

The Analysis of Grab's Business Model and Revenue Strategies

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Abstract: With the development of technology and the times, the global economy and business environment are constantly changing. Relying on the introduction of new business models to maintain continuous transformation and innovation capability is significant for companies to survive and thrive in a rapidly changing business environment. In an increasingly competitive business environment, the business model is a very effective conceptual strategic analysis tool. Operating a business with the right business model can accelerate the accumulation of wealth. The global market after the pandemic is filled with new challenges and opportunities, but without a perfect business model, it will be equally difficult to make money. From a business operator's or an investor's view, learning about business models and pricing strategies is significant. A good pricing strategy can reflect the value of a business model, while the business model can address commercial issues. In this article, the author will analyze the business model and pricing strategy of a specific company. This research includes three aspects: Multi-Sided Platform Model, Service Expansion and Diversification (two aspects studying business models), and Revenue Strategies (studying pricing strategies). These parts show that, the new business model and revenue strategy effectively protect Grab's interests.

Keywords: Grab, Business Strategy, Southeast Asia, Customer Service.

1. Introduction

With the rapid development of global information technology, the digital economy has become an important engine to promote the economic growth of all countries. With the Internet, mobile communications, big data, artificial intelligence, etc. as the core technologies, the digital economy involves e-commerce, digital finance, intelligent manufacturing, and many other fields, which not only recreates the operation mode of traditional industries but also gives birth to a large number of emerging industries. Especially in emerging markets: Southeast Asia, one of the world's most dynamic digital economy markets, has a population of more than 600 million and a rapidly growing number of Internet users. The region's high mobile Internet penetration rate, large young population, and huge consumer demand provide good soil for the development of the digital economy. In this macro context, digital platform companies are rapidly emerging, especially Grab, which is known for its "super app" model, which plays a key role in it. It has redefined urban transportation, financial services, and the daily choices of millions of consumers. The e-hailing software Grab, released in 2012, initially offered only ride-hailing services but has now expanded into a super application that

provides a multitude of services, including transportation, food delivery, digital payments, and financial services. The transition from a single service platform to a diversified ecosystem demonstrates Grab's innovative business approach and its ability to adapt to the dynamic market conditions of specific regions. Grab's mission is to solve people's problems to drive Southeast Asia forward and deliver a positive social impact for hundreds of millions of people [1]. Analyzing Grab's business model and revenue strategy is crucial to understanding how the company implements sustainable growth. Unlike those traditional taxi companies that mainly rely on commission income from transportation services, Grab has diversified its revenue sources through a multi-sided platform model. It includes food and grocery delivery, digital financial services, and building up strong partnerships. Each of these directly contributes to Grab's revenue in their specific way, making the firm reduce the risks associated with over-reliance on any single source of income. One of the essential sections of Grab's business model is its focus on innovation and adhering to customer oriented. Grab has been leveraging technology to enhance consumers' experiences, whether by optimizing its ride-hailing algorithms, seamlessly integrating payment solutions, or personalizing its food delivery products. This commitment to innovation extends to its use of big data and artificial intelligence to predict consumer demand, streamline operations, and drive customer engagement. By making significant investments in technology, Grab has not only improved operational efficiency but also created new monetization opportunities. Another key element of Grab's success is its partnerships and collaborative approach. This company has established partnerships with local and global entities such as Singtel, Hanwha Asset Management, and Toyota. These partnerships help to expand Grab's service offerings and enhance its market share. For example, its collaboration with local banks and financial institutions (such as BillPay and 11Street) enables Grab to offer digital financial services, such as microloans, insurance, and investment products (GrabFinance), which are tailored to meet the banking needs of both the elite and the general public in Southeast Asia [2]. These financial services not only diversify Grab's sources of income but also strengthen its ties with its user base. In addition, Grab employs an expansion strategy to adapt to the rapidly changing market of Southeast Asian society. The diverse population in the region, varying levels of infrastructure development, and unique consumer behaviors require localized business models and revenue strategies. Grab meets the specific needs of each market by customizing its services, whether by offering cash payment options for consumers in less digitized markets or providing motorcycle ride-hailing services in congested cities. Grab has cleverly tackled these challenges. Generally speaking, Grab maintains its competitiveness through diversification, innovation, and strategic partnerships. Grab's ability to continuously adapt and develop in response to market demands has always been at the heart of its success. As Grab continues to expand its service offerings and solidify its position as a super app, its pricing strategy may further evolve, such as adopting different fee structures in various countries or regions to reflect the ongoing changes in Southeast Asia's digital economy. This article will delve into the various business segments of Grab, analyzing the company's unique business model and revenue strategies. This paper aims to understand the uniqueness of the Southeast Asian market and the development of the digital economy by studying Grab's business model and pricing strategy, analyze the construction and operation of the Super App ecosystem, reveal the importance of pricing strategy in competition, and explore data-driven business decisions and technological innovation.

