

# Democratising digital commerce in India

An open network for inclusive, competitive marketplaces

—  
Sub-Report on  
Mobility





This booklet is an excerpt from the Mobility section of the report 'Democratising Digital Commerce in India' and is based on joint research conducted by ONDC and McKinsey & Company. The complete report covers 11 sectors. To access the full report, please use the QR code provided below.



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# Mobility

The jam-packed streets of India highlight the country's critical need for reliable, efficient, and sustainable mobility solutions. With a large part of India's population preferring flexible and on-demand transportation, the organised-cab and shared-mobility segments need to be digitalised and made more efficient. "Digital mobility" in India—or digitalised access to transport bookings—is a sector set to double in size to \$11 billion by 2030.<sup>1</sup> Concentrated in the largest urban centres at present, digital mobility solutions could evolve into an integrated mobility system that weaves in other services for a smooth end-to-end rider experience.

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<sup>1</sup> This chapter is entirely focused on digitally accessible means of transport. The word "mobility" is used to represent "digital mobility."



## The landscape

Digital mobility (here referred to as “mobility”) in India appears to be on course to more than double to as much as \$11 billion by FY30. This growth could be on the back of rapid expansion in the two-wheeler (2W) and three-wheeler (3W) segments, which are expected to increase at a CAGR of 40 to 45 percent and 20 to 25 percent respectively through 2030 (Exhibit 1). The top seven cities in India account for more than 80 percent of the mobility market’s revenues, creating a concentration in the urban centres of the country.

India’s organised-cab and public-transport infrastructure is constrained by several challenges:

- Digitalisation is still quite low, at less than 5 percent.
- Car penetration (at less than 10 percent) is insufficient to meet high demand for transportation services, particularly in areas where public-transport options are limited.<sup>1</sup>
- Cab drivers for aggregators are in short supply and their income challenges continue remain largely neglected.

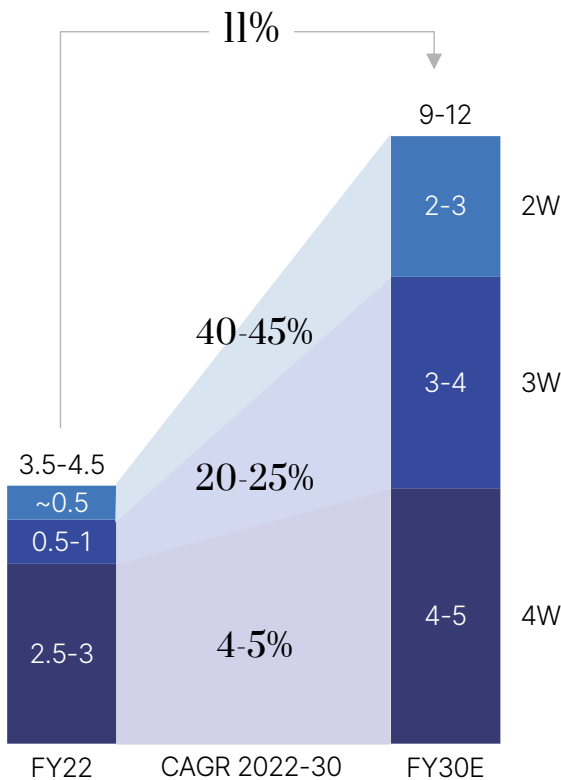
<sup>1</sup> NFHS.

Exhibit 1

India’s mobility market is expected to grow at 11 percent, from ~USD 4 billion in FY22 to ~USD 10 billion by FY30.

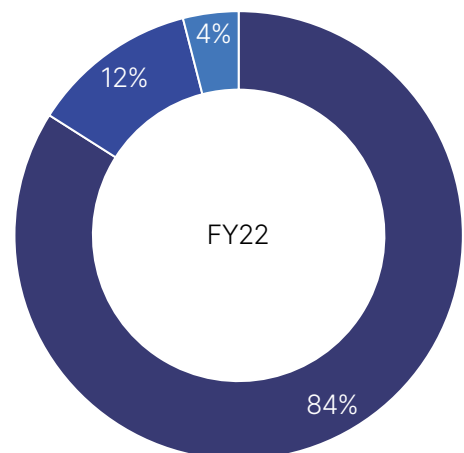
### The mobility market is on a high-growth trajectory<sup>1</sup>

