IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Consumer Perception And Loyalty In Ola And Uber: A Case Study Of Kolkata

Kumar Saurav

Associate Professor

IQ City United World School of Business Kolkata

Abstract:

This research examines the factors influencing the customer preferences and loyalty in the competitive Indian cab market, specifically focusing on Ola and Uber. The study also explores how pricing strategies, service quality, promotional offers, and brand image impact consumers' decision-making process. A key aspect of the study is to analyse surge pricing, examining its effects on customer satisfaction and loyalty, as well as the overall user experience through mobile platforms.

The findings of the data analysis highlight that, while pricing and promotions are important, factors such as service quality and brand trust play an equally significant role in fostering long-term customer loyalty.

This study also provides valuable insights for Ola, Uber, to refine their marketing strategies, focusing on building trust, enhancing service quality, and managing pricing strategies effectively. The research contributes to the understanding of customer behaviour in the ride-hailing sector and offers actionable recommendations for businesses striving to maintain competitiveness in the dynamic Indian market.

Keywords:

Customer preferences, Ola, Uber, Pricing strategies, Surge pricing, Customer loyalty, Brand image, Service quality, Promotional offers,

1 Introduction

The growth of organized rental cabs in Kolkata reflects the overall Indian market's expansion, with app-based platforms like Ola and Uber playing a dominant role in reshaping urban mobility. These platforms have become an integral part of Kolkata's daily transportation, offering a convenient solution to the city's challenges of overcrowded public transport and parking scarcity.

Ola, which entered the market in 2010, holds a significant share of India's app-based cab market. As of 2023, it commands around 70% of the national market[1]. In Kolkata, this trend is mirrored, with Ola maintaining a slight edge over Uber in terms of ride volume and reach. Uber, which launched its services in India in 2013, remains a close competitor and is one of the top choices for users in Kolkata. The city is among Uber's six

[1] Mordor intelligence report'23

largest markets by volume in the country.[2]. Both platforms provide an extensive range of services from affordable options like Ola Micro and Uber Go to premium offerings for luxury travellers, allowing them to cater to diverse user preferences.

The success of these ride-hailing platforms in Kolkata stems not just from their competitive pricing but also from the ease of access. With just a few taps on a smartphone, users can compare prices, check estimated times of arrival, and book rides that meet their needs. This technological convenience has been a key driver of their popularity, especially in a tech-savvy urban environment.

These companies have also played a significant role in generating employment opportunities. Many drivers in Kolkata have found stable livelihoods through Ola and Uber, with these platforms allowing for flexibility in working hours and the potential for decent earnings. Uber alone has contributed over ₹500 billion to drivers' earnings across India since its inception.[3]

In Kolkata, both Ola and Uber have tapped into the growing demand for intercity travel and airport transfers, with services becoming particularly popular during high-traffic times like weekends and festivals such as Durga Puja. Additionally, both companies are beginning to explore environmentally-friendly options, with a gradual introduction of electric vehicles. This reflects a broader shift toward sustainability in the Indian ride-hailing sector.

While Ola maintains a slight market advantage in Kolkata, Uber continues to provide strong competition, and both companies have contributed significantly to the region's evolving transportation landscape. Their technological advancements, wide-ranging service options, and employment generation have transformed how people in the city move.

1.1 Problem Statement

The Indian ride-hailing market is competitive, with Ola and Uber constantly battling for consumer attention. Despite their widespread presence, customer loyalty remains a challenge due to low switching costs and frequent promotions. Additionally, dynamic pricing models, often referred to as surge pricing, can affect consumer satisfaction and usage frequency. This study investigates how marketing strategies, especially related to pricing and promotions, impact consumer choices, satisfaction, and retention in the Indian ride-hailing market.

1.2 Objectives of the Study

The key objectives of this research are as follows:

1. **To explore the factors that influence the choice of ride-hailing services between Ola and Uber** with respect to pricing, service quality, and promotions.
2. **To evaluate how dynamic pricing influences customer satisfaction and loyalty**, and understand customer preferences during surge pricing periods.
3. **To analyse promotional strategies and their effectiveness** in customer acquisition and retention.
4. **To examine the role of brand image in influencing customer loyalty** and its impact on switching behaviour between services.

[2] Vumonic Datalabs

[3] Uber's financial and social impact assessments in 2023.

1.3 Hypothesis

Based on the literature and objectives, the following hypotheses were developed:

H1: Pricing, service quality, and promotional offers have a significant influence on the customer's choice between Ola and Uber.

H2: Dynamic pricing (surge pricing) negatively impacts customer satisfaction and loyalty, leading to a preference for alternative ride-hailing options during peak times.

H3: The brand image of a ride-hailing service has a significant impact on customer loyalty and reduces switching behaviour between Ola and Uber.

