

Jakarta's traffic trials give rise to a tech success

June 13 2016, by Stephen Wright



In this Friday, April 29, 2016, Go-Jek motorcycle taxi drivers wait for customers in Jakarta, Indonesia. The Indonesian capital's reputation as one of the most congested cities is typically not an advantage with investors. But Go-Jek has become the country's most visible technology success with an app that relieves some of the pain of its maddening traffic. (AP Photo/Tatan Syuflana)

The Indonesian capital's reputation as one of the most congested cities is

typically not an advantage with investors. But one company has become the country's most visible technology success with an app that relieves some of the pain of its maddening traffic.

The ride-hailing apps that are now part of daily life from New York to New Delhi and London are usually used to summon cars. Jakarta, the world's sixth-largest urban sprawl and by some measures the most car-clogged, needed something different.

In hindsight, the Go-Jek mobile app for hailing rides on motorcycles, to dodge and weave through traffic, was a no-brainer. But its sudden success over the past two years took even its founder by surprise. The app's name is a play on "ojek," the Indonesian word for freelance motorcycle taxis, now a rare sight in Jakarta after many drivers joined Go-Jek's green-jacketed, GPS-coordinated ranks.

"We really had no idea it would be adopted so widely and so quickly," said Nadiem Makarim, who admits the company and its app struggled to keep pace when tens of thousands began downloading it.

Makarim believes Jakarta's carmageddon had arrived at a "pain point" of huge unmet demand for a solution.

"Smartphone penetration was at an all-time high in Jakarta, traffic was at an all-time high," he said. "Getting yourself or your things from A to B in the quickest way possible could only be achieved by motorcycles."



In this Friday, April 29, 2016, a driver of GrabBike, a direct competitor of the motorcycle taxi app Go-Jek, rides with a customer through traffic in Jakarta, Indonesia. Motor cycle ride-hailing apps are now part of daily life in the city that is known for having the world's worst traffic. (AP Photo/Tatan Syuflana)

As by far the biggest economy in Southeast Asia, making up a third of the region's gross domestic product, Indonesia has also attracted Uber and Go-Jek's fiercest competitor, Malaysia's Grab, which is headed by Makarim's Harvard classmate Anthony Tan.

Analysts say both Uber and Grab have greater scale and resources than Go-Jek, crucial for sustaining losses in the transport app industry's early stages and for sustaining investments in the behind-the-scenes technology that makes the apps easy for people to use.

Go-Jek has built on its strategy of providing rides to introduce a slew of

additional Go- services to the app, including delivering food, groceries, cleaners, massage therapists and beauticians to homes.

The Go-Send document pickup and delivery service and Go-Food are the company's two biggest businesses after rides, Makarim said. Go-Food, he said, has become the biggest food delivery business in Southeast Asia by number of transactions.

"Go-Jek's vision is to escape competition by creating an on-demand platform for anything our consumer wants," he said. "We're not stuck on our identity based on what we think it should be. We let the market decide what they want us to be."



In this Friday, April 29, 2016, photo, Go-Jek drivers check their smart phones as they wait for customers in need of rides in Jakarta, Indonesia. The Indonesian capital's reputation as one of the most congested cities is typically not an advantage with investors. But one company has become the country's most

visible technology success with an app that relieves some of the pain of its maddening traffic. (AP Photo/Tatan Syuflana)

Florian Hoppe, a partner at consulting company Bain who specializes in technology, said Go-Jek's approach is "fairly unique" but fits the situation in Jakarta and other Indonesian cities where service businesses are hobbled by transportation problems.

"It's hard to predict where this will be going," he said. "In the long-term, specialized services will likely have an edge but Indonesia has enough uniqueness, market protection and scale, that (Go-Jek) could be very successful in the long-term too."

Makarim dreamed up Go-Jek for an independent study project while at Harvard Business School and started it as a sideline business when he returned to Indonesia in the summer. For its first three years, it operated like a call center. It became a mobile app after Makarim turned his attention to it full-time from mid-2014.

Like elsewhere, ride hailing apps are drawing an angry backlash from taxi drivers as their incomes drop. In March, a protest by thousands of taxi drivers that paralyzed the capital turned violent, with cabbies brawling in the streets with green-jacketed drivers from Go-Jek and Grab.

Go-Jek says it has more than 200,000 drivers around Indonesia but the pain for taxis seems most acute in Jakarta, where all the ride hailing services are battling fiercely for customers, pushing fares to rock bottom.



In this Friday, April 29, 2016, a Go-Jek driver rides with a customer in Jakarta, Indonesia. The Indonesian capital's reputation as one of the most congested cities is typically not an advantage with investors. But one company has become the country's most visible technology success with an app that relieves some of the pain of its maddening traffic. (AP Photo/Tatan Syuflana)

Since a Go-Jek trip within the city costs only about 12,000 rupiah (90 cents) outside of peak hours, the company is burning through its investment cash because in Jakarta the fares are lower than what it pays drivers.

Yet the apps have proven so useful to people in a city where officials estimate congestion causes losses of \$3 billion a year that attempts to ban them on the basis of claims of unfair competition have failed.

When the transport minister issued a directive last December banning

app-based ojek, the public outcry was such that President Joko "Jokowi" Widodo quickly overruled the decision.

The nationalistic appeal of a home-grown tech success is also a potent advantage for the company.

"We want to make Indonesia proud that this is a uniquely Indonesian company that was started here," Makarim said. "We have a huge competitive advantage as the first mover and from a sense of growing nationalism and pride that we are the tech brand of Indonesia right now."

More information: Link in Indonesian: www.go-jek.com/

© 2016 The Associated Press. All rights reserved.

Citation: Jakarta's traffic trials give rise to a tech success (2016, June 13) retrieved 19 April 2024 from <https://phys.org/news/2016-06-jakarta-traffic-trials-tech-success.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.