\$ billion



### Tier distribution

■ Top 7 ■ Next-15 ■ Rest of India



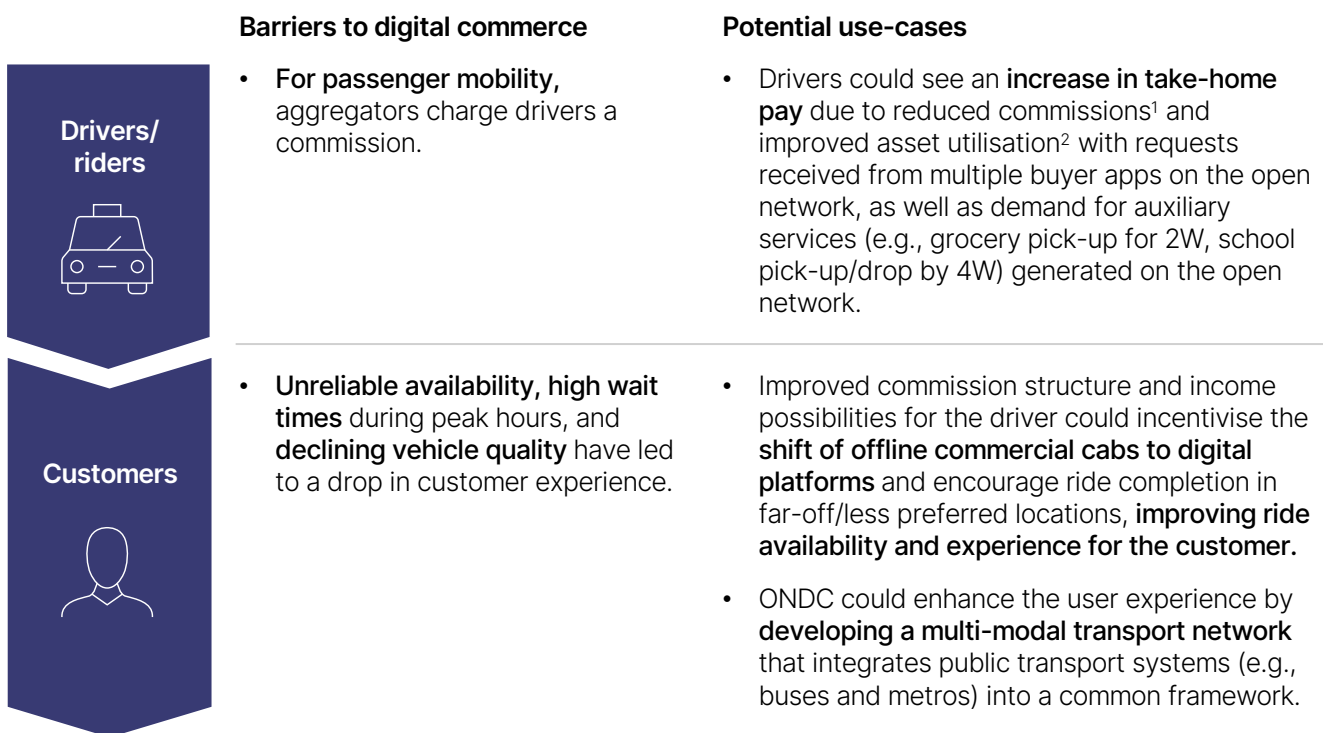
<sup>1</sup> COVID-19 led to a sharp contraction in the market both from a demand and a supply front.

Despite these challenges, the rise of shared mobility services and the growth of the 2W and 3W segments have made transportation more affordable and accessible, particularly for consumers unable or unwilling to buy and maintain a personal vehicle. In the future, demand is likely to continue growing, especially with demographic segments such as millennials—50 percent of whom prefer to book well-maintained taxis online than to own a car. The need for flexible and on-demand transportation could spur the growth of the organised-cab and shared-mobility segments.

Mobility is supply constrained, with a deficit of cab drivers. While the mobility industry has focused on technology to improve the customer experience, there is scope to do more to improve the driver experience, in addition to ongoing initiatives such as frequent settlements, the go-home feature that allows them to get rides in the direction of their home, etc. A network that empowers drivers could improve the mobility ecosystem, and the experience for riders and drivers.

The open network could allow for an integrated ecosystem across sectors to create a seamless journey experience for users (Exhibit 2).

## Barriers to digital commerce and potential solutions from ONDC.



<sup>1</sup> Synergies with existing functions for buyer and seller apps could reduce the need for high take-rates to maintain the same EBITDA as incumbents.