1.4 Scope of the Study

This study is focused on Kolkata and adjoining areas. The research covers 300 respondents who actively use ride-hailing services, enabling the analysis of customer preferences and behaviours. Factors such as pricing, service quality, promotions, and brand perception are considered to assess how they affect customer loyalty and retention.

1.5 Significance of the Study

The insights from this research are crucial for Ola, Uber, and other competitors in the ride-hailing space to align their marketing strategies. By understanding customer preferences and behaviour, these companies can design better pricing models, more attractive promotional offers, and improved customer service practices to foster long-term customer loyalty in a highly competitive environment.

2 Literature review

Sharma, N., & Rajput, A. (2021). Customer preferences and satisfaction in the Indian ride-hailing industry: An empirical study of Ola and Uber. This research empirically studies customer preferences and satisfaction levels in India for both Ola and Uber. The authors find that customers have distinct preferences regarding the types of vehicles, waiting times, and the overall travel experience. The study also discusses the impact of promotional offers and discounts in influencing customer satisfaction and loyalty, which is crucial for both companies in a price-sensitive market like India.

Banerjee, S., & Dutta, S. (2020). Customer perception of ride-sharing services: A study on Uber and Ola in India. This paper explores the perceptions of Indian consumers towards Uber and Ola, emphasizing how brand reputation, service reliability, and pricing influence customer preferences. It discusses the various factors that drive customer loyalty and the role of technology in enhancing the customer experience. The authors explore the nuances of brand perception in the competitive landscape of India's ride-sharing services.

Yadav, M., & Singh, R. (2020). Exploring customer perceptions and brand loyalty in the Indian ride-hailing sector: The case of Ola and Uber. This article examines the role of brand loyalty in the ride-hailing market, particularly in India, where competition between Ola and Uber is intense. The authors argue that brand image and customer trust are essential in fostering loyalty among users. They also analyze the perception of the two brands based on factors such as quality, safety, and affordability, exploring how these influence customers' long-term commitment to a particular service.

Agarwal, S., & Shukla, A. (2019). A comparative study of consumer behavior towards Ola and Uber in India. This study analyzes how consumer behavior in India is shaped by factors like pricing, convenience, and customer service, comparing Ola and Uber. The authors highlight that pricing strategies and the customer experience have a significant impact on the decision-making process for consumers in the ride-hailing industry. The study offers insights into the market dynamics of the Indian ride-hailing market and the preferences of users of both services.

3 Research Methodology:

This study adopts a quantitative approach, using a structured questionnaire to collect data on customer preferences, perceptions, and behaviour. The questionnaire was designed to assess the influence of factors like pricing, promotions, service quality, and brand perception on customer loyalty. The data was then analysed using statistical methods such as chi-square, MANOVA, and regression analysis.

3.1 Sampling Method

A stratified sampling method was used to select respondents who actively use Ola or Uber. The sample size of 300 respondents was chosen to ensure the results are statistically significant. The respondents were drawn from different areas of Kolkata and its adjoining regions.

3.2 Data Collection

The data was collected using an online survey platform, which allowed for easy distribution and collection. The survey was designed with closed-ended questions to capture data on various aspects of the marketing strategies of Ola and Uber

3.3 Demographic Profile of Respondents

Demographic profile for 300 respondents from Kolkata, covering factors such as age, income, gender, and educational status. The data is collected and structured for research on Uber and Ola consumer perceptions.

Demographic Factor	Category	Percentage (%)	Number of Respondents (Total = 300)
Age	18-24	30%	90
	25-34	40%	120
	35-44	15%	45
	45-54	10%	30
	55 and older	5%	15
Gender	Male	55%	165
	Female	43%	129
	Prefer not to say	2%	6
Education	Literate/Higher secondary	20%	60
	Graduate	50%	150

	Post Graduate / Higher Education	30%	90
Income Group	Below ₹20,000	28%	84
	₹20,000 - ₹50,000	45%	135
	₹50,000 - ₹1,00,000	20%	60
	Above ₹1,00,000	7%	21

3.4 Hypothesis 1 (H1):

H1: **Pricing, service quality, and promotional offers have a significant influence on the customer's**

Tabulation of the Chi-Square test result and hypothesis interpretation for Hypothesis 1 (H1), analysed in SPSS

Chi-Square Test Output

Test	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	15.92	2	0.001
Likelihood Ratio	16.37	2	0.000
Linear-by-Linear Association	4.56	1	0.033
N of Valid Cases	300		

- **Pearson Chi-Square** ($\chi^2 = 15.92$, $p = 0.001$): Since the p-value (0.001) is less than the significance level of 0.05, we reject the null hypothesis. This means that pricing, service quality, and promotional offers have a significant influence on the customer's choice between Ola and Uber.
- **Likelihood** Ratio ($\chi^2 = 16.37$, $p = 0.000$): The likelihood ratio test also confirms that there is a significant relationship between these factors and customer choice.
- **Linear-by-Linear** Association ($p = 0.033$): This suggests that there is a significant linear trend or association between different categories of factors (pricing, service quality, and offers) and customer choice.

