

MarketLine Case Study

# Uber Technologies Inc.

## Calling a cab for the Taxi Industry?

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# OVERVIEW

## Catalyst

This case study examines the rise of taxi apps, in particular that of Californian company Uber Technologies Inc. It assesses the strengths and weaknesses of the new service, and scenarios which present both opportunities and threats.

## Summary

- The proliferation of smart phones has presented an opportunity for innovation across the economy. This has been extended to personal transportation, where a number of apps have been established. The most prominent of these is Uber, provided by Uber Technologies. Since its inception in 2009, Uber has grown to serve over 100 cities across three continents, with a pre-money valuation of \$17bn in July 2014.
- Uber possesses many significant advantages. Its cost structure is significantly cheaper than that of traditional taxi operators, and demand for the company's app appears to be insatiable from both customers and investors. Astute marketing campaigns have helped to bolster customer numbers, while attempts by incumbents to resist Uber only seem to attract more to its banner. It has strong growth prospects in cities across the globe, presents an innovative product, which consumers appreciate, and its belligerent strategy seems to be paying off against competitors. For now, investors are still keen to see the business grow with sizable investments so the company can continue to offer financial incentives to consumers. Furthermore, it continues to expand its reach into other areas of transportation, including corporate via Uber for Business.
- Uber's cavalier attitude towards legal status and in expansion has drawn closer scrutiny. Incumbent taxi drivers protest it is operating in a legally ambivalent manner, and in some cases the authorities have sided with them, penalizing or forbidding Uber operations in their jurisdiction. Elsewhere, there are elements of the industry which seek to make itself as accessible as Uber via technology, and other competitors (such as Lyft) also represent a threat to the company's success. Uber's aggressive behavior may also cause it reputational damage, bringing it under further scrutiny and cannibalize its market. In particular, the tussle between Uber and its largest competitor Lyft has distorted the incentives of the market for both consumers and drivers, which will cause problems in terms of consistent car supply in the long term.

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# THE RISE OF RIDE APPS AND UBER

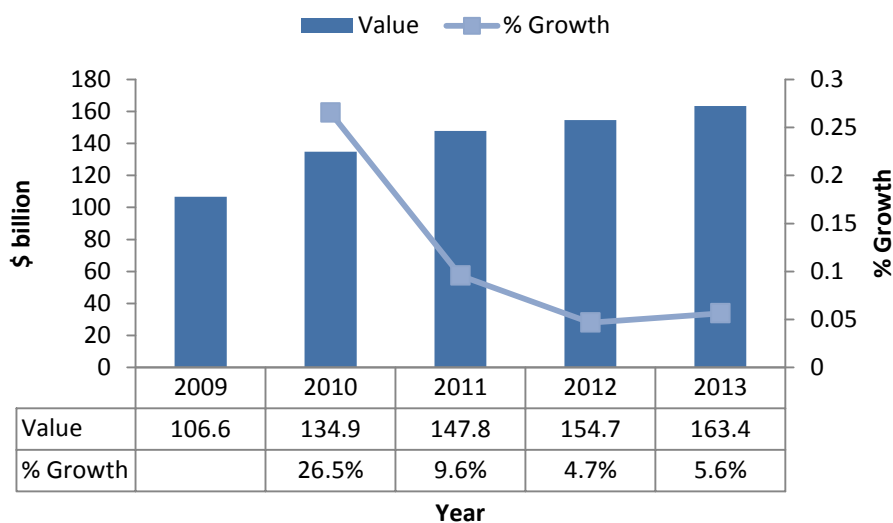
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## The app economy

As technology has advanced it has presented both opportunities to savvy innovators and a threat to those unwilling to adapt. The smartphone is now widespread globally and there are over 1 million apps on iOS and Android each as of October 2014. While there are premium Apple products prized by developed countries, cheaper Android models are popular in developing economies where fixed line infrastructure is under developed, and smart phones represent a cheap effective way to access the internet.

MarketLine data shows that phone sales continue to rise. The industry was valued at \$163bn in 2013, with a compound annual growth rate (CAGR) of 11.3% between 2009 and 2013. The global mobile phones market grew by 5.2% in 2013 to reach a volume of 1.4 billion units. The compound annual growth rate of the market in volume terms between 2009 and 2013 was 7.7%. The two primary manufacturers of smartphone operating software are Google with Android and Apple with iOS. There are over one billion Android activated apps according to Google's 2013 annual report, of which there are over 18,000 unique Android devices. Apple CEO Tim Cook has stated that the company is expected to have shipped 700 million devices at the end of September 2014. Other OS manufacturers include Microsoft and Blackberry.

