

## **PATHAO: A tech start-up that shook Bangladesh**

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### **ABSTRACT**

“Design-reality gaps” had been a topic of discussion for very long among the tech enthusiasts and academics. The concept entails the challenges of using Information Technology to provide solutions for the emerging markets. While the technological advancements have brought tremendous benefits to the high-income consumers in developed countries; developing countries have been looking for innovative models to deal with their numerous social and infrastructural problems. The gap is therefore in designing solutions that fit into developing world reality. “Pathao”, one of the fastest growing ride hailing services from South East Asia seemingly found the sweet spot. Over the past few years, it has grown from a small startup to an organization that is currently valued at approximately \$100 Million USD. Ascending from a parcel delivery service, it escalated to a ride-sharing business and has brought a major revamp in the lifestyle, as well as the economy of Bangladesh, Asia’s emerging tiger. Dhaka, country’s capital city had been dealing with dismal traffic system that eats up 3.2 million working hours per day with significant contribution to air pollution. But, Pathao has brought a stride of change to this by revolutionizing the use of motor bikes. This article investigates how Pathao’s smart and proactive business strategy has helped them fight against international powerhouses like Uber, and successfully contributed to the solution of public transport problem in Bangladesh.

**Keywords:** Value co-creation, Tech-startup, Ride hailing services, Startup, Innovation, Gamification

### **INTRODUCTION**

Pathao is a Bangladeshi tech start-up that was established in the year of 2016. Within first three years of its operation, the company has grown exponentially. The mantra behind Pathao’s success has been a business model that tapped into a market suffering from supply-demand gap in its urban transportation system. That too in a country where traffic congestion issues affect daily commute of millions. Initially a logistics service provider for online stores, Pathao’s growth has catapulted because of its expansion into the ride-sharing industry of Bangladesh; an industry that has grown manifolds alongside Pathao’s growth. But, the most valuable aspect of Pathao’s success story is the impact it has brought upon the lives of the commuters of the megacities in Bangladesh. Because of the severe traffic congestions, life was often at standstill for a huge portion of the city dwellers; notably for those, who availed the public transportation. Pathao offered the city dwellers a new form of relief from this issue, and the impact had been so significant that Pathao has traversed from being just a company name to a verb for the local people, akin to how Google is now considered a verb.

This paper aimed at analyzing the success story of Pathao, to extrapolate the factors that had been vital for the growth of a company from a small start-up to a local giant. Pathao is one of the instances in which the level of innovation and the time of entry has been spot on, acting as the primary factors. Along with these, a continuous emphasis on service quality enhancement, successful branding, the socio-economic contexts and the ceaseless passion of the founding trios had been critical driving forces for the company’s success.

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A detailed analysis of the company can be found in the chapter entitled Company Background which also details out the various services provided by the company. Followed by a timeline of the company's evolution over the span of its operating years, discussed in detail in Evolution of the Company chapter. In the following chapter, we have analyzed the socio-economic as well as the environmental context of the transportation sector of Bangladesh to derive detailed insights that would lead us to a better understanding of the success factors that had been vital for the company's growth. Utilizing the insights obtained from the previous sections, we have derived the core success factors that were vital for the company's tremendous success and exponential growth. However, the company still has very important challenges that it needs to overcome. Challenges chapter discusses the major roadblocks for Pathao in coming times. And, in light of these challenges, we have suggested a few recommendations in the following chapter, that we believe, will protect and sustain the upward trajectory of the organization

The surge of on-demand services around the globe following the tremendous acceptance of Uber has impacted transportation services globally. Such impact demands investigation and analysis. Investigating value co-creation in Self Service Technology industry (Uber and Pathao app, for example) can provide practitioners with important insights into further service improvement. The whole spectrum of value creation is different for on-demand services as the value delivery happens not directly between the consumer and service provider but with the help of a mediator. The mediator here is an application enabled by a smartphone. Therefore, it is important to understand value delivery and value-in-use (Grönroos, 2011) under this new circumstances. This paper, investigates into the success story of Pathao in an aim to provide valuable insights for the practitioners in that regard.

A key objective of this paper is to shed light on how Pathao, despite being a follower in the on-demand ride sharing industry, put forward a business model adaptive to the realities of Dhaka, one of the fastest growing megacity in Asia with abysmal traffic system. These insights could add value to the practitioner's understanding of how to build peer-to-peer solutions that necessarily cater to mass market in developing economies.

This paper's recommendation section put forward some suggestions for Pathao's service development with extensive references from literature. This is a novel attempt by the authors since there are almost no literature in this regard.

## **COMPANY BACKGROUND**

### ***The Beginning***

Pathao, the fastest growing tech startup in Bangladesh started its journey as a logistics service provider. Latching on to the growth in e-commerce, Pathao expanded to bike ridesharing, car ridesharing, food delivery services, delivery logistics provider and parcel services. Headquartered in Dhaka, the ride-sharing platform is one of the fastest growing startups in Bangladesh serving more than three million customers. It has grown from a team of 30 people to over 500 in just a few years. Pathao claims more than 50,000 bikes that are a part of its ecosystem spanning across five major cities of Bangladesh. Currently, it handles more than a million rides and over one hundred thousand deliveries each month (Russell, 2018). The company has now become a digital lifestyle platform, a "super-app", offering multiple services that tackle everyday problems. Ascending on the local success, Pathao went beyond the borders of Bangladesh and expanded its operation in Nepal in September 2018. This is the first time that a Bangladeshi ride-sharing platform has launched operations beyond its borders (Antara, 2018).

### A look into Pathao App

Pathao uses peer-to-peer ridesharing technology. Peer-to-peer ridesharing which is also called dynamic ridesharing or on demand ridesharing is a service that operates to arrange one-time shared rides on a very short notice. In simple words, it is a digital interface that connects drivers and riders on demand via platforms such as mobile applications and websites (Geron, 2013). It's an example of shared economy and shared mobility. They take advantage of the recent advanced technologies to run their operations. First, GPS navigation devices are used to determine driver's route and manage the ride. It even caters through routes that are not covered by public transports, so GPS plays a big role. Smartphones are the middle devices that are used to share the information. An efficient optimization algorithm is the key for making it happen (Ecosummit, 2011).