The research method of this paper is reviewing research, case analysis, comparative analysis, and first-hand data analysis. The following article's research structure consists of analyzing Grab's super app's different segments, followed by an analysis of the company's revenue strategy and regional and localization expansion.

2. Multi-Sided Platform Model

2.1. Grab's basic information and financial status

To start the research, the first thing that needs to be done is have a basic impression and concept of Grab. Grab Holdings Inc. is a Singaporean multinational technology company headquartered in One-North, Singapore. It is the developer of a super-app for ride-hailing, food delivery, and digital payment services on mobile devices that operates in Singapore, Malaysia, Cambodia, Indonesia, Myanmar, the Philippines, Thailand, and Vietnam [3]. Since it became a public company in 2021, Grab has published its annual report for three years. For its 2021 financial status, as shown in Table 1, it reflects Grab's position as a dominant super app in Southeast Asia, covering ride-hailing, food delivery, and financial services. Despite the challenges posed by the COVID-19 pandemic, Grab maintained its market leadership.

Table 1: Euromonitor International estimates (Data from: investors.grab.com).

Segment	Euromonitor estimated 2021 regional category share	
	Grab	Next closest competitor
Online food	*	2.1x
delivery	51%	*
Ride hailing	71%	3.9x
E-wallet	21%	1.3x

In 2022, as shown in Table 2, Grab put heavy investments into technology infrastructure, customer acquisition, and its crucial digital banking services. It led to an increase in operating expenses, which impacted its profitability. Generally, Grab's 2022 performance underscored its commitment to growth, though profitability remained a challenge due to ongoing investments.

Table 2: Condensed consolidated statement of profit and loss comprehensive income (Data from: investors.grab.com).

	Three months ended		For the year ended	
	December 31,		December 31,	
	2022	2021	2022	2021
(\$ in millions, except for share amounts which are reflected in thousands and per share data)	\$	\$	\$	\$
Revenue	502	122	1,433	675
Cost of revenue	388	298	1,356	1,070
Sales and marketing expenses	70	84	279	241
General and administrative expenses	166	176	647	545
Research and development expenses	110	95	466	356
Net impairment losses on financial assets	19	11	58	19
Other expenses / (income)	4	15	*	1
Operating loss	255	557	1,373	1,555
Finance costs (net)	135	216	353	1,636
Share listing and associated expenses	*	328	*	353
Net finance costs	135	544	353	1,989
Share of loss of equity-accounted investees (net of tax)	1	2	8	8

Table 2: (continued).

Loss before income tax		391	1,103	1,734	3,552
Income tax (expense) / credit		*	3	6	3
Loss for the period		391	1,100	1,740	3,555

For the recent year 2023, Grab's financial report, as shown in Table 3, highlighted a year of strategic optimization, with the company focusing on improving its business model and moving towards profitability. Another thing is that the company emphasized cost control measures, streamlining operations, and enhancing service delivery across its platforms because the CEO of Grab prioritized improving margins over aggressive expansion. Additionally, Grab's efforts to enhance customer engagement and operational efficiency began to pay off, resulting in a more sustainable business model.

Table 3. Sustainable business model

(\$ in millions , unless otherwise stated)	FY 2023	FY 2022	YoY % Change	YoY % Change (constant currency)
	unaudited	unaudited		
Operating metrics				
GMV	20,983	19,937	5%	7%
On-demand GMV	15,592	13,930	12%	14%
MTUs (millions of users)	35.5	32.7	8%	*
GMV per MTU (\$)	592	610	-3%	-1%
Partner incentives	682	801	-15%	*
Consumer incentives	907	1,169	-22%	*
Financial measures:				
Revenue	2,359	1,433	65%	67%
Loss for the year	485	1,740	72%	*
Total Segment Adjusted EBITDA	771	65	NM	*
Adjusted EBITDA	22	793	97%	*
Net cash from / (used in) operating activities	86	798	NM	*
Adjust Free Cash Flow	234	825	72%	*

2.2. Ride-Hailing

2.2.1. JustGrab

It is the most significance e-hailing service for Grab, the cars called by this service are usually private cars with a fixed fee, and customers can choose a variety of vehicle models if it is available. Additionally, the sudden boom of on-demand ride-hailing services such as Grab becomes a threat to many traditional taxi companies [4]. The taxi companies that cooperate with Grab undertaken the main business of this part. Hence, taxi is the kind of car GrabTaxi hail. This taxi is the same as normal taxis; GrabTaxi takes charge with a starting fee and is billed based on mileage and time.

