FARE NEGOTIATION: AN INNOVATION IN RIDE-HAILING

THE EVOLUTION OF ON-DEMAND MOBILITY

Traditional taxi markets
Long waits, idle vehicles, and fixed fares mean high search and transaction costs.



Ride-hailing platforms
Digital matching reduces wait times and increases vehicle utilisation.



Algorithmic models: Optimising efficiency



Dynamic pricing
Real-time fare adjustments reflecting demand and supply ensure rides are available when people most need them.

Yet, some segments remain underserved...

- Price-sensitive riders and drivers may reject a trip at the stated fare.
- The full diversity of market preferences is not captured.
- Some demand and supply remains unmet.

Negotiation models: Balancing efficiency and accessibility

In-app fare negotiation: Capturing more rides at the margin
Riders propose fares; drivers accept or counter-offer—all within the app.

Enhancing accessibility...

Through affordable prices
Prices reflect a wider set of rider and driver needs.

To extended geographies
Improves price responsiveness in diverse market conditions.

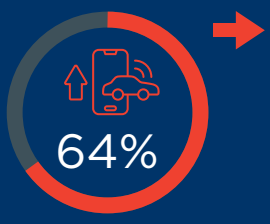
For wider audiences
Extends benefits of on-demand mobility to previously underserved segments.





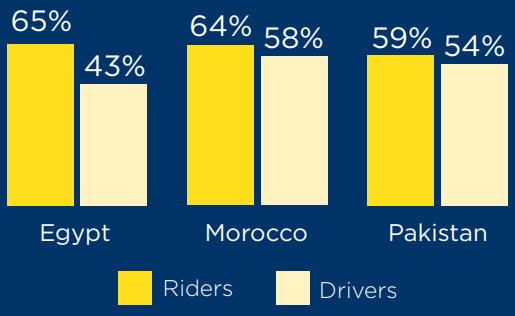
FARE NEGOTIATION ENABLES GAINS IN ON-DEMAND MOBILITY

More matches occur between riders and drivers, translating into additional trips and earning opportunities. Every extra match enabled by fare negotiation represents both an efficiency gain and a social benefit.



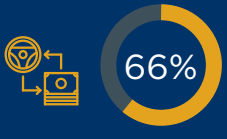
of users in Latin America said they took more rides than they otherwise would, thanks to fare negotiation.

The same figure in the Middle East and North Africa is...





of rides in Egypt, Pakistan and Latin America[1] use fare negotiation when it is available.



of drivers in Latin America said fare negotiation helped them earn a fairer income.



of Latin American riders found that rides were more affordable than on other platforms.[2]

STRENGTHENING THE WIDER TRANSPORT ECOSYSTEM

Extends the market frontier: Helps riders and drivers in remote, underserved areas connect more easily.

1/2 riders in Latin America can secure trips in remote locations due to fare negotiation.

Improves network connectivity: Facilitates first- and last-mile links between underserved areas and transport hubs.

[1] The Latin American markets refer to Colombia, Peru, and Mexico. Results for this region are reported as an average across these 3 markets.
[2] In addition, fare negotiation allows riders and drivers to match organically at lower prices, reducing the need for fare subsidies and discounts. This lowers platform fees and makes rides more affordable.

All results are based on a survey of inDrive riders and drivers.

OXFORD ECONOMICS