Pathao app operates in a simple 5-step process. First, the rider opens the app, sets the desired destination and chooses the types of ride he/she is looking for. Then a nearby driver gets notified and he/she accepts the ride. On the next step they meet and starts their journey, the platform suggests their routes for fastest and safest travel. After reaching the destination the rider pays in his/her preferable method. On the last step, the rider shares opinion and suggestions about the ride on the platform.

### BUSINESS PORTFOLIO

The following business canvas model summarizes Pathao's business model:

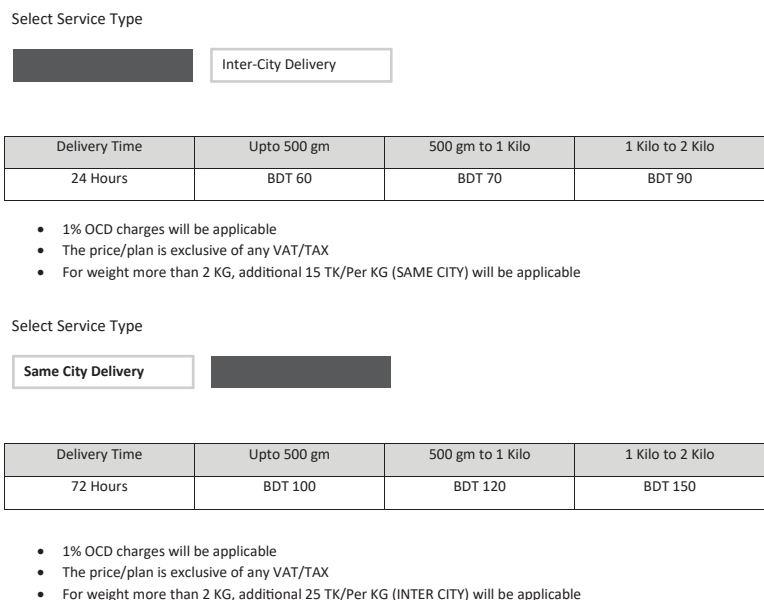
<p><b>Key Partners</b></p> <p>Drivers with their motor bikes, cars and bicycles</p> <p>Restaurant owners</p> <p>Payment processors</p> <p>Investors</p>	<p><b>Key Activities</b></p> <p>Product development and management</p> <p>Customer acquisition</p> <p>Hiring drivers &amp; delivery men</p> <p>Managing payouts</p> <p>Marketing and promotional activities</p> <p><b>Key Resources</b></p> <p>Skilled drivers</p> <p>Technology</p> <p>User friendly all in one service app</p>	<p><b>Value Propositions</b></p> <p><u>CUSTOMERS:</u></p> <p>Fast transportation service at affordable price</p> <p>Minimum waiting time because of huge availability of riders</p> <p>Fast deliveries with minimum charges</p> <p><u>DRIVERS &amp; DELIVERY MEN:</u></p> <p>Flexible working schedule</p> <p>Incentives and bonus for fulfilling targets</p> <p>Easy payment procedure</p>	<p><b>Customer Relationships</b></p> <p>Social Media</p> <p>Rating system</p> <p>Instant Feedback system</p> <p>Customer support</p> <p><b>Channels</b></p> <p>Mobile App for Android</p> <p>Mobile App for ios</p> <p>Website</p>	<p><b>Customer Segments</b></p> <p><u>CUSTOMERS:</u></p> <p>Those who do not own car or motorbike</p> <p>Those who want to avoid traffic jam</p> <p>Those who don't have enough time to prepare foods home</p> <p>People who want to send parcels at fastest possible time</p> <p><u>DRIVERS &amp; DELIVERY MEN:</u></p> <p>People who have own motorbike or car and want to earn money</p> <p>People who want to work part time and earn money</p>
<p><b>Cost Structure</b></p> <p>Salaries to Employees</p> <p>Marketing and promotional expenses</p> <p>Technological infrastructure</p>		<p><b>Revenue Streams</b></p> <p>Motorbike/car rides on per km/Mile basis</p> <p>Surge pricing</p> <p>Food, parcel and items Delivery charges</p>		

Figure 1: A business canvas model for Pathao

### Pathao Courier

Pathao was initially founded to provide logistical services to the e-commerce or f-commerce stores. The popularity of their e-commerce service was on the rise as the company's promise of delivering products to the clients in a comparatively quicker pace was kept intact by the usage of convenient transport means, such as motorbikes and bicycles. Pathao is constantly expanding its courier business which is evident through its presence in 54 out of 64 districts of the country. Its promise of ensuring delivery within 24 hours in the same city and 72 hours in the intercity has enabled it to partner with more than 3000 businesses around the country.

Additional services such as cash on delivery and reverse logistics which allow customers to return their ordered products, have made Pathao courier stand out from the competitors. On top of that, Pathao has always focused on competitive pricing to stay atop of its competitors. A 500-gram parcel delivered within the same city costs BDT 60 and within the intercity costs BDT 100. For other category of products in terms of weight, the difference is only BDT 40-60. Figure 1 shows the cost of courier services in Bangladesh.



**Figure 2:** Cost of courier services in Bangladesh (Pathao, 2019)

### *Pathao Rides*

Pathao started its ride-sharing service with a tagline ‘Moving Bangladesh’. Initially, it started with just 100 bike riders, and now they have more than 100,000 riders across the country providing a more convenient means of transportation to the mass people (Nasdaq, 2018). Pathao’s ridesharing services help people beat traffic and reach their destination right on time at an affordable price. In 2016, ride-hailing tech companies stormed Bangladeshi market with Uber and Amar Ride launching services in Dhaka. However, Pathao’s superior business model has made it more successful and popular. It appears that Pathao’s success was noticed by Uber because in the final quarter of 2017, Uber launched UberMoto – adopting a similar model of motorbike hailing service that Pathao provides (IDLC, 2018).