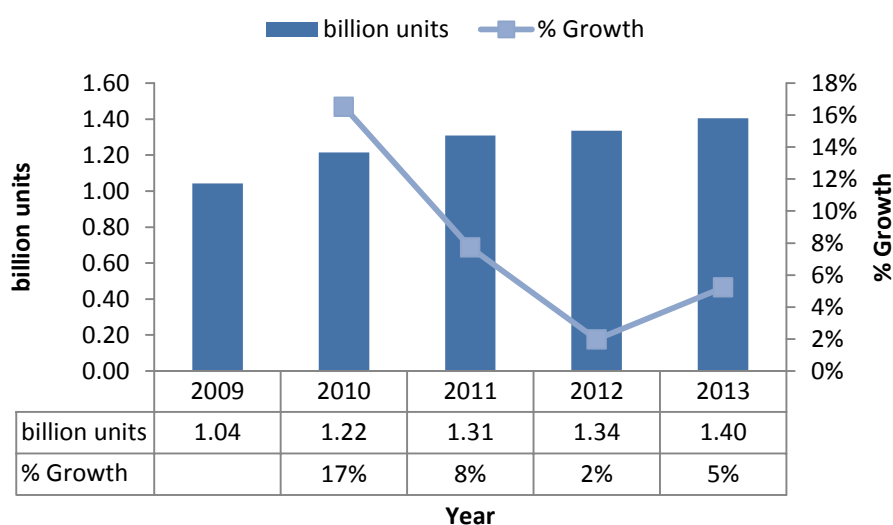
Figure 1: Global mobile phones market value: \$bn, 2009–13



SOURCE: MARKETLINE MOBILE PHONES INDUSTRY PROFILE

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Figure 2: Global mobile phones market volume: million units, 2009–13



SOURCE: MARKETLINE MOBILE PHONES INDUSTRY PROFILE

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## How technology can disrupt an industry

Technology can advance to the taste of consumer's preferences, either facilitating greater convenience or providing a more efficient service. It presents an opportunity for shrewd companies to enter a market and change, if not revolutionize, an entire industry, particularly if incumbents are hesitant to change. One example could be the music industry, which lost billions with the advent of peer to peer technology, while permitting innovative companies like Spotify access by offering a new type of product. In the case of Spotify and streaming services, it has helped ameliorate industry decline: the record industry association of America Streaming (RIAA) saw streaming music revenue in the US grow 39% in 2013, generating \$1.4bn in revenue and making up more than one-fifth of the recorded music industry's business, up from just 15% in 2012.

## The taxi industry is being disrupted by technology

The taxi industry is one of the latest victims to experience the app revolution. In the US alone, the industry was valued at \$2.4bn in 2012 by the US Census. A variety of services have sprung up via smartphones to challenge the current structure. Uber and Lyft are the main services that act as a broker between potential passengers and private drivers (transportation network companies). Other services include London based Hailo which targets licensed cab drivers, and other company specific apps. Uber is the most prominent of the transportation network companies, and the one subject to the most controversy. Advances in satellite navigation have also rendered local road knowledge obsolete to an extent. This means that less skill is needed to enter the taxi service industry, rather either a satnav or in Uber's case, an iPhone.

## Uber was originally a luxury vehicle hire service

Uber has grown rapidly in the space of four years. It has managed to acquire \$1.4bn in funding from investors, operates in 45 countries and continues to grow relentlessly, expanding its product offering to a variety of vehicles. Uber started in 2009 and began to offer its services in 2010 via Android and iOS platforms. It began in California offering its Uber Black service, which offered full size luxury vehicles.



It grew in popularity as people in San Francisco saw the convenience of the app, and customers were willing to pay a premium for a service that would be reliable rather than the uncertainty of hailing a taxi. Its first international target was Paris, used prior to the LeWeb International Conference. Since then it has expanded to major cities in some of the largest economies including London, Berlin, Beijing and Mumbai.

## Uber expanded its services to include cheaper cars for hire

Uber has now expanded its product range from private hire black cars to a variety of budgets, and even its own Taxi service. It launched UberX in 2012, which offered more ubiquitous car models in exchange for a reduction in rates. It also offered a more luxurious segment to the higher end of the spectrum. During 2013, it offered UberChopper to customers in New York, which offered a \$3,000 helicopter ride with SUV transfer. It has also found other inventive ways to promote itself, such as using its platform for ice cream trucks when it launched in London.

