

# DIGITAL LEADERSHIP

## **Hailo: Digitally Disrupting a Traditional Market**

An interview with

## **Ron Zeghibe**

Co-Founder and Executive Chairman of Hailo





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### What is Hailo?

Hailo is a London-based company. It offers a network that matches passengers with licensed taxi drivers, using a mobile application. The application has two distinct parts – one app dedicated to customers where they can hail a cab, and make payment. The other app is for drivers acting as a dedicated social network, through which they can also accept passenger requests for pick-up.

### Hailo's Origins

**Capgemini Consulting:** How did it all start?

**Ron Zeghibe:** Hailo was founded by six individuals – three business entrepreneurs and three cab drivers. Both sets of individuals came with their own distinct value-add to the table.

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Two of the three founders were earlier involved in a company called eCourier. It was in the business of same-day delivery. eCourier allowed the courier to track and keep control of their dispatch messages more efficiently using GPS. They also were able to message through an optimization algorithm regarding the allocation of work, so that the courier could be en route doing a job. It was fairly complex to do that well, in a dynamic way, but eCourier built a system doing exactly that. The challenge was that the courier business had been badly hit by the advent and popularity of e-mail and was shrinking.

I was introduced to Jay Bregman – one of the founders of eCourier and current CEO of Hailo – in 2010. We soon realized that the algorithm used for eCourier was a great asset. And the right market where it could be applied was personal transportation.

*“We had to find a different approach as we were the 6th or 7th mobile application in the market.”*

The other set of three, Terry, Russell, and Gary (the three taxi drivers who are part of the founding team) had been trying to get a business of their own going for two years before we met them and knew the taxi business inside out. Their business was called Taxilight and it had been struggling. But they were successful in recruiting drivers and already had about 800-900 drivers when we met them.

All six of us met at a café on Charlotte Street one morning in November of 2010. We hit it off instantly, discussing how we could use technology to fundamentally change the taxi market.

*“Our cab driver co-founders believed we first needed to create a system that works for the drivers. So, we started to build up the supply side of this two-sided market.”*

The insight that our three cab driver co-founders had was that we needed to talk to drivers and create a system that works for them. We had just the right technology for creating it.

**Capgemini Consulting:** You have taken a very different approach to most other cab applications by choosing a supply-side focus. What was your thinking behind this?

**Ron Zeghibe:** We wanted to erect a barrier to entry. However, that couldn't be the customer application. There are only so many features that you can offer customers. All of our competitors placed a strong focus on customers and created apps that are clones of one another. Everybody wanted to lock-in customers. It had become a me-too race. We asked ourselves, what is the real barrier to entry in this market? What is the competitive advantage you could build? If it is a first-mover-takes-all market, how can we move into the major cities of the world where there are 4 to 5 players already? We had to find a different approach. This is where our cab driver co-founders stepped in with their insight. They believed we first needed to create a system that works for the drivers. So, we started to build up the supply side of this two-sided market.



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*The app is almost like a Facebook for cabbies.*  
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## Differentiation & Growth

**Capgemini Consulting:** How did you manage to convince drivers to join Hailo?

**Ron Zeghibe:** Drivers face two key issues: get efficient at making money, and reduce isolation. We wanted to address both these pain points.

A key challenge drivers face is to become more efficient at making money. One way of doing this is to maximize occupancy. We originally estimated that cabbies drive around 40% of the time empty. But our conversations revealed that most drivers are empty over two-thirds of the time. So, the idea was to offer them jobs in exchange of a small fee.

We use analytics extensively to help our drivers get a better view of available jobs, how to get to those jobs efficiently, and to track their own performance over time. The app gives drivers real-time traffic updates so that they can be more efficient when getting around town. Today, we have close to 5,000 cabs on the road in London on any given day; so, the meta-network feeding that information is pretty good. There is a 'Burst' alert that other drivers can send out when there are multiple jobs available in a given area. Any driver who is using Hailo, and is nearby, automatically receives a notification, helping drive occupancy.

We have even put in a complete logbook that drivers can fill with information about each trip, whether it is through

Hailo, or not. The app allows drivers to measure the percentage of time they are occupied, the amount of diesel they are burning per day, earnings per hour, etc. It also helps drivers set daily personal targets and compare these statistics over time. The app also provides them access to back-end analytics, helping them build a statistical profile of their utilization.

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The second issue is that a taxi driver's life is relatively lonely. At the same time, taxi drivers are a very closely-knit community. We wanted to create a more social environment within the app, build something that would engage drivers, irrespective of whether we gave work to them or not. The idea was to make a sticky service. The app comes with a newsfeed where drivers can update their status and share information with other cabbies. It is almost like a Facebook for cabbies. Drivers can designate a group of their best friends who are drivers. They can then track where they are and they also have a chat function. It's a sticky feature that ties drivers together.

