

HSF – NLU DELHI INTERNATIONAL NEGOTIATION COMPETITION 2017

PRELIMINARY ROUND 1: IN THE DRIVING SEAT FOR RIDEON

NEGOTIATION PLAN FOR RIDEON (TEAM CODE: 27)

Mutual Aim

- For RideOn to acquire Happy Taxi and preserve the business' outstanding reputation.

Interests and objectives

RideOn

- *Penetrate the Asian market* – Establish a presence in India and build a large network of local drivers.
- *Price* – Purchase Happy Taxi in staggered payments at a value of US\$160 million (carving out GoTaxi) to preserve capital for other acquisitions.
- *Initial revenue streams* – Maintain cash flow by retaining Happy Taxi's existing corporate accounts and individual riders.
- *Satisfy regulatory requirements* – Ensure that all vehicles have a certified low carbon dioxide rating by early 2018.
- *Non-compete agreement* – Include a restraint of trade clause to prevent Happy Singh from competing with RideOn in the future.
- *Reputation* – Recast RideOn's image as a socially responsible company.

Happy Taxi

- *Reputation* – Preserve reputation and ensure the prospective buyer's business values align with those of Happy Taxi.
- *Price* – Sell the business (including Happy Taxi and GoTaxi) at a high valuation and to secure immediate payment.
- *Relinquish responsibility* – Avoid obligation to transfer clients and drivers after the sale.
- *Autonomy* – Ensure there are no restrictions on investing in new ventures after the sale.

Bargaining positions

RideOn's strengths

- *App platform*: RideOn has an established app platform that allows it to provide cheap prices and easy access to taxis.
- *Recent market expansion*: Experience transitioning into foreign markets, including purchase of a similar business in Indonesia.
- *International subscribership*: Brand recognition will facilitate integration into new market.

RideOn's weaknesses

- *Negative publicity*: Series of damaging incidents and commentary in Singapore and Europe that suggests the quality of drivers cannot be guaranteed.
- *Uncertain market*: Lack of experience in India may cause unforeseen difficulty.
- *Financial constraints*: Limited to US\$300 million in acquisitions in 2017 and 2018.

Happy Taxi's strengths

- *Reputation*: Known as a socially responsible company that also provides a safe, reliable and friendly taxi service.
- *Established customer base*: Entrenched market share, which includes working professionals and corporate customers.
- *Compliance*: Effective systems for monitoring compliance with regulatory standards.

Happy Taxi's weaknesses

- *Booking Systems*: Multiple source booking system suggests efficiency not being maximised.
- *Clients*: Business model primarily reliant on corporate customer accounts.

Strategies

1. *Acquisition price*:
 - a. Opening offer: US\$160 million staggered over 4 years i.e. by periodic payments.
 - b. Alternatively, agree to lump sum deposit, with the balance staggered over 4 years.
 - c. Compromise position: Staggered payment over 2 years.
2. *Corporate account customers*:
 - a. Include condition precedent specifying that the contract is void if unable to obtain change of control consent from at least the top 20 corporate account holders.
 - b. Alternatively, adjust purchase price to account for diminished client base.
3. *Migration of subscribed drivers*:
 - a. If less than 65% of Happy Taxi drivers do not subscribe to the RideOn network within 6 months, seek US\$20 million in compensation.
 - i. Consider including incentives if more than 80% of drivers subscribe.
4. *GoTaxi Servicing*:
 - a. Carve out acquisition of GoTaxi (transfer ownership to Happy Singh).
 - i. If acquisition of GoTaxi necessary, purchase only at a significant discount.
 - b. Consider establishing collaborative relationship where Happy Taxi drivers incentivised to utilise GoTaxi's maintenance service.
5. *Non-compete Agreement*:
 - a. Include non-compete clause restraining Happy Singh from operating a business in the same sector as RideOn:
 - i. Duration: 3 years.
 - ii. Geography: India.
6. *Reputational Considerations*:
 - a. Maintain Happy Taxi's existing CSR projects, particularly those with a human element, to the extent permitted by RideOn's budget.
 - b. Discuss Happy Singh's interest in acting as an ambassador for RideOn.
7. *Management Committee Approval*:
 - a. State that the agreement is contingent upon management committee approval.

Alternatives to a negotiated agreement

RideOn

BATNA: Happy Taxi cannot be acquired but RideOn pursues its planned entry into the Indian market via alternative acquisition targets.

WATNA: RideOn acquires an alternative taxi service and the investment is unsuccessful. As such, RideOn is unable to secure a commercially viable market share.

Happy Taxi

BATNA: Happy Taxi entrenches its position in the Indian market by improving its existing mobile app platform and expanding throughout India.

WATNA: Happy Taxi's customer base diminishes as competing providers such as RideOn enter the market.