### *Pathao Bike*

The startup’s most popular service to date is its motorbike sharing, which users can seamlessly access through its smartphone app. The service has overtaken taxi and CNG auto rickshaw rental services by offering its customers a better way to weave quickly through the notorious traffic jams in the megacity of Dhaka. A culture of motorcycle taxis didn’t exist before Pathao came into being. According to urban transport experts, the speed of cars is as high as (18.3km/h) during the morning but as slow as (10.7km/h) after the evening. Therefore, an average speed of 14 km/h can be estimated. The bike is the fastest mode of transportation, which can go as fast as 16 km/h. It indicates that a commuter taking a bike ride sharing service can reach the desired destination a lot earlier than by a bus, car or CNG. A comparatively hassle-free ride-share bike user spends less than BDT

150/trip (IDLC, 2018). Pathao motorbike sharing service is available in 5 major cities in Dhaka and in Kathmandu, Nepal.

### Pathao Car

Pathao’s ridesharing services in Bangladesh offer Car Plus for those who want to travel in complete comfort and Car Lite to those who are on a tight budget and are looking to travel conveniently at cheaper rate. A ride-share car user spends some BDT 300/trip (IDLC, 2018). Pathao Car has created a unique space among its competitors because of its comfortable rides with a competitive price. Pathao car service is currently available in only 2 major cities, namely Dhaka and Chattogram. Figure 3 shows a comparative cost structure between two industry giants Uber and Pathao.

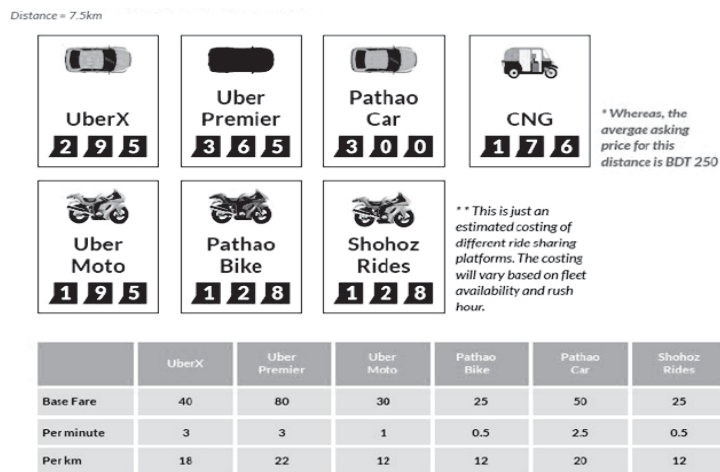


Figure 3: Cost comparison between Uber and Pathao

### Pathao Food Delivery Service

Pathao food service has become a big hit, thanks to its city-wide coverage. Pathao is the leader with 80% market share of food delivery service, leaving behind giant companies like HungryNaki, Food Panda, and Uber Eats (Islam, 2019). The company partnered with 3000+ restaurants across the capital, guarantees delivery in an hour. Around 20,000+ orders are currently delivered around Dhaka every day. Each delivery on an average costs Tk 50 to Tk 70. Thus, the delivery channels make at least BDT 1 million a day (Islam, 2019). The number of orders is increasing 10 times every year.

### Pathao Parcel

Pathao introduced its messenger service “Pathao Parcels” in 2017 with a promise to deliver packages within three hours in Dhaka city. The parcels delivered are restricted into 12 inches x 12 inches x 12 inches in dimension and two kilograms in weight. Users have to specify the type of products they are delivering from a set of given categories. A nearest Pathao rider will arrive at the doorstep to pick up the product and deliver it to the receiver within three hours for BDT 135 (up to 7 km) and BDT 15 (for every extra km). In a city with paralyzing traffic, city dwellers breathed in comfort acknowledging this service by Pathao. The service can be availed from 9 am to 7 pm every day except on government holidays.

### Pathao Pay

Pathao has always been a step ahead of the competitors in terms of technological advancement and usage. Pathao in 2018 started its Digital Payments platform, through which customers can make payment using Credit cards, ipay and bKash (Pathao, 2018). Partnership with bKash and card issuing banks have given a new edge in the business model of Pathao. Customers can choose any of them to make payment instead of cash.

Initially Pathao Pay was designed as a digital wallet where customers can top-up money and use credits to pay for Pathao services. However, Bangladesh Bank, the central bank of Bangladesh declined their proposal. Hence the wallet was closed in a very short period of time and later on introduced it only as cashless based payment platform.

### Pathao Tong

Pathao Tong was introduced as a shopping service where Pathao users could buy anything from beverage, Sanitary Napkin to daily necessities and get it delivered to their doorsteps. It can be considered as an ecommerce market place. The sellers of different products are aggregated, in some cases other e-commerce sites, and enables its customers to shop using the same app they use for other purposes such as transportation, deliveries and sending parcels. This strategy is helping Pathao achieve four goals:

1. Giving its existing user base one more reason to keep using Pathao app
2. Building a strong moat
3. Improving earning per customer
4. Growth

Though the operations of Tong are focused on some selected areas like Bashundhara, Dhanmondi and Gulshan, it has plans to make the service available to other cities after creating the ecosystem of e-commerce (Kader, 2018).

## EVOLUTION OF THE COMPANY

Since inception, Pathao has gone through a number of changes. The Changes include business expansion, strategic alliance with one of the biggest bike sharing business in the world, evolution of the user interface and so on and so forth. Figure 3 presents a comprehensive look at the company's evolution.