**Capgemini Consulting:** How have you been able to make Hailo a better commercial proposition for drivers as compared to traditional cab services?

**Ron Zeghibe:** If you are on radio taxis, you pay between £45 and £65 a week for being on the system, and you must pay it upfront whether you get a job or not. And so, it is your risk whether you get your money back covering that. And, of course, for the middlemen i.e. the cab services, it was easy money. They wanted to log the driver on their system to get a flat fee every week and charge a 20% overhead, which is wonderful cash flow for them. Our objective was to take out the inefficiencies in the traditional cab hailing market.

The key principle behind our proposition that drivers find beneficial is zero subscription fees. New technologies enable us to have a disruptive low-cost model. We realized that with the new technology and computing power of smartphones we could avoid the cost of installing expensive GPS-tracked mobile display units. We do not offer any hardware to the drivers. The only hardware involved in our system is owned by the drivers, their smartphones. We help drivers get great deals with phone companies, but that is the extent of our involvement. Traditional companies also have to invest in a call center for driving the allocation of cabs. We have eliminated the need for an expensive 24/7 call center with our algorithm. Our technology takes care of optimization, thus doing away with the need for having a dedicated call center.

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*Four months after the usage of Hailo, one driver saw occupancy level increase to 47% and earnings shoot up by 50%.*  
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**Capgemini Consulting:** What impact has Hailo had on the drivers who have signed up?

**Ron Zeghibe:** Most of the taxi drivers I was talking to said they traveled without passengers two-thirds of the time. Four months after using Hailo, some of them experienced steep rise in occupancy and earnings. There was this one driver for whom the occupancy level had gone up to as much as 47% and earnings shot up by 50%. They were just as astounded at the dramatic impact it had on the bottom line. Once you cover your costs, it's geared towards profit. Hailo just keeps feeding them work and charging them 10% for each ride. It makes their lives a lot easier and more efficient.

**Capgemini Consulting:** How about passengers? What is the proposition for them?

**Ron Zeghibe:** First of all, we have reduced the waiting time considerably: on average, Hailo passengers wait four minutes to get a cab wherever they are in London. Also, unlike other taxi services that keep the meter running during the waiting time, we give customers a full five minutes waiting time – without charge. We wanted to give customers an easy way of experiencing this value-for-money product. The app we created

is really simple to use. Before Hailo, two-thirds of London cabs couldn't process a credit card. And because of the 12.5% surcharges for paying by credit card, most passengers paid by cash. In fact, 99% of payments were through cash up until 18 months ago. When we launched Hailo, our app provided customers with a credit card payment option. Customers can register their credit card details on the app and pay with a tap directly from their phones, thus saving time.

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*We should have close to half a million registered customers in London alone by the end of this year.*  
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**Capgemini Consulting:** Could you give us an idea of the sort of growth Hailo is witnessing?

**Ron Zeghibe:** We should have pretty close to a half a million registered customers in London alone by the end of this year. Our presence in Dublin is still growing — we're adding 2,500 new customers every week. Dublin would be a massive business by itself, already on track to bring in \$35-40 million.

In London we have drivers signing up at a very rapid rate as well. During the period from the second half of last year until early this year, we were signing up to 1,000 drivers a month. We've got a little over 60% of the cabbie populace

onboard in London and we are still adding 70 to 100 taxi drivers every week.

**Capgemini Consulting:** Tell us a little bit about your marketing efforts.

**Ron Zeghibe:** We recognized early on that a key challenge for us was to get people to try it once. As such, the brand itself was a very important part of getting the marketing effort right. In this context, getting the right imagery upfront, the coloring and all that and then sticking to it became fairly critical. We also devised a fairly efficient way of making our presence felt across London. We gave out small stickers to our cab drivers. For drivers who have more than a plain sticker, we pay them a nominal amount, but most drivers are happy to have the basic sticker because it's a cool thing to be associated with. We also empowered our drivers to reach out to prospective customers with coupons for their first Hailo ride. Such efforts have helped us to generate significant word of mouth, which we have then amplified using our presence on social media.

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*We have over 60% of London's cabbie populace on-board and are still adding 70 to 100 taxi drivers every week.*  
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## Operations

**Cappgemini Consulting:** How industrialized is your operational model? Have you faced a need to alter your model and pricing strategy across the world?