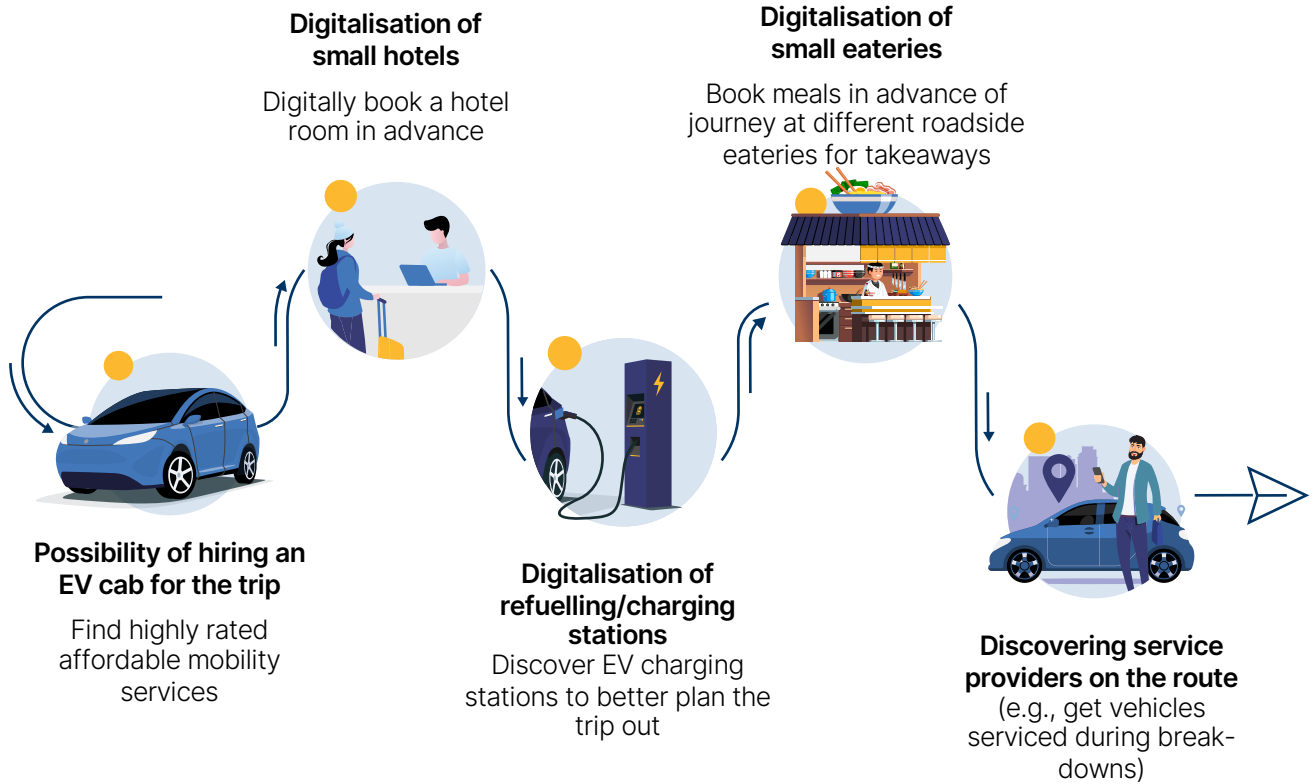
<sup>2</sup> On average, the idle time faced by a driver is 25-35% and the gross asset utilisation is 65-70% with 10-20% spent in dead run (arrival and wait times).

## New possibilities: ONDC could transform India's mobility sector and give rise to a journey-focused ecosystem.

Illustrative



Deepak wants to take his family on a road-trip from Delhi to Mumbai. He logs on to a buyer app that focuses on trip planning. It helps him map the entire journey.



# Four considerations to shape digital commerce in the **mobility** sector

## 01

### Create an enhanced user interface and user experience

Buyer apps will need to enhance the current user interface and experience (UI/UX) by developing a single app for travellers to purchase different mobility services and access various public transport networks. Widespread adoption of this app would provide an early use case for scale.

## 02

### Invest in digitalisation efforts

Seller apps will need to manage the onboarding of taxis and autos onto the network, including developing adequate technology and algorithms to bring offline cabs into the digital fold. Doing so would require investment in optimisation technology and the onboarding of new partners.

## 03

### Ensure support for the ecosystem from transport authorities and the government

Public transport authorities could support digitalisation efforts and enable integration across modes of transport, while making sure that the system complies with existing fare structures and regulations. Local and state governments could partner with unions that have state backing, thus providing support and resources to integrate the taxi and auto industry with the network.