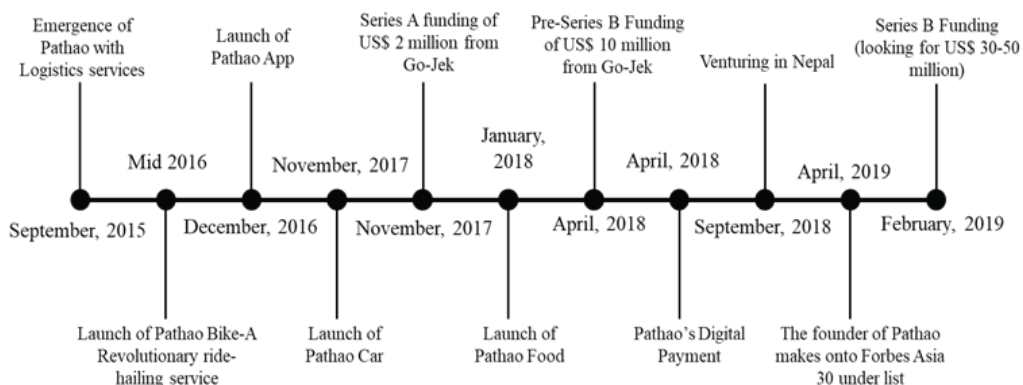


Figure 4: Evolution of Pathao: A timeline

### ***The Initiation***

Pathao Founder and CEO Hussain M. Elius along with the co-founders Shifat Adnan, and Fahim Saleh started a Facebook group to provide delivery services to their friends in 2016. The founders wanted to do more with their motor bikes instead of just making deliveries. With the question in mind ‘would people in Bangladesh like to use a motorcycle as a ride-sharing option?’ they started experimenting by providing motor bike ride sharing services to the university students (Future Startup, 2018). Dhaka commuters were initially reluctant to take the service due to security concerns. They however started liking the service as Pathao continued to push people to get on the bike and take the first few rides. After introducing the user-friendly mobile application- Pathao App, its service started to draw massive attention. Since Pathao pushed its product to virtually everyone with the need for a ride, the growth was exponential. Pathao correctly identified that a huge number of price sensitive Dhaka commuters would love to avoid crammed public transports but would not be able to afford a car instead. Motorbike therefore provided the correct product-market fit and Pathao expanded very quickly. While Uber and other ride-sharing companies lagged behind to address the need of the vast majority of hard working Dhakaites, Pathao had almost more than 90% of the market share. Pathao cultivated a sense of community among its users from the very beginning which has helped build a loyal user base who not only used its services but spread quick word of mouth. Hence in 2017, when Pathao rolled out the Car service, soon after the launch of the app, its service became very popular intensifying the competition for other established ride sharing service companies like Uber.

### ***Strategic Marriage with Go-Jek Unlocked many Potentials***

Tremendous growth and huge potential of scalability of Pathao attracted investors. At the end of 2016, Pathao raised investments from Battery Road Digital Holdings, Skycatcher and a pool of other investors in its seed round (Future Startup , 2017). In the end of 2017, Indonesian ride-hailing unicorn Go-Jek invested around US\$2 million for a minority stake in Pathao (Future Startup, 2017). Strategic alliance with Go-Jek brought up technological advancements and many other opportunities. The first significant round of Series A capital venture financing for Pathao, resulted in rapid growth in multiple verticals. After the series A funding, Pathao entered into an untapped market by starting its Food delivery service operation in the beginning of 2018. While competitors had 600 restaurants over 13 areas in Dhaka; Pathao took the market with a storm while enlisting over 3600 restaurants to start Pathao Foods. Pathao beating competitors such as Food Panda, Hungry Naki and Harriken etc., became the market leader by lowering entry barrier for customers, making food deliveries affordable and increasing the availability of food from the wide range of restaurants. Using Pathao Food delivery app, consumers could order anything of any value where other platforms require customers to spend BDT 400 on an average for a regular lunch. After getting tremendous success within a short period of time, Pathao went for pre-series B funding in the second quarter of 2018. It raised around US\$ 10 million in pre-series B round led by Go-Jek, Open Space ventures, Osiris Group and Battery Road Digital Holdings at US\$100 million valuation. In the early 2019, Pathao went for US\$ 50 million to add more services such as payments and expanded its food delivery business (Aravindan, 2019). Moreover, Pathao wants to add cycle rickshaws and allow users to shop online through the platform as part of its bid to grow as a super-app, similar to strategies of China’s Tencent, Singapore’s Grab and Go-Jek (Aravindan, 2019). Pathao co-founder Hussain M. Elius was named in the Forbes 30 under 30 Asia list of 2019 (Daily-Bangladesh, 2019).

### ***Venturing in Nepal***

Pathao, in the last quarter of 2018 expanded its operations into Kathmandu, Nepal. Initially, Pathao only focused on its bike ride-sharing service to develop an ecosystem among local community. Expanding into Nepal brought success for Pathao primarily due to Bangladesh being the number one motor bike exporter for

Nepal. To create demand for the bike ride-sharing service, Pathao pushed clients from the ground level in Nepal, the similar strategy the adopted earlier in Bangladesh. Due to cultural similarities, the strategy worked just right. Go-Jek, the strategic alliance of Pathao had been extending its support to capture the South Asian market including Nepal.

## **A VIEW OF BANGLADESHI STREETS**

Bangladesh is one of the most densely populated countries in the world. Moreover, its capital city Dhaka is one of the densest megacities in the world, with around 9 million people living in the capital city (Hussain, 2018). In a city where per square kilometer houses almost 47000 people and road density per square kilometer is far from ideal, intense traffic is hardly a surprise. The traffic density has been observed to increase rapidly in Dhaka city from the middle of 90's (Hussain, 2018) due to the economic boom from that period (Sakib, 2018). With an estimated population growth of 4.2%, Dhaka is considered to be one of the most densely populated cities in the world (Hussain, 2018). While some see this as a problem, it has become a great opportunity for some businesses.

The primary forms of transportations in Dhaka include private cars, small sized buses, CNG auto- rickshaws, cycling rickshaws and taxi. It is estimated that 5,000 buses, 40,000 CNG auto-rickshaws and 400,000 cycling rickshaws take over Dhaka streets every day (Kamal & Ahsan, 2018). Despite the huge demand, the taxi industry is quite small with only two organizations operating with 350 taxis in the city (Hossain, 2014). These are not enough to cover a city with 47 thousand people living per square kilometer (Hussain, 2018). So, there's a huge gap in demand and supply, and a huge opportunity for marketers to tap into.