2.2.2. GrabRentals

GrabRentals is designed to facilitate vehicle leasing for individuals aspiring to enter the ride-hailing industry but who may lack access to private vehicles. This platform provides drivers with flexible, affordable leasing options, enabling them to lease cars or motorcycles directly from Grab or its partner rental companies. Moreover, the platform operates under a data-driven system, allowing drivers to choose vehicles that align with their budget and driving patterns, further optimizing their earning potential and personal security.

2.2.3. GrabShare

It is an extension of the immensely popular GrabCar Economy service aimed at rivalling UberPool service by Uber [5]. This on-demand transportation service, which uses vehicle sharing to improve urban mobility, is an example of the sharing economy. It helped reduce traffic waste and congestion while simultaneously building Grab's ecology and facilitating communication from each carshare exchange [6].

2.2.4. GrabShuttle

GrabShuttle is a bus pooling service introduced by Grab to provide a non-costly, convenient transportation option for commuters in urban areas. This service allowed users to pre-book seats on fixed-route shuttles through the Grab app, combining the convenience of ride-hailing with the capacity of public transportation. This project primarily targeted group travel and daily commutes, helping reduce traffic congestion by offering a shared transport alternative to public vehicles.

2.3. Food Delivery

2.3.1. GrabFood

Grab has created delivery services including GrabExpress, GrabFood, and GrabMart [7]. Besides, GrabFood is the biggest one among it. It is a food delivery business. Grab cooperates with billions of restaurants to ensure diners around Southeast Asia can choose food to enjoy and follow their hearts.

2.3.2. GrabKitchen

There is a wide variety of cloud kitchens at affordable prices for diners. Depending on the customer's choice and food preference, GrabKitchen offers a variety of cuisines, from Malaysian to Western, including roti canai, nasi lemak, char kuay teow, milk tea, salad and burger. As a result, customers will only have to pay a one-time delivery fee for any order they mix and match from these 11 brands. When ordering meals for a family, it's more convenient and affordable.

2.4. Parcel Delivery and Logistics

2.4.1. GrabExpress

GrabExpress is a parcel and courier delivery service that enables users to send documents and packages on-demand across cities quickly and securely.

2.4.2. GrabMart

It allows users to order groceries, household items, and other necessities from local stores and have them delivered directly to their doorstep.

2.4.3. GrabAssistant

Globally, the COVID-19 pandemic has had a huge impact on several good companies that provide ride-sharing services includes Grab [8]. Fortunately, Grab took up that chance, developed new business: GrabAssistant. A GrabAssistant helps users with everyday tasks, such as picking up items, running errands, or shopping for groceries.

2.5. Financial Services

2.5.1. GrabPay

Globally, the COVID-19 pandemic has had a huge impact on several good companies that provide ride-sharing services, including Grab [9]. Fortunately, Grab took up that chance and developed a new business: GrabAssistant. A GrabAssistant helps users with everyday tasks, such as picking up items, running errands, or shopping for groceries.

2.5.2. GrabFinance

The service leverages Grab's extensive data and analytics to assess creditworthiness, making it possible for even small businesses with limited credit history to obtain financing.

2.5.3. GrabInsure

GrabInsure is Grab's insurance platform that offers a variety of insurance products to its users, including personal accident, medical, life, and travel insurance.

3. Revenue Strategies

3.1. Commissions

Ride-hailing, food delivery, and parcel delivery. Grab commissions on transactions made through these businesses. This business model enables Grab to maintain a stable income stream, operation cost, sales and marketing expenses. Specifically, the commission withdrawn from the ride-hailing service is usually between 15% and 20%. Takeaway services, on the other hand, charge a service fee of between 15% and 30% of the total order amount.

3.2. Advertising and Promotions

Another way for Grab to earn profit. Advertising and promotional activities are essential components of Grab's revenue. It engages businesses to promote their products and services. Grab offers merchants the opportunity to advertise within their apps, especially GrabFood and GrabMart merchants. These ad services can help restaurants and retailers increase visibility and get more people to place orders. Therefore, lots of merchants choose to cooperate with Grab to place advertisements, and Grab also gets objective income from ad business.

3.3. Financial Services

Grab's financial services aim at demanding the needs of both consumers and small businesses, particularly in regions with limited access to traditional banking (As mentioned at 2.5). With the popularity of GrabPay in the Southeast Asian market, it has become one of the important payment tools in the region, bringing a large amount of transaction fee income to Grab.