## 04

### Build a support system for the driver

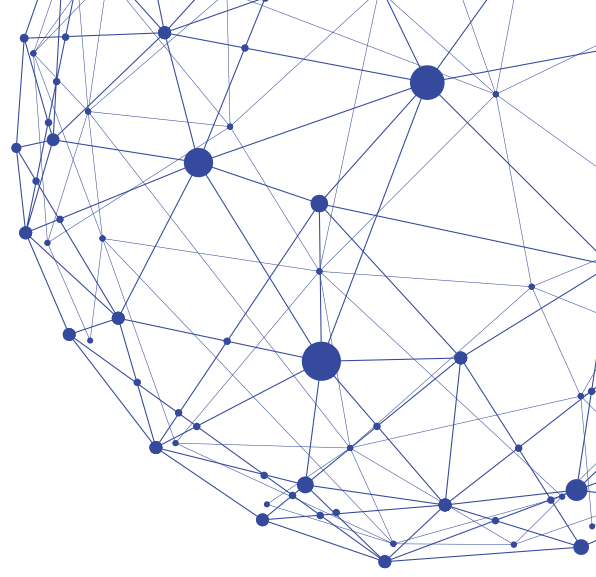
A powerful way to bring more drivers on board would be to develop a supportive ecosystem that addresses their pain points—this could include an improved app, financing programs for cars, health insurance for families, education loans, and admission support for their children.

Mobility is a continuous need and priority in a nation of more than a billion people. Early wins with Namma Yatri have shown the opportunity to seamlessly digitalise the ecosystem.









# Getting on board with ONDC

**O**NDC holds the potential to create open, inclusive, and competitive marketplaces in the virtual world. It will be important for companies to carefully evaluate the options available to them as they consider entering this space. This could help them to identify plays that maximise benefits from the immense opportunities unlocked by the open network. As company leaders look to make the most of the opportunities ONDC offers, they could explore the possibilities across two themes.

First, they could determine which use cases have potential to scale fast and which would take longer to yield results. And second, they could evaluate where they are best positioned to play—through the lens of the market opportunity, their own capabilities, and the consequent feasibility of investing in specific use cases. This could support them in making the most relevant investments to achieve their company's strategic objectives.

## Assessing scalability

As a market maker keen to create and democratise opportunities for all participants, ONDC could catalyse a range of business opportunities in the short, medium and long term (Exhibit 3).

This answer emerged after analysing three indicators of potential to scale:

- Short term: Digitisation of existing hyperlocal goods and services
- Medium term: Scaling up and innovating in D2C businesses
- Long term: Digitising new use cases for ONDC-first business models, especially in B2B