However, the context of traffic congestions is quite tragic in Bangladesh. According to a recent World Bank study average moving speed in Dhaka is between 7 and 8 kilometers per hour and an average car moves only 12 kilometers/hour (Kamal & Ahsan, 2018). These figures portray the degree of severity of the traffic congestion issue in the capital of Bangladesh.

Ride hailing services utilized this market opportunity to provide an innovative solution to the consumers. Uber, a global player initiated its business in Bangladesh in 2016 ( Hasan, 2017). Asia has always been a huge market for ride hailing services, according to ABI Research's newest study on mobility out of the 16 billion rides provided in the whole world by the ride hailing service providers 70% were done in Asia (Vulcan Post, 2018). Although Uber failed to achieve its desired place in the South East Asia, they had 46% market share in India (Vulcan Post, 2018) which is considered to be the third largest ride hailing market in the world. As India and Bangladesh shared almost same kind of market, they wasted no time to conquer it and did it successfully with only car hailing service. In a global perspective a private car is used only 4% of the time and on average, 50 to 60 rides a month are done (Kamal & Ahsan, 2018), the situation was not different in Bangladesh with an average of 80 trips per month. Uber faced no problem in their supply side because of all the unused cars, With high promotional discounts from the very beginning, they attracted consumers and grabbed the market very quickly. By 2017, they bagged 1.5 million users and also provided 200,000 rides ( Hasan, 2017).

Motorbikes were never used for commercial purposes in the country. About 19 percent of Bangladeshi households' own motorbikes, but it is comparatively low contrasted with neighboring countries, like India (47%), Pakistan (43%) and China (60%) (Ahmed, 2018). Local bike industry had their worst season back in 2014 because of the unstable political conditions but soon after the tax review in 2016-17, price of bikes came down and the industry experienced significant growth (Sakib, 2018). According to BRTA and Ministry of Industries, there used be 2,10,081 bikes in Dhaka city in 2010 which has jumped to 4,69,888 in 2018 (Sakib, 2018).

With successful launch of Uber in Bangladesh, they proved that ride hailing market is an industry that has huge potentials in Bangladesh. With sudden ascend of extra motorbikes in the country, it was a great opportunity to differentiate the market with a new service. Pathao did exactly the same.

## **SUCCESS FACTORS**

### ***Discovering Latent Demands***

Pathao used the right time to strike the market. They were the first to create a commercialized platform of motorbike hailing in Bangladesh. They have chosen the year 2016 which was a booming season for motorbikes. It was an entirely new concept for Bangladesh and the consumers had to be made aware of the service. This was a huge challenge, to inform consumers and to develop desire to avail the service. But Pathao achieved this feat successfully. People took it positively, compared to other non-public transports, Pathao bike was the most cost efficient (IDLC, 2018). But the most important factor was its convenience. On average, Pathao bikes travels 16 km in an hour, making it the fastest, affordable and easiest mode of travel in Dhaka city. Pathao was the first to properly capitalize on this market opportunity and gain their positioning successfully.

Another major breakthrough for the Pathao team was their food delivery service. Soon after the collaboration with Go-Jek they expanded into the food delivery industry. They appeared as a disruptor with their very innovative food delivery framework. Before Pathao, existing online food delivery services were Food Panda, HungryNaki, Harriken and a few others (Siddiky, 2017). All of them formulated contracts with local restaurants who would place their products in the delivery service provider's website/application and a representative from the delivery service company picked up the food to deliver it to the consumers after they placed an order through the food delivery app. All the food delivery services had their own fleets and employees responsible for delivering the ordered food. However, Pathao's followed Go-Jek's footsteps. Similar to its ride hailing framework, it uses a nearby interested rider who wants to deliver the food in exchange of a commission from the delivery charge. Pathao became the market leader within just three months because their model was just not unique, it was indeed more efficient (Future Startup, 2018). This innovative framework allowed them to minimize cost as they didn't require much of fixed assets while at the same time expanded the service coverage exponentially.

### ***Balancing both Side of the Equation***

Like any other ride hailing organization, Pathao's business is highly dependent on both demand and supply side. Pathao's first and differentiating business was the motor bike hailing. Supply of motor bike ride providers was dependent on two things, one was the enough supply of motor bikes and another was service provider's income. It would have been very difficult to pull off any business like this if there was not enough bike available in the city and their business model didn't promise enough income for the ride providers.

Motor bike market was down before 2015. After the tax review in 2016 the industry boomed. While annual sell of motorbike was 0.25 million in 2015, it almost doubled to 0.44 million in 2016 (Sakib, 2018). From that point growth of the industry was constant. There is a rule of thumb that whenever a country's GDP goes above 6 per cent market penetration of vehicles is expected (Sakib, 2018). This flow of motor bikes worked as oxygen for pathao.

Now country's motorbike availability was enough, but the question was, will the bike owners embrace the new concept of Pathao. CNG auto rickshaw which is the most available cheapest motorized transport in the city has on average 250-taka cost per trip while a Pathao bike costs only 150 taka per trip (Kamal & Ahsan, 2018), so the range of margin for Pathao was higher from the beginning. A Pathao driver's income is considered to be double of the local average salary (Future Startup, 2018), This lucrative earning platform should make people

interested. But this had to be communicated and Pathao did it properly. From the beginning they were in the root level to make people understand that how this can be economically beneficial for them and the above described situation backed it properly.

Currently the stable growth of motorbike industry is highly backed by the ride hailing business (Ahmed, 2018). Pathao strategically crafted the culture of motorbike hailing and concreted their supply side which is one of their unique selling proposition (USP).

Now when Pathao is done ensuring enough supply of transport, the main challenge here is to ensure a safe ride. Trained drivers and fit rides are to be offered and the selection has to be plain vanilla so that the drivers don't feel hassled and get demotivated to drive. Pathao started multiple registration and training point in Dhaka. Once a driver assures clear car papers and his own driving license, they receive training about the platform and dealing with customers.