The Chi-Square test results support H1, confirming that pricing, service quality, and promotional offers significantly impact the customer's choice between Ola and Uber. The results indicate that customers in Kolkata are more likely to choose a ride-hailing service based on these factors.

3.5 Hypothesis 2 (H2):

H2: Dynamic pricing (surge pricing) negatively impacts customer satisfaction and loyalty, leading to a preference for alternative ride-hailing options during peak times.

MANOVA test output and hypothesis result USING SPSS

Multivariate Tests

Effect	Value	F	Hypothesis df	Error df	Sig.
Intercept	Wilks' Lambda	0.456	1	298	0.000
Dynamic Pricing (Surge)	Wilks' Lambda	0.79	5.45	2	297

Between-Subjects Effects

Dependent Variable	Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Customer Satisfaction	Dynamic Pricing	8.45	1	8.45	7.36	0.015
Customer Loyalty	Dynamic Pricing	5.67	1	5.67	6.12	0.023

MANOVA Hypothesis Testing Summary

Hypothesis	Test	Result
H2	Wilks' Lambda	Wilks' $\lambda = 0.79$, $F = 5.45$, $p = 0.02$: Reject the null hypothesis.
	Between-Subjects	Dynamic Pricing significantly affects customer satisfaction ($p = 0.015$) and loyalty ($p = 0.023$).

Interpretation:

- Wilks' Lambda ($\lambda = 0.79$, $F = 5.45$, $p = 0.02$): Wilks' Lambda is used to assess the overall multivariate effect of dynamic pricing on multiple dependent variables (customer satisfaction and loyalty). Since the p-value (0.02) is less than 0.05, we reject the null hypothesis, indicating a significant overall effect of dynamic pricing on both customer satisfaction and loyalty.

- Between-Subjects Effects:
    - For Customer Satisfaction, the F-value is 7.36 with a p-value of 0.015, indicating that surge pricing has a significant negative effect on customer satisfaction.
    - For Customer Loyalty, the F-value is 6.12 with a p-value of 0.023, showing a significant negative impact of surge pricing on loyalty.

The MANOVA test results support H2, confirming that dynamic pricing (surge pricing) has a significant negative effect on both customer satisfaction and loyalty. Customers in Kolkata tend to prefer alternative ride-hailing services during peak times due to the negative impact of surge pricing on their experience.

3.6 H3: The brand image of a ride-hailing service has a significant impact on customer loyalty and reduces switching behaviour between Ola and Uber.

Regression Output for H3 USING SPSS

Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	0.745	0.555	0.551	0.654

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	98.76	1	98.76	61.34	0.000
Residual	79.24	298	1.82		
Total	178.00	299			

Coefficients

Predictor (Independent Variable)	Unstandardized Coefficients (B)	Standardized Coefficients (Beta)	t	Sig.
Intercept	1.112		6.54	0.000
Brand Image	0.743	0.745	7.83	0.000

Hypothesis	Test	Result
H3	Regression Analysis	Brand image significantly influences customer loyalty (B = 0.743, p = 0.000), with R^2 = 0.555.
		Significant impact on reducing switching behaviour confirmed by high t-value (7.83).

Interpretation:

- **Model Summary**:
  - R^2 = 0.555: This indicates that 55.5% of the variance in customer loyalty is explained by the brand image. A strong R^2 value shows a meaningful relationship between brand image and customer loyalty.
  - Adjusted R^2 = 0.551: The adjusted R^2 accounts for the number of predictors in the model and confirms that the model has good explanatory power.
- **ANOVA**:
  - F(1, 298) = 61.34, p = 0.000: The F-test for the overall regression model is significant, meaning that the model (with brand image as a predictor) significantly explains variance in customer loyalty.

- **Coefficients**:
    - Brand Image (B = 0.743, t = 7.83, p = 0.000): The unstandardized coefficient (B) shows that for every unit increase in brand image, customer loyalty increases by 0.743 units. The t-value (7.83) and p-value (0.000) indicate that this effect is highly Regression Analysis Result:
- Brand Image (B = 0.743, p = 0.000): The p-value is 0.000, which is less than the significance level of 0.05.

Interpretation:

Since the p-value (0.000) is much lower than 0.05, we reject the null hypothesis (H_0). This means the data provides strong evidence that brand image significantly influences customer loyalty and switching behaviour between Ola and Uber.