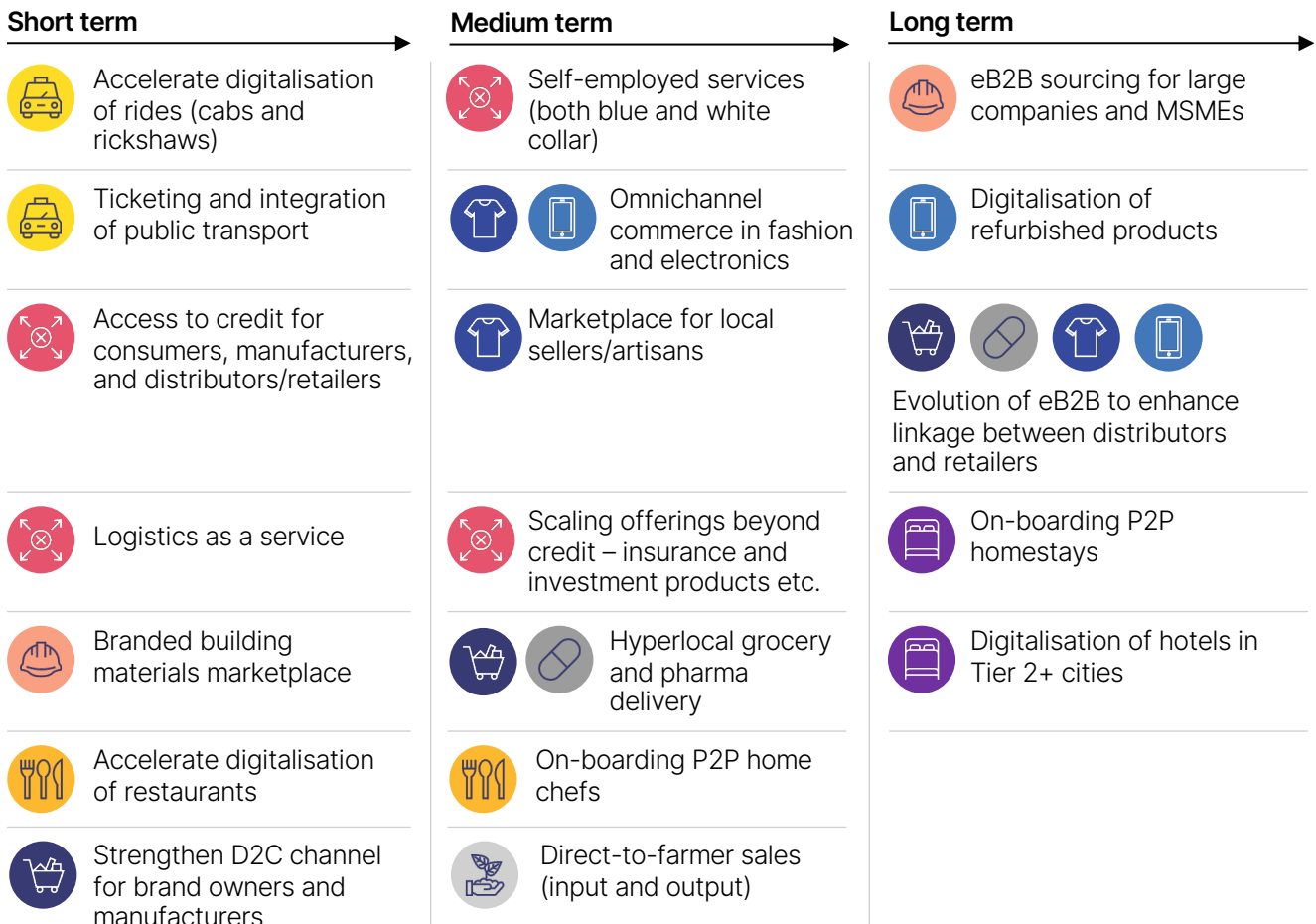
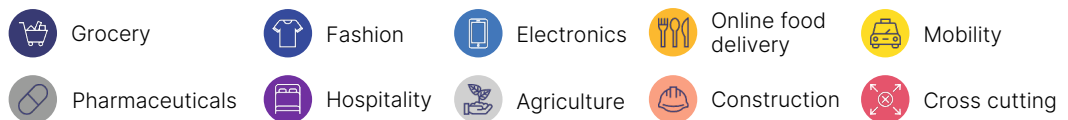
As companies think about use cases they could prioritise, it would make sense to look at their options through three lenses:

1. The use case should solve an unsolved problem.
2. It should have a ready ecosystem (for example, digitalised supply chain, standardised goods and services, or ease of logistics and fulfilment).
3. It should be economically viable.

Exhibit 3

## Use cases in the short term could prove the most beneficial for driving early adoption and scale.

Not exhaustive



## Identifying the best-fit use case for a company

Companies looking to develop innovative business models that tap the open network can examine the opportunity against two considerations: how to participate immediately in a fast-developing space, and how to reimagine their business for an open network and its possibilities.

Businesses need to zero in on the most relevant use cases that map to their chosen stance as a shaper or a fast follower. They can accordingly identify a pool of investable resources to help them pursue the opportunity.

If the collective investments of companies across industries can support the expansion of ONDC, they could unlock the full potential of digital commerce for buyers, sellers, third-party providers, and India as a whole. Companies and entrepreneurs must carefully consider several strategic questions:

- **Evaluate the opportunity.** How will an open network disrupt the sector? What is the problem that it will solve, and for whom? Which are the most relevant use cases for the business? What are the

potential benefits of addressing this problem? What are the potential risks and challenges in implementing these use cases?

- **Identify the capability required.**

Which role (e.g., seller, buyer, tech service provider, etc.) is the company best positioned to play? What are the key capabilities needed to execute the use case? What are the resource requirements (for instance, people, time, or money) in building out these use cases? How should governance be managed, including engagement with the ONDC core team and network participants?

- **Evaluate feasibility of the use cases.**

When should a company decide to implement or pilot a use case? Should the organisation be a leader or a fast follower? What are the feasibility considerations for executing the use case (for example, market, financial, or legal)? What should be the pilot structure for prioritised use cases including the initial investment and scale-up milestones?

ONDC presents a unique avenue for India to revolutionise its digital commerce landscape and set an example for the world, much as it did with UPI. With vast potential for a robust buyer and seller ecosystem, ONDC represents an opportunity that arises once in a decade. Stakeholders—government, industry players, and consumers—can determine how to seize this ‘tech-ade,’ putting their best, most innovative selves forward to democratise digital commerce for all.

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