Yearly ride fitness and other papers are checked regularly to ensure safety. Moreover, the review system bounds the drivers to behave properly with the consumers, otherwise with a poor rating they won't get sufficient opportunity of trips.

Pathao has been offering large chunk of the ride income for their drivers, Pathao receives only 20%, and the promotional discounts will not be from driver's part, they will receive full payment according to the distance and waiting time. This attracted the drivers and with profound loyalty they had started providing proper service. Also bonus on completion of certain target trips in a specific time also attracted the drivers. It created most word of mouth among the ride providers and later it was observed completing the targets has become a pride for the drivers. Through all this Pathao receives one precious thing, "brand image" to the supply side.

Another challenge of Pathao is to maintain the peak hours, especially in the morning hours when offices and educational institutions starts and at the afternoon when they finish. Pathao comes out with the same strategy to provide extra percentage and bonus to complete peak hour targets. It was quite effective and with proper supply on the peak hours, both ride takers and providers are glad.

### ***Grabbing the Attention***

"Moving Bangladesh" was the tag Pathao used to promote their brand from the beginning. Pathao used Ethnocentrism to differentiate themselves. While the industry promotional trend was only "promo codes", Pathao introduced discount on referrals. Soon after they receive their funding they started doing their core target groups, the college and university students. They started assigning campus ambassadors, who used to promote Pathao to the students of their relative educational institutions. It was a great success, not only on the demand side but also on the supply side.

Their target is not limited to young students. Pathao expanded their reach to older demographics who are not acquainted with mobile applications. Here Pathao did something quite phenomenal. They established call centers to register passenger demand for bikes and cars through the app. In the meantime, communication programs were launched to educate the consumers. Recurrent exposure led to more acquaintance and many of them learned to use the app. This customer-centric strategy has been a winner for Pathao.

They got very good response on their safety campaigns. The campaign was designed to make passengers and riders aware about road safety. The campaign has been a PR success for Pathao which previously suffered due to a number of bike accidents.

They also launched seasonal campaigns. Like promotions during the national sports events, campaigns on the holidays and so on. Their “UTHAO” campaign was based on a competition through which the top Pathao users were awarded with a helicopter ride to their respective homes during the Eid holidays.

### ***Strategic Alliance***

Go jek is considered to be a Unicorn startup of Indonesia. They started their journey with the ride hailing business and expanded fast by using their local knowledge and gradually creating a service eco system that covers a wide range of daily necessary services (Kader, Pathao’s Future After Pathao, Go-Jek Strategic Marriage, 2017). Go-Jek is Pathao’s major investor and strategic advisor. South East is almost covered by Go-Jek in spite of heavy competition from Grab and Uber (Freischlad, 2017). Go-Jek tried to reach one of the world’s largest market which is India, but pilot project did not go well (Shankar, 2018). OLA and Uber India, two already established ride hailing services faced similar difficulties with their bike hailing services. Despite the setback in India, Go-Jek’s 10 million USD investment in Pathao is a testament of their faith in Pathao’s growth in South East Asia. Pathao is dominant in Bangladesh, launched successfully in Nepal and has a vision to launch in Sri Lanka, Bhutan and even India. Pathao’s strategic alliance with Go-Jek therefore may pave a way for both to conquer South East Asian market. After Go-Jek’s funding, Pathao expanded its wings and tapped into the food delivery business, launched their mobile wallet (Sharma, 2018). The most significant change happened to its user interface which looks a lot less clumsy and fluid leading to better user experience (Dhaka Tribune, 2019). This alliance is set to reach new heights and breaking boundaries.

Soon after Pathao launched their car hailing service, they got partnered with the other two taxi service providers (Corporate News, 2018). The almost dead Taxi industry in the country got a new lifeline and Pathao got 350 full time service providing cars on their platform.

Pathao established alliance with “Grameenphone”, the subsidiary of Telenor in Bangladesh. This alliance turned out to be massive for Pathao as it opened the pathway to reach almost 70 million subscriber bases of Grameenphone. Grameenphone subscribers enjoy exclusive offers from Pathao in return. Clearly a win-win situation.

### ***Filtering out the Best***

Pathao’s “Bar risen program” worked pretty well while maintaining their human resources. The program is a progressive recruitment scheme (Future Startup, 2018). A customer oriented and innovative organizational culture has been the aim of Pathao from the very beginning. They have done on-campus promotions to recruit talents from the top Private and Public Universities in Bangladesh.

Pathao has developed an organic culture of informal and non-hierarchical communication inside the organization. 500 employees and 20 managers work in an amicable atmosphere where proper trainings are given. A participatory decision-making is in place that encourages innovativeness (Future Startup, 2018). Pathao has established themselves among one of the top choices for employment in Bangladesh. It however is far from ideal. The recommendation chapter suggests further improvement.

## **CHALLENGES**

In order to be the Super-application or the ubiquitous platform that Pathao aims to be in the near future, it still has quite a few major challenges that it needs to overcome. Some of these are mentioned below:

### ***Dependency Pays Harsh***

Pathao's investment and latest operational enhancements are largely dependent on Go-jek, as their sole investor. While the partnership has brought in benefits for the company, this also comes with a huge potential risk. Sole dependency on a specific partner can jeopardize the existence of Pathao (Hall, 2011). Because of this sole dependency, factors such as investor relations become quintessentially important for Pathao's growth foundation. Their growth prospects could collapse if the investor relation goes wrong.

### ***Shifting Consumer Focus from Price to Quality Service***

As reported by Mr. Omer Sharif, Head of Operations of Chalo, a local competitor, a huge challenge that the ride sharing platforms face is consumers' priority of price promotions over quality service (IDLC, 2018). For a company that is growing at such a fast pace like Pathao, burning cash to provide more price promotions to stay competitive is not an option. And to attain this shift in consumer mindset will be a huge challenge.