**Table 1: Uber's listed services**

Service	Product on offer	Market segment
UberX	For hire Vehicle	Low price
Uber Taxi	Licensed cab	Low price
Uber Black	Luxury vehicles	High
Uber SUV	Luxury sports utility vehicles	High
UberLux	Premium Luxury vehicles	Premium

SOURCE: Uber.com

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## How Uber works

Uber acts as a mediator between drivers and passengers, and takes a commission fee for its services. Payments are taken electronically via credit card or a PayPal account. The app uses GPS to display the location of both the passenger and the driver. A receipt will be emailed to the email account of the user, and the passengers can also relay feedback regarding the driver. Electronic payment can also be divided between passengers if they each possess Uber accounts. It operates a policy of "surge pricing", which sees rates increase during peak periods to coax more of their drivers on to the roads. The prices stabilize once enough cars are on the road.

**Figure 3: Uber is available in 45 countries**



**SOURCE:** UBER.COM

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# UBER'S STRENGTHS

Uber possesses many significant advantages. Its cost structure is significantly cheaper than that of traditional taxi operators, and demand for the company's app appears to be insatiable from both customers and investors. Astute marketing campaigns have helped to bolster customer numbers, while attempts by incumbents to resist Uber only seem to attract more to its banner. It has strong growth prospects in cities across the globe, presents an innovative product, which consumers appreciate, and its belligerent strategy seems to be paying off against competitors. For now, investors are still keen to see the business grow with sizable investments so the company can continue to offer financial incentives to consumers. Furthermore, it continues to expand its reach into other areas of transportation, including corporate via Uber for Business.

## Uber has significant financial advantages over taxi firms

Uber's business model is that of a transportation networking company, and has significant advantages in terms of costs compared to the taxi industry, which allows it to undercut them on price. Its revenue is derived from commission of the sale. Compared to a traditional taxi model, which saw companies invest in fleets to lease out to employees, Uber's drivers use their own vehicles or sub-contractor, which immediately puts them at a cost advantage compared to competitors. Furthermore, it currently occupies an ill-defined area of regulation, which means it does not yet have to be subject to many of the regulatory costs (licensing, training, comprehensive insurance) that taxi firms do, giving it further cost advantages against the industry, permitting it to charge cheaper prices.

Website [whatsthefare.com](http://whatsthefare.com) assessed the ride sharing service's prices compared to taxi services in San Francisco, Los Angeles, and New York. It found that despite a degree of variation depending on local and which ride-sharing service is used, the rides were ultimately cheaper the majority of times. Uber and rival ridesharing companies were the cheapest offers, setting identical base rates, per-minute and per-mile prices, and both rounding down rather than up.

**Table 2: Ridesharing services, percent of rides cheaper than a taxi**

Service	San Francisco	New York	Los Angeles
UberX	76.53%	77.5%	97.99%
Lyft	71.68%	64.23%	96.76%
Sidecar	87.41%	N/A	96.27%

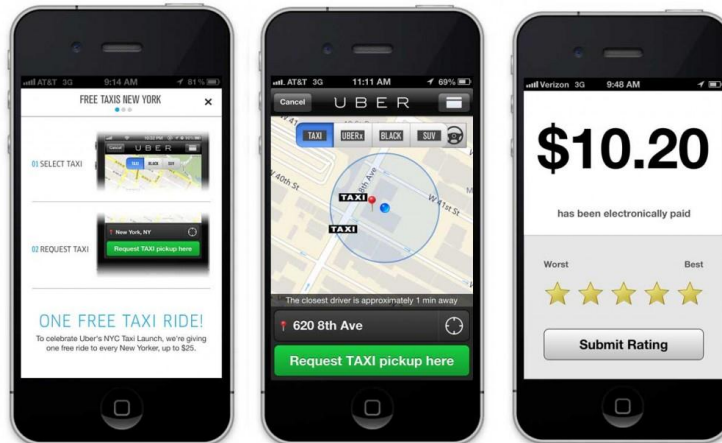
SOURCE: [whatsthefare.com](http://whatsthefare.com)

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## Uber appeals to a broad range of consumers

Uber's variety of products allows it to attract a wide variety of customers, and its marketing strategies are also paying off. By targeting larger cities first rather than national roll outs, Uber ensures that it has a copious supply of tech literate, young customers who will appreciate the app and its service. Furthermore, the low costs permit it to offer frequent and generous discounts. Schemes such as free credit for referring a friend will intrigue potential customers and encourage them to use the service. Its pricier products will appeal to those with more disposable income.

