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TECH

Uber Rival Grab Gains Ground in Southeast Asia

Singapore-based GrabTaxi operates in more Southeast Asian cities than Uber and is winning the race for riders

By Newley Purnell

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SINGAPORE—Uber Technologies Inc. is locked in major tussles with local rivals in China and India, but a homegrown upstart is also grabbing an advantage in the race for another Asia prize.

A startup called Grab is winning ride-hailing turf in Southeast Asia—home to 600 million people, almost double the population of the U.S. The startup serves more cities in the region than Uber and, according to mobile-app analytics firm App Annie, is beating the world's most valuable startup in the race for users here.

The region's ride-hailing market is forecast to grow more than five times to \$13.1 billion by 2025 from \$2.5 billion last year, according to a recent report on Southeast Asia's internet economy conducted by Alphabet Inc.'s Google and Singapore state-investment firm Temasek Holdings.

Singapore-based GrabTaxi Holdings Pte Ltd., as it is formally known, launched in 2012 and offers locally tailored services such as motorcycle taxis—a popular method for negotiating the region's traffic-clogged cities—package deliveries and cash payment. It also has a pilot carpooling service allowing people living in southern Malaysia, where living costs are lower than in neighboring Singapore, to share rides into the city-state.

In four years, the company, valued at \$1.6 billion in its most recent funding round last year, has expanded to 1,600 employees. It operates in 30 Southeast Asian cities—twice as many as Uber—in six countries.

Even so, Grab faces a tough fight against Uber, a global powerhouse valued at close to \$68 billion. It has raised \$14 billion in debt and equity, providing it with a massive war chest for global expansion—and local turf wars.

A spokesman said Uber is “part of everyday life for millions across Southeast Asia,” where the



GrabTaxi co-founder and CEO Anthony Tan, shown in San Francisco in May, foresees a company that grows beyond transport.
PHOTO: DAVID PAUL MORRIS/BLOOMBERG NEWS

company is “led by local teams.”

Grab has some significant investors in its corner. In addition to U.S. hedge fund Coatue Management LLC and Tiger Global Management, it has received funding from Uber’s biggest competitor in China: Didi Chuxing Technology Co., the country’s largest ride-sharing company.

Grab has also joined Didi, ANI Technologies Pvt.’s Ola in India and San Francisco startup Lyft Inc. in a global alliance of Uber rivals. They work together to allow users of each company’s app to hail rides from the other apps’ drivers in other countries.

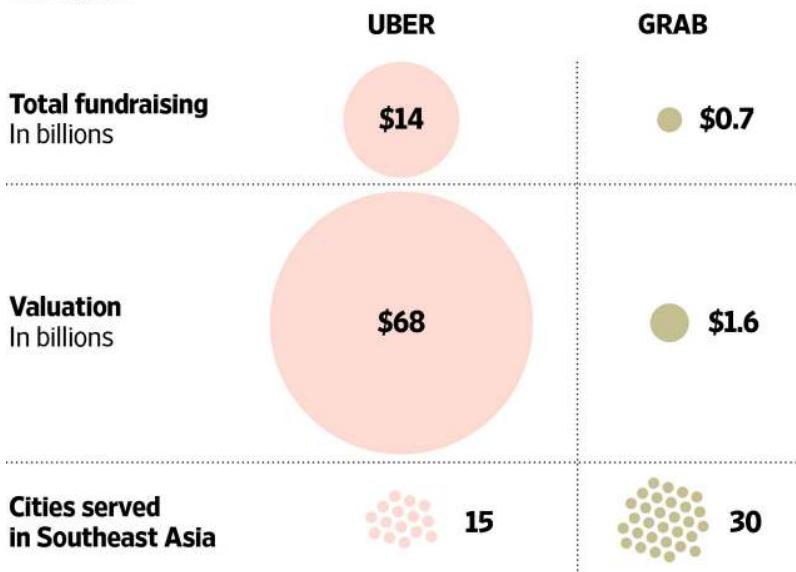
Grab’s co-founder, Anthony Tan, a 34-year-old Malaysian who dreamed up the venture with a classmate at Harvard Business School, said he envisions the company as a sprawling, web-based platform, leveraging its location data to offer services beyond rides, such as digital payments.

“We don’t think only about transport,” said Mr. Tan, also Grab’s chief executive, in an interview at the company’s Singapore headquarters, a modest space in an office park where new taxi drivers come to sign up. “How do we build a Baidu, Alibaba, Tencent?” he said, referring to China’s three leading internet companies, which dominate that country’s search, e-commerce and social-media markets.

Grab has banked close to two-thirds of the almost \$700 million it has raised from investors and isn’t in need of additional funds at the moment, Mr. Tan said. The company is profitable in some cities in which it operates, he said, though he declined to forecast when the company will turn a profit overall.

David and Goliath

Southeast Asian ride-hailing app Grab has a fraction of the resources of global powerhouse Uber, but operates in twice as many cities in the region.



Sources: Dow Jones VentureSource; the companies

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delivery service, but it isn't available outside the U.S.

In Indonesia, Grab has worked to augment third-party maps by adding points of interest for pickups and drop-offs at locations not otherwise covered, like warungs—roadside stalls where people often congregate to buy goods or socialize.

Uber's innovations include the UberEats on-demand food-delivery service, which gained its first Asian location in May with a launch in Singapore. The company's carpool service, UberPool, was expanded from Jakarta and Manila to Singapore last week.

Uber's huge cash pile means it can afford to hire top engineering talent and develop cutting-edge technologies. It could also allow it to spend money for longer than the less-deep-pocketed Grab, analysts say, potentially wearing it down over the long haul.

Then there is a technological barrier both companies face: While Southeast Asia's population is large, many consumers still lack web access, meaning they can't use the apps.

Neither Grab nor Uber discloses user numbers, but Grab's app topped Uber's in first-quarter downloads for both Android and Apple devices in every market in which Grab operates: Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam, according to App Annie.

Grab also leads Uber in monthly active users in "a number of Southeast Asian markets" on

In a region where few people have credit cards and many lack bank accounts, Grab first offered cash payments for users and drivers alike. It recently added motorbike taxis in cities like Ho Chi Minh City and Jakarta so commuters use can weave through traffic gridlock. Uber has since followed.

Grab also offers a package-delivery service designed to assist the region's e-commerce startups, which sometimes struggle to get items to customers in places that lack traditional addresses or where roads are poor. Uber has a



Drivers signing up for Grab's service at the company's headquarters in Singapore. PHOTO: NEWLEY PURNELL/THE WALL STREET JOURNAL

Android smartphones, which dominate the region, App Annie estimates. The company doesn't give out numbers.

Grab says its app has been downloaded more than 15 million times. An Uber spokesman declined to comment on App Annie's data, or disclose any user or download data for Southeast Asia.

Florian Hoppe, a consultant at Bain & Company, said "it's hard for [Uber] to tailor to unique local requirements" in the region, while Singapore-based Grab understands what Southeast Asian consumers need. He pointed to Grab's service connecting commuters in Malaysia to Singapore as an example.

"That's the gap" Grab has taken advantage of, he said.

—Resty Woro Yuniar contributed to this article.

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