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CASE STUDY

GO-JEK

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**Economics
of Mutuality**

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GO-JEK HAILING AND PAYMENT ECOSYSTEM



SUMMARY

After Harvard Business School, Nadiem Makarim returned to Jakarta to set up Go-jek to help Indonesians get around Jakarta's busy streets using a mobile phone. Go-jek has since expanded its on-demand offering to include parcel and medicine delivery, home cleaning, massage on wheels, supermarket delivery and digital payments. Go-jek is a technology company with a stated mission to improve social welfare of Indonesians. For example, the Indonesian market is ripe for cashless payments since both its un-banked population is high (63% in

2017) as is the country's mobile phone penetration rate. Go-jek is currently considered the country's largest online commerce platform with 15 million active weekly users (Suzuki, 2017), 900,000 drivers and investors such as Google and Singapore's Temasek. It is a good example of how social and human capital can be enhanced by leveraging digital technologies through an ecosystem.

BUSINESS ECOSYSTEM STRATEGY

Like many people working in Jakarta, CEO Makarim used motorcycle ride hailing to cut through heavy traffic. He realized after speaking with drivers that if they were connected to customers digitally, their waiting time between fares would be minimized and their income maximized (Ford and Honan 2016). He started a phone-based service in 2011 and an app in 2015, calling it Go-jek, a play on words for ojek (informal motorbike taxi). By 2016, Go-jek became Indonesia's first unicorn, raising \$550 million in new capital. It now offers 18 app-based on-demand services including transport, logistics, entertainment ticket selling, massage, professional cleaning, digital payment, and loyalty point rewards. It operates across Indonesia (spreading across the country to reach "last mile" customers) and is expanding in the region.

CONTEXT

The connection between supply and demand for transportation services in Indonesia was fraught with tensions. Makarim explained his strategy: "we built a product around the frictions that an average person experiences in their day-to-day life; we are a platform that fixes things, we make things more efficient" (Tan, 2016). The CEO got to know Indonesians' pain points and built supply-matching-demand initiatives to address them. Customers argue it can take ages to get from one place to another while motorbike taxi drivers mainly complain about waiting time between fares. Go-jek addressed both sets of concerns by matching them in real time.

Couriers protest about the precarious nature of their employment while businesses complain about finding trustworthy transportation. Go-jek addressed both sets while enhancing supply side efficiency. Through the platform, by taking someone to work in the morning, delivering food or packages to office workers in the afternoon, bringing people back home in rush hour and then delivering food to homes at night, a driver can earn a reputation for reliability on top of financial bonuses (Ford & Honan, 2016). The driver also becomes eligible for insurance, training, inexpensive loans and is given a mobile phone.

Its most daring business leap toward its wide social impact purpose has been through digital payment. FinTech in Indonesia represents a real opportunity because of the opportunity for financial inclusion as it allows those with a mobile phone and internet connection to access financial and other services. These services enable people to invest in education, build a cushion against an emergency, start and expand businesses, thus reducing poverty and achieving inclusive economic growth (World Bank 2017). One report in 2017 cited that only 37% of Indonesians have bank accounts (Woro Yuniar, 2017), not because they do not have disposable income but largely because of the distance from formal banking institutions. The Government has also taken an interest in financial inclusion benefits. In 2017 the country's Coordinating Minister for Economic Affairs praised efforts like Go-jek to digitize services "to help citizens escape poverty, reduce social inequality, and help government be more efficient" (Reporter, 2018). The use of Go-pay has spread from cities to rural areas and is not endangered by recent government requirement for licenses thanks to acquisitions (Woro Yuniar, 2017), boosting its combined debit card, credit card, and digital wallet capabilities.

EARLY STAGE

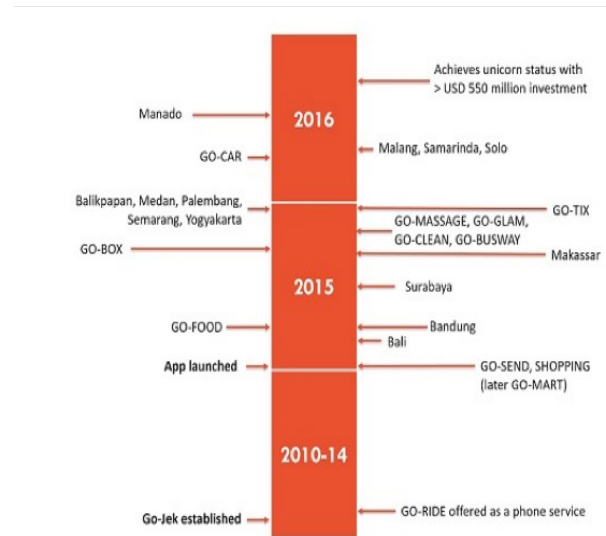
Go-jek started by offering Jakartans a speedy way around jam-packed streets and informal workers a steady job with insurance, safety training and access to loans. Its founder proclaimed the corporate purpose as "a mobile technology company with a mission to unleash social impact through technology." In 2010 Makarim initiated a call center for rides by phone; yet Go-jek took off only in 2015 when it was launched as an all-in-one app (Ford & Honan, 2016). With this launch, Go-jek expanded its services from ride-sharing into shopping and cleaning services as well as geographically into other Indonesian cities (enlarging its initiatives to address pain points). Then Go-jek established Go-pay, catering to the unmet needs for financial services, particularly among groups that were traditionally excluded from conventional financial services (Leong et al. 2017). With each step, Go-jek widened its stakeholder groups.

