hailing industry in Indonesia is a large-scale move towards electric vehicles in Indonesia. McKinsey & Co. has published a report stating that Indonesia is one of the highest-potential markets in the world for electric vehicles, especially for motorbikes. According to the report, Indonesia could be a sizable market by 2030 due to its large domestic market, with an estimated sales of 1.9 million for electric motorbikes and 240,000 for electric cars by 2030.¹⁵

The government has set a target to increase the number of electric motorcycles to 13 million by 2030, a massive increase from just 12,000 in 2021. To cater to this move, the government plans to build 32,000 public charging stations for electric vehicles by 2030. To incentivise people to move to electric vehicles, the government has introduced incentives such as discounts for electricity bills and tax for owners.¹⁶ This move to electric vehicles will impact the ride-hailing industry in terms of proportion of

¹³ "Digital Banking Transactions Are Projected to Reach IDR 49,733 Trillion in 2022 | IDNFinancials." www.idnfinancials.com, www.idnfinancials.com/news/41944/digital-banking-transactions-projected-reach-idr. Accessed 28 July 2022.

¹⁴ Loo, M.K.L. (2019). Enhancing Financial Inclusion in ASEAN: Identifying the Best Growth Markets for Fintech. *Journal of Risk and Financial Management*, 12(4), p.181. doi:10.3390/jrfm12040181 Accessed 27 July 2022.

¹⁵ "Ten Ways to Boost Indonesia's Energy Sector | McKinsey." www.mckinsey.com, www.mckinsey.com/industries/oil-and-gas/our-insights/ten-ways-to-boost-indonesias-energy-sector-in-a-postpandemic-world. Accessed 27 July 2022.

¹⁶ "Indonesia's E-Motorbike Makers Hit the Accelerator." *Nikkei Asia*, asia.nikkei.com/Business/Technology/Indonesia-s-e-motorbike-makers-hit-the-accelerator. Accessed 28 July 2022.

vehicles used and costs.

Future of ride-hailing industry in Indonesia

Moving forward, as COVID-19 restrictions are relaxed in Indonesia, the usage of ride-hailing apps will increase as people working from home begin commuting to their workspaces with the easing of movement restrictions. In the post-COVID 19 future, there is likely to be a close fight between Grab and Gojek for the top spot as the most used ride-hailing app. According to surveys by Blackbox Singapore, consumers in Indonesia expressed brand preferences of 55% for Grab, 40% for Go-Jek and a remaining 5% divided between smaller applications (Blue Bird, Maxim and in-Driver).¹⁷ Despite Grab's lead, since Go-Jek is a local brand, it is likely to remain a serious contender in Indonesia due to its focus on more popular two-wheel ride hailing, longer track record and "national pride" among consumers.

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¹⁷ "Ride-hailing apps: Who's winning the race across Southeast Asia?" *Blackbox Research*, 22 February 2022, <https://blackbox.com.sg/everyone/ride-hailing-apps-whos-winning-the-race-across-southeast-asia>. Accessed 23 September 2022.