3.4. Subscription and Membership Services

There is a program called GrabUnlimited. It helps drive revenue while offering subscription and membership services to advanced users. The service provides customized offers and services to customers as well as increase cash flow of Grab.

3.5. Government Relations and Cooperations

There are many countries in Southeast Asia, and cooperation with governments is crucial. Grab places a high value on relationships and collaborations with governments to ensure compliance in different countries and drive policies to support their business. Particularly in AI and data-driven, to ensure the legitimacy and standardization of its services.

3.6. Innovation and Technological Investment

Innovation and technological investment are the core of Grab's business strategy to stay ahead in the competitive Southeast Asian market. It has invested heavily in artificial intelligence and data analytics, autonomous driving and intelligent transportation, and digital infrastructure to improve the operational efficiency and user experience of its platform.

4. Service Expansion and Diversification

4.1. Core Business to New Business

Grab's core business initially focused on ride-hailing but soon quickly expanded into new businesses like food delivery (GrabFood, GrabKitchen) and financial services (GrabPay, GrabFinance, GrabInsure). The process is so short to develop so many businesses since Grab expanded service in the end of 2015. Before that, Grab was called MyTeksi (2011-2013) and GrabTaxi (2013-2016), focused on ride-hailing business as transportation does play a key role in the development of a country [7]. The founder as well as the CEO of Grab Anthony Tan set his sights on food delivery after tasting the sweetness in the ride-hailing business; then comes finance, then insurance, and then transportation, and more. All these integrated into a cloud-based system in 2018.

4.2. Regional Expansion and Localization

It is worth mentioning that Grab is a prime example of a company that has successfully leveraged regional expansion and localization in Southeast Asia. It offered ride-hailing services in Malaysia at the beginning and later expanded to several Southeast Asian countries, adapting its products to suit each market. Grab now, covering markets through Singapore, Malaysia, Indonesia, Thailand, Philippines, Cambodia, and Vietnam—nearly the whole Southeast Asia is mainly depending on that. For example, in Jakarta, Indonesia and Bangkok, Thailand, Grab publishes a service named Grabmotor. Motorcycles replace the car functions of JustGrab. Such activities help Grab extend its market.

4.3. Partnerships and Acquisitions

This strategy is one of the important factors in its successful expansion and diversification of its business. Whether it's leveraging Microsoft's Azure platform to strengthen its data analytics capabilities and artificial intelligence technology, or Grab's partnership with Mastercard to launch virtual and physical prepaid cards to serve the masses in Southeast Asia. It provides quick access to local market knowledge, resources, and technical support. Furthermore, Grab's acquisition of Uber's

Southeast Asia business allows Grab to take over Uber's ride-hailing business in Southeast Asia, consolidating its market leadership position in the region. With this acquisition, Grab eliminated its biggest competitor and further increased its market share. Acquisitions such as these also bring more technology and resources to Grab.

5. Conclusion

Grab is currently struggling with several powerful competitors. In the food delivery sector, there are Foodpanda, ShopeeFood, and GoFood; in the e-hailing plate, there are Uber, Didi, and AirAsia Ride; even in the financial group, alternatives and possible competitors include Laybuy, PostEx, and Msuipe Technologies. Most of them have a certain base of customers and market share that hinder Grab from earning more profit.

Since Grab has invested a lot in technology, integrating advanced technologies may be a good choice. That is because it can be used for its super app, exactly in improving the platform algorithms and logic to raise customer experience. Additionally, Grab can utilize its own vast data from billions of transactions through Grab's own platform to personalize data driven. Therefore, Grab gets an edge over competitors with less or merely none access to such a comprehensive ecosystem.

This article analyzes Grab's business model and revenue strategy and then gets a conclusion: Keeping an innovating business model and formulating a proper revenue strategy extend the longevity of a company. That is the most significant reason that Grab becomes one of the greatest start-ups in Southeast Asia, then holds on to the boost growth momentum and finally becomes a giant company in Southeast Asia. However, to build up a business ecosystem, cooperate with strong partners, adopt membership and subscriptions, and invest in technology, these methods will always be the best way for a corporation.

Although Grab has numerous competitors trying to replace Grab's leading position, the future outlook of this giant company is still largely positive due to its strong market presence, diversified business model, and continuous innovation. Grab has online financial service and digital bank, as the digital economy in Southeast Asia continues to grow, Grab is well-positioned to benefit from the region's increasing adoption of cashless payments and online services. In one word, Grab's strong regional adaptation, focus on innovation, and diversified revenue streams position the company for long-term success in the competitive Southeast Asian landscape.

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