### ***Dodgy Riders***

In recent times, it has been seen that some of the bikers are giving up driving for the bike sharing applications. Rather, they are informally devising various waiting points, and formulating informal contracts with the consumers to take them to various places. This is a very significant challenge for Pathao. Since, the primary driver of the revenue of the corporation is driven by its bike sharing platform. These informal contracts are ways that will curtail the revenue that the company generates from its bike sharing platform.

### ***Ensuring Proper Safety***

The ride sharing industry of Bangladesh has a huge demand, considering the extent of the dense population of Dhaka city. Because of the advent of companies such as Pathao, the demand for motorbikes and motorbike drivers have skyrocketed in the past two years. Dhaka city had around 210,000 registered motorbikes in 2010 (Antara, Shoddy helmets put ride-sharing passengers at risk, 2019). But the number rose significantly since 2017, after the ride-sharing services such as Uber and Pathao started their operations in Bangladesh. The number is now 616,641 in 2018 (Antara, Shoddy helmets put ride-sharing passengers at risk, 2019). Dhaka traffic is notorious for chaotic traffic management. Long tailbacks lead to paralyzing traffic situation on a regular basis. With Pathao in action, Dhaka has seen a surge in traffic congestion and unruly management. Bikers in crammed streets tend to find their ways through regardless of traffic laws that lead to disputes among commuters. Moreover, a lot of passenger buses move around Dhaka during daytime and nights while trucks and trailers can be seen after evening till the next morning. Past two years, Dhaka has seen a number of accidents where motorbike collided with buses led to multiple deaths and scores of injuries. Accident Research Institute recorded 53 deaths and 19 injuries in 48 motorcycle accidents in 2017 only (Masum, 2018). Between July 2018 and April 2019, four deaths were reported on Pathao bikes. All of these accidents claimed the lives of the passengers while on one, the rider also died. Apart from reckless driving of buses, Pathao riders have been found responsible for not properly maintaining traffic laws. A large number of Pathao drivers hailed from outside Dhaka to seek opportunity from escalating demands in Dhaka. These riders, mostly unfamiliar with chaotic Dhaka traffic, fall victims of it. Dhaka Tribune (2019), found a large number of the riders did not go through formal training and the ones who did, lack knowledge of safety practices. This phenomenon has led to public outrage against the ride hailing services..a clear danger for Pathao in terms of negative brand association. With such skyrocketing of demand, it'll be increasingly difficult for Pathao to ensure trained and experienced bikers. Ensuring quality service is going to be a huge challenge for Pathao in the coming days.

### ***Encouraging Women Consumers to Adopt Pathao***

Considering that Bangladesh is a country with almost equal distribution in population amongst the two genders (Trading Economics, 2016)., only 10% of the consumers of Pathao are women riders (Freischlad, 2017). For the company to ensure its path of sustainability, it needs to reach out to the female consumers of Bangladesh in a more effective manner.

### ***Digital Payment***

In order to be a holistic platform, or super application, Pathao needs a seamless digital payment option. The focus needs to be on shifting the business transactions to more secured and digital forms of payments. This is one area Pathao has been facing quite some challenges, as expected transition hasn't yet been achieved in terms of proper compliance with the regulations set up (Antara, Forbes' under 30 list in Asia: 'Pathao will be the super app of Bangladesh', 2019). For Pathao to grow to a super platform, it needs to have a cohesive digital payment process that is integrated to the core of its business model.

### ***Properly Establishing the Micro-service based Architecture***

In order to handle the huge amount of data that each proprietary services of Pathaogenerate every day, they decided to shift to a micro-service based architecture from a the monolith architecture in early 2018. Although the shift has resulted in a more manageable database, it does bear another significant challenge for the company i.e. the issue of cohesiveness and scalability. For the platform to be holistic in its approach, the services need to be cohesive, and they need to have scalability to be functional with any form of devices.

## **RECOMMENDATIONS: SERVICE DEVELOPMENTS**

### ***Driver-rider Training***

Pathao has shown phenomenal growth during the last two years. It has now replaced the terms 'motorcycle' or 'taxi' with 'Pathao bike' and 'Pathao Car'. Pathao will always be a great case in product/service adoption. However, consumer perception of service quality depends on the promise the seller makes and the performance they actually delivered (Grönroos, 1984). These two are important to collective image development of the brand. Because of the accidents and unprofessionalism of the riders, Pathao has suffered from a negative brand image. For sustaining the image of a brand that cares, Pathao introduced Helmets for both the riders and the passengers. But Rider training program was not taken with similar urgency. This is a must. Pathao needs to design a comprehensive training program for its riders. The following table contains a suggested module for the training program.

**Table 1: A suggestion for training programs**

<b>Training Week</b>	<b>Training Content</b>
Week 1	Checking the basic driving and maneuvering skills
Week 2	Getting to know your vehicle
Week 3	Accidents and emergencies

The training program must include current riders and the potential riders. Each week's training will end with a comprehensive assessment program. The top performer in the assessment test will be rewarded with a badge that will be a part of their driver profile in the Pathao App. Apart from passenger rating, Rider training assessment result should be incorporated in determining the rider's overall performance. Apart from the display of passenger given rating, the app should display their training performance status. A rider could be awarded with a badge. A suggestive training performance rating scheme is presented in Table 2

**Table 2: A suggestive training performance rating**

Training performance score	Rider Badge Award
90% or above	Excellent
80% or above	Very Good
60% or above	Good

Pathao could launch a ‘Rider Masterclass’ scheme. Similar to Uber Premiere, the passenger could be charged premium for a masterclass ride. However, unlike Uber, this scheme does not focus on the functionality of the vehicle, rather, focuses more on the service provider. Table 3 contains a suggestive format of the masterclass scheme.

**Table 3: A suggestive format of Masterclass Scheme**

Rider Status	Passenger Rating	Training Performance
Platinum	90% or above	Excellent
Gold	80% or above	Very Good
Silver	60% or above	Good

As Grönroos (1984) suggested, this improvement in service provider’s performances will lead to positive brand image building. Thus, Pathao will be able to improve customer’s perceived service quality. In the domain of value co-creation, customer do not only value the outcome of the service delivery, rather the process itself (Grönroos, 1984; Grönroos, 2011).