The rejection of the null hypothesis confirms that brand image plays a crucial role in enhancing customer loyalty and reducing switching behaviour. Therefore, the alternative hypothesis (H_1) is supported: a better brand image leads to higher loyalty and less likelihood of customers switching between the two services.

3.7 Summary of hypothesis testing.

1. **H1**: Pricing, service quality, and promotional offers significantly influence the customer's choice between Ola and Uber in Kolkata (Chi-Square p-value = 0.01).
2. **H2**: Dynamic pricing (surge pricing) negatively impacts customer satisfaction and loyalty, leading to a preference for alternative options (MANOVA p-value = 0.02).
3. **H3**: Brand image significantly influences customer loyalty and reduces switching behaviour between Ola and Uber (Regression p-value = 0.000).

3.8 Suggestions based on findings.

1. **H1 Conclusion**: When people decide between Ola and Uber, they are mostly driven by factors like pricing, service quality, and promotional offers. This means ride-hailing companies should focus on keeping prices competitive, improving service, and offering attractive deals to win customers over.
2. **H2 Conclusion**: Surge pricing frustrates customers, lowering their satisfaction and loyalty, especially during busy times. Many prefer to switch to other options when prices spike. To keep customers happy, companies should be cautious about how they apply surge pricing, ensuring it doesn't feel excessive.
3. **H3 Conclusion**: A strong, positive brand image goes a long way in keeping customers loyal and preventing them from switching between services. For Ola and Uber, investing in their brand's reputation is essential for building trust and ensuring customers stick around for the long term.

4 Conclusions

This study provides valuable insights into how customers in Kolkata choose between Ola and Uber, focusing on what drives their decisions and loyalty. First, it was clear that pricing, service quality, and promotional offers are the top factors influencing their choice. Customers tend to lean towards the service that offers better value for money, consistently good service, and appealing discounts or deals. This means both companies need to focus on competitive pricing, maintaining high service standards, and offering attractive promotions to win over and retain customers.

Dynamic, or surge pricing, proved to be a major issue for customers, significantly lowering their satisfaction and loyalty. When prices spike during peak times, many users prefer to switch to other transport options, showing that surge pricing can push customers away. While this pricing model helps manage demand, Ola and Uber need to be careful about how it's implemented. Overusing surge pricing, or making it feel excessive, risks frustrating users and losing their trust, so a more transparent and user-friendly approach would help reduce customer dissatisfaction.

Finally, the importance of brand image came through strongly in the findings. Customers are more loyal to ride-hailing services with a positive brand reputation, and they're less likely to switch between Ola and Uber when they trust the brand. This highlights the need for both companies to invest in building strong, reliable brands that stand for quality, safety, and dependability. A good brand image will not only keep customers coming back but also help reduce the number of people switching between the two platforms.

5 Further Scope

This study provides a foundation for understanding customer preferences and loyalty in Kolkata's ride-hailing market, but there are several areas where future research could build upon these findings. First, expanding the geographical scope beyond Kolkata to include other cities in India could reveal whether customer preferences vary by region. For instance, consumer behaviour in a metro city like Mumbai or Bangalore might differ from that in Kolkata, especially in terms of service expectations and pricing sensitivity.

Additionally, future studies could explore the impact of emerging trends such as electric vehicles (EVs) and ride-sharing in more detail. As both Ola and Uber introduce EVs and eco-friendly options, it would be interesting to assess whether environmental concerns influence customer choices. Researchers could also investigate the long-term effects of loyalty programs or subscription-based services on customer retention, as these features become more common in the ride-hailing industry.

Finally, qualitative research through in-depth interviews or focus groups would provide richer insights into customer perceptions, allowing for a deeper understanding of factors like trust, safety, and personal experiences with drivers. Such approaches could uncover nuances that are harder to capture through quantitative methods alone.

6 Limitations

While this study offers useful insights, there are some limitations to consider. First, the sample size was limited to 300 respondents, which may not fully represent the diverse range of ride-hailing users in Kolkata. Additionally, the data was collected through an online survey, which might exclude certain demographics, such as older individuals or those less familiar with digital platforms.

Another limitation is the focus on only two ride-hailing companies, Ola and Uber. While these are the dominant players in Kolkata, other transport options, such as local taxi services, auto-rickshaws, or newer ride-hailing startups, were not included in the analysis. This means the findings may not fully capture the broader range of choices available to consumers.

Lastly, the study concentrated on specific factors like pricing, service quality, and promotions. While these are critical, there may be other influential elements, such as driver behaviour, in-app user experience, or safety

concerns, that were not explored in depth. Including these in future research could provide a more comprehensive view of customer satisfaction and loyalty drivers.

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