The company did not start with all services simultaneously (see visual on right from Ford and Honan 2016). For example, it began with motorbike ride-sharing while the government regulated four-wheeled taxis. Instead, it launched various operations separately and tied them together with an attractive reward point system. By the time the government adopted a blanket ban on ride-hailing transport apps, Makarim already had enough political capital to work to overturn it (Davis, 2018).

Go-jek was also winning media battles and awards. In 2016, CEO Makarim won the Asian of the Year award from Singapore newspaper The Straits Times and an Entrepreneur of the Year award from Ernst & Young in 2017. In 2017 it entered the list of 56 Companies That Change the World according to Fortune Magazine. The same year, the company was awarded one of the Top 10 Most Powerful Brands in Indonesia at Brand Asia 2017. It received accolades from Bank Indonesia Awards as the Most Active Fintech Company That Supports the National Cashless Movement and Financial Education and MSME Empowerment.

CHALLENGES

Prior to the launch of Go-jek, millions of Indonesians worked in the informal sector under precarious conditions. For instance, Go-jek driver “partners”



Go-jek's rapid rise began with the introduction of its app

can have direct access to more customers and orders, have access to affordable savings, insurance, loans and one recent study even found that the quality of life of 83% of Go-ride partners and 80% of Go-car partners has improved since joining Go-jek (Sekar, 2017). The company's digital payment system has allowed Indonesia's large unbanked population to skip from cash straight to digital options through mobile phones.

In addition to the above challenges, Go-jek continues to face regulatory and workers' condition challenges. Regulatory tests can come in any form but have already started on four-wheeled taxi services, licenses to offer

Table 1. Ecosystem Pain Points and Solutions by Stakeholders

		Stakeholders				
		Platform staff	Drivers	Consumers (individual and business)	Small business suppliers	Loan agency
Initiatives	Connecting drivers with loan agencies	Helping drivers = more drivers	Reduce costs	--	--	More clients
	Connecting customers with drivers	More clients	More work, less time between fares	Faster service	--	--
	Connecting customers with small businesses	More clients	More work	More services	More work	--
	Enabling customers to pay digitally	More transactions	Easier payment = more work	Easier to pay, more services	More work	--

digital payment services, and a ban on ride hailing apps. Thus far, Go-jek managed to overcome the challenge each time. Driver satisfaction with Go-jek hit challenges in 2015 and 2016, as drivers faced physical conflict with other motorcycle taxi drivers (Ford & Honan, 2016). So far Go-jek managed to find solutions to these conflicts as well, whether by offering safe-haven or discussion about benefits.

HUMAN, SOCIAL, AND FINANCIAL CAPITAL

Go-jek is an interesting example of how financial, human and social capital can be enhanced by leveraging digital technologies through a platform ecosystem. Through this, it has enabled inclusive banking that is clearly broader than profit maximization. Some of its policies – offering training and interesting benefits to drivers and their spouses and rewards for customer loyalty – demonstrate an aim to include population segments previously disregarded from the formal banking system. Its loyalty point scheme to customers show some long-term commitment over short-term profit to enhancing the financial capital across ecosystem stakeholders like drivers and suppliers.

The social capital element of Go-jek goes hand-in-hand with the collective action approach it takes to its drivers. The company refers to them as “partners” and provides a range of benefits to them as if they were contracted employees. Go-jek CEO Makarim recognized from the start that this collaboration with drivers for mutual benefit is crucial to the success of the company.

PROGNOSIS

Has Go-jek unleashed social impact through technology? Certainly, its collaboration with drivers who previously worked only in the informal sector has strengthened their social capital. Some of the benefits it offers them have improved their financial literacy and family livelihood. According to its website, a motorcycle taxi driver earning an average of 3.3 million rupiah would earn 4.2 million

with Go-jek. In addition to this, the company notes that after partnering with Go-food, SMEs have added 80% more customers and nearly doubled their overall orders.

Its foray into digital payments has also enhanced inclusion for a majority of Indonesians, particularly those living outside major cities. As of 2017, Go-jek has a market value of US\$2.5 billion (Woro Yuniar, 2017), and has more than 900,000 drivers in Jakarta alone. It does appear to be a case where investment in shared financial and social capital leads to improvements in financial indicators across the whole ecosystem.

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ADDITIONAL INFORMATION

Location:

Indonesia with plans to expand in the region

Year created:

2010

Sector of activity:

FinTech, beginning with transport

Purpose & Mission:

A mobile technology company with a mission to unleash social impact through technology

Size:

As of 2017, Go-jek has a market value of US\$2.5 billion and has been considering an IPO (Woro Yuniar, 2017)

Stakeholders in the ecosystem:

Go-jek staff (ride-hailing, financial, delivery, micro-lending, insurance), drivers, customers, business suppliers, loan agencies

Key Financial Performance Indicators:

Go-Jek raised over US\$1 billion in its most recent funding round, with Google, JD, Meituan-Dianping, Tencent, and Temasek among big-name investors (Ellis, 2018)