### ***Product Developments***

Customer’s perceived service quality in case of using Self-Service Technologies (SST) like ride hailing app requires intensive study. This is surely an emerging field of research. Academics however previously suggested different aspects of SST adoption and developments. To attain competitive superiority in customer perception in SST, the degree of innovativeness plays an important role (Rogers, 1983). Yang & Park (2011) suggested two important dimension of value creation within the SST framework- customization flexibility and transactional efficiency. Pathao app needs to focus on these two to attain competitive advantage over global competitor Uber. The user interface in Pathao looks clumsy as it integrates all Pathao services. Under one app. The app also had issues like freezing and suspended operation. The rider’s exact location versus the shown location on app seemed uncoordinated. The latest version of the app (as of May 30, 2019) dealt with some of the issue but more developments needed for better user experience.

### ***Incorporating the Idea of Gamification to Improve User Experience***

The most recent trend in researching Self Service Technologies (SST) and digital interfaces is Gamification. The concept refers to the “use of game design elements in no-gaming contexts” (Deterding, Dixon, Khaled, & Nacke, 2011). Using the Gamification ideas, Pathao could introduce a number of sections in the app that would give users a reason to use the app more often. Servicescape design plays a vital role in consumer’s purchase decision (Reimer & Kuehn, 2004). For ride hailing services, the app is the most important touchpoint for service providers to create customer engagement. Pathao, therefore, should design a more appealing interface for its consumer to engage them with the app. Pathao could integrate some of the services mentioned below in their apps to engage customer more with the app:

#### ***Information Services***

- Live traffic updates
- Announcements by traffic police department regarding route change
- News of the day

- Restaurant locations and menu
- Weather updates

#### *Entertainment Services*

- Interactive gaming with other Pathao app users like- Bike or car racing and more
- Live Cricket score updates
- Upcoming Cultural/ Entertainment Event updates
- Live blogs on Music, Fashion and Tech review

#### *E-commerce Schemes*

- Collaborative schemes with local e-commerce sites like Daraz and Sheba xyz where Pathao users can shop from these portals using Pathao's user interface
- Motorcycle and Car companies could collaborate with Pathao to place their promotional offers specifically designed for Pathao users

#### ***Employer Brand Developments***

Pathao has become a very well-known brand within a relatively short span of time. Much credit goes to the ever-growing ride hailing industry. Moreover, country of origin association worked really well for Pathao as it is the only local ride hailing brand that has got significant global attention. Local graduates aspire to work for global companies in Bangladesh since they offer better compensation packages and growth opportunity. Pathao in recent times received good attention from local graduates. However, it is far from ideal. There is no denying that sustainable brand differentiation depends largely on employees. How employees nurture a positive attitude across the organization define the strength and superiority of customer service of the organization (Mosley, 2007). Adapted from ( Mosley, 2007); Pathao needs to redesign following aspects as an employer, to improve their image as a strong employer brand:

- Recruitment
- Reward and recognition
- Communication

Pathao needs to adapt a comprehensive recruitment policy that incorporates schemes like web-based pre-employment testing, simulation based job-specific pre-employment test that assesses cognitive ability and job knowledge and customizable test to measure personality and intelligence. Pathao's rewards and recognition should match big multinational and local players that have grabbed graduates' attention over the years. Pathao also should focus more on improving corporate image dimension and communication. Pathao's engagement in on-campus recruitment and promotions needs to be robust. Pathao need to develop strategic positioning statement regarding its people policy. Currently they have none. Pathao's careers website was found to be non-functional (as of May 30, 2019). Pathao needs to communicate itself as an employer brand that focuses on diversity and talent. They need to design national recruitment competitions targeting the best graduates. Similar programs by the likes of British American Tobacco Bangladesh and HSBC have been proved to be very popular among the competent graduates.

#### **CONCLUSIONS AND MANAGERIAL IMPLICATIONS**

As demonstrated throughout the paper, Pathao's growth has been the fruit of an ingenious idea matched to a business model that focuses on excelling the quality of the core product. This goes on to show that focusing on innovative solution to raging problems is the key for a startup to avoid falling in the chasm. For Pathao, the great feat it achieved was shifting its business model in a way that successfully allowed them to shift their target market from early adopters to early majority.

The critical discussion regarding Pathao's success in this paper presents a framework to the practitioners on how to respond to latent demand in the market. As the paper revealed, Pathao, through peer-to-peer technology, integrated different on-demand services without having to build complex operational structures. The integration of idle resources to provide inexpensive solutions provides a guideline for practitioners in developing economies looking for innovative customer solutions.

The paper investigated into a number of challenges Pathao had to deal with. The authors aimed to enlist them for the practitioners to understand the recent challenges hailing from sharing economy. During the phase of researching Pathao, it appeared to be a key problem as the authors struggled to find enough academic works on the dynamics of sharing economy. Authors' criticism of Pathao's reliance on strategic partnership with Go-Jek and struggle to maintain consistent value delivery will invite more constructive discussions.

The recommendation section of the paper adds significant value for the practitioner as it laid out a number of important recommendation backed by literature. There is no existing literature that focuses on employer brand development scheme in ride sharing industry. This novel attempt by the authors surely provides managers and practitioners with some invaluable insights in value delivery. Integrating gamification ideas into Pathao's user interface is an important contribution of the paper. Digital interface design plays significant role in terms of customer's perceived value in digital platforms (Sunila, Ukko, & Rantala, 2019). The authors therefore put a lot of emphasis on the development of more interactive digital interface for Pathao, which, in different instances, have been criticized for a relatively poor digital interface design.

Finally, the paper proposes to integrate training performances into driver status improvements. This principle is based on value creation literature that extensively suggested that service providers be judged on the quality of service delivery. In case of ride sharing industry, this is the only way for the platform developers (Pathao, Uber) to make the service providers (car and bike drivers) responsible for quality service delivery that is yet to reach its full potential.

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