**Ron Zeghibe:** What we realized is that a one-size-fits-all solution probably would not be as effective although there are certain scaling advantages. In London, for instance, the payment model is what the driver pays. In most cities in the US, however, the customer pays a small flat-rate hailing fee. Indeed, in the US, average fares are relatively low – \$12 in New York against \$25 in London – making it harder for drivers to make a decent living. So, what we do is we charge the customer because the real problem in Boston or New York is getting a cab and the customer is willing to pay a little bit extra for the ease of service.

When you go out to Asia, the average fare is between \$2.50 and \$3. So, if you want to be in those markets, you better have a different model than a 10% fee. What you are really playing on is massive volume, so maybe taking 25 cents from every customer every time they hail a cab works out to be a better business model.

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**Cappgemini Consulting:** How do you select new markets to launch Hailo?

**Ron Zeghibe:** Well, what we are doing is to test three templates in relation to the choice of markets.

There are, clearly, global gateway cities, and the biggest ones are London, New York and Tokyo. Then, there are other, if not massive, cities that are still major gateway locations — Singapore, Hong Kong, Dubai, Barcelona, Beijing and Shanghai.

Then there is what we call national cities — cities of significant importance and size that are important markets in their own right and could perform effectively as a hub. Some of the cities we have already picked — Dublin, Chicago, Toronto, Washington D.C. — are probably instances of some of these cities.

Then, finally, you would have what we call our satellite cities, and that's where a city like Cork fits in. While there is no office in Cork, we are using Dublin as our base to support all our functions. The only key thing to our principle is that we have a team of local driver partners. So, our drivers from Dublin went to Cork and recruited the guys there. The founders went over there and started talking to all the drivers and created a real buzz. With Cork, where there are 1,400 cabs, what we are demonstrating is that actually a city, even of that size, with those kinds of taxi numbers, can be efficiently run from Dublin with the driver support there.

**Cappgemini Consulting:** With Hailo going global, how do you steer and monitor growth across different regions?

**Ron Zeghibe:** We have hired highly experienced senior managers to run operations in our key geographies. Tom Barr, who runs North America, joined us at the beginning of the year and was

previously the Vice President – Global Coffee for Starbucks.

Our Asia operations are being led by Fujii Kiyotaka. He has worked with SAP and LVMH Japan and grew them strongly.

The guy who is running Europe for us, Colm O’Cuillanean, launched our operations in Dublin. It is our most successful city and he made us profitable in just 7 months.

## Technology & Hailo

**Cappgemini Consulting:** Most of your technology design and development is done in-house. Why did you choose not to outsource your coding and development tasks?

**Ron Zeghibe:** It was very clear that if we were going to continually innovate, launch in new cities and keep scaling, we needed control over our technology. It's not that we think it's our unique selling proposition; it's just that you need to be nimble, you need to be able to move, and you need to be able to respond quickly and fix things. We are a tech-led business. We have 175 people, but some 80-odd people are engineers.

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## Gazing into the Crystal Ball

**Capgemini Consulting:** So far the emphasis has been on the network, the scale of economies around the brand, the platform, the algorithms, localization etc. Are you going to push the model to a new dimension or is it more geographic expansion that is going to get you to the next level?

**Ron Zeghibe:** Both! For a network to start demonstrating its power, it has to have the breadth and size as well. So, the stronger the network becomes in terms of customer base, the better our services and the more global in nature they are. The opportunities to then develop other services, particularly mobile services, become more compelling. They really go hand-in-hand. 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

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for preferential deals for our customers, thereby enabling us to add more value.

Right now, however, we have to do much more to build up our network. I think there are another two to three years of dramatic growth, geographically, while we continue to flesh out what the shape of that is.

**Capgemini Consulting:** What are the key lessons you've learnt in your Hailo journey so far?

**Ron Zeghibe:** We understood that if we want to apply new technology to an industry, we needed people who knew the industry inside out. Listening to such people and using their insights to build the DNA of the business is

paying huge dividends for us. We are now in a position to go into any market against incumbents with a fair chance of overshadowing them. And, as we get bigger and stronger, that will only become more compelling and have a real snowballing effect. We are not there yet but given that we have been fully operational with customers for only 18 months, we have made a lot of progress in a short period. While we are pretty much delivering all that we promised, we are by no means resting on our laurels.

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## Ron Zeghibe

Co-Founder and Executive Chairman of Hailo

Hailo is a London-based startup with a smartphone application for booking taxis. The company has, in the past year, expanded rapidly into various cities globally using a combination of technology and local market knowledge. Capgemini Consulting spoke to Ron Zeghibe, Founder and Executive Chairman of Hailo to understand how Hailo is using digital technologies to disrupt the traditional taxi market.

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