Figure 4: How Uber works



SOURCE: UBER.COM

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## Uber improves taxi service for both customers and drivers

The business model is both a cheaper and more convenient method for both drivers and customers. In cities where public infrastructure is creaking, it offers a cheaper and more comfortable alternative. GPS maps improve accountability and show an estimated time of arrival (ETA). Electronic payment is convenient for the customer who may not be carrying enough cash and also ensures the driver receives his fee. By not carrying cash and operating a pick up system only, it also improves the safety of the drivers. Uber offers itself as the cheaper and safer alternative to cab hailing.

## Uber's disruptive tactics are paying dividends

The company has expanded considerably at the expense of the incumbent taxi market, and in some cases, the efforts to retaliate only assist Uber. It has also forced some competitors out of the market already. In San Francisco, the San Francisco Municipal Transportation Agency (SFMTA) reported that the average trips per taxicab in the city had declined from 1,424 a month in March 2012 to only 504 as of July 2014. This constitutes a 64.6% drop, and coincides with the launch of UberX and no noticeable improvement in other methods of transportation. This has prompted retaliatory measures from the taxi industry. There have been protests in the US, France, Germany, Spain, Italy, and the UK against the service. However, in some cases this has had an undesired impact. When over 12,000 London black cab drivers staged a protest in July 2014 over Uber, it brought more attention to the app. The Uber manager of the UK and Ireland confirmed that registrations rose 850% compared to a week earlier. In New York, London based e-hailing app Hailo has exited the North American market, citing the astronomical funding it would need to compete with Uber.

Figure 5: London taxi drivers' Uber Protest, June 11, 2014



SOURCE: TELEGRAPH.CO.UK/ DANIEL LEAL-OLIVAS/I-IMAGES

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## Strong investor interest vindicates current plan

Uber's aggressive expansion strategy has won it some backers with colossal financial clout (including Google and Goldman Sachs), encouraging the company to continue its global expansion, offer financial incentives to customers, and also possess a war chest for any regulatory legal battles the service inevitably attracts.

Furthermore, if interest is sustained, it could represent positive signs for any plans the company has regarding future financing.

## Uber's pre-money valuation is higher than some public companies

Subsequent rounds of funding have continued to attract venture capital and private equity investors, with demand so fierce it has pushed its valuation up to a record high for companies at this stage of financing. A financing initiative in July 2014 raised over \$1.2bn, and the company's pre-money valuation jumped from \$3.5bn in 2013 to \$17bn in 2014. This represents a record valuation for tech start-ups in a direct investment round, and values Uber higher than companies such as car rental service Hertz, and North American retailer Best Buy. Notable investors include Google Venture and Goldman Sachs, amongst other venture capitalist firms.

## Should demand hold, a potential Uber IPO could be very profitable

If investor demand persists, the prospect of an IPO could further augment Uber's financial power, riding the tech stock bubble to further increase its size and reach. The frenzy to invest in the company suggests there is a lot of support from the financial sector for Uber. Although primarily focused on expanding its reach and driving costs down currently, there could be a long-term plan to float the company on a stock exchange. This would permit the company to access further funds via stock issues, and providing the stock remains in demand, it can be used to further the company's ambitions. In demand stock could make up the bulk of any acquisition deals in a similar manner to Facebook.

## Uber could see further use as a promotional tool

Uber's platform is based on the premise of facilitating contact between consumers and service providers. In this respect, it has ample room to diversify its business and has demonstrated it in some creative promotional campaigns, partnering with other companies and organizations to promote its services and messages. Examples include ice cream delivery during Ice Cream Week, delivering kittens for National Cat Day in 2013, Christmas tree deliveries and DeLorean DMC-12s, (the car from the film Back to the Future) in San Francisco in partnership with General Electric.

Figure 6: Uber's DeLorean Time Machine delivery service in September 2013



SOURCE: UBER

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## Uber's product expansions are well received

The platform's versatility is demonstrated by the launch of Uber for Business (U4B), which Uber claims is one of its best launches to date in terms of account sign ups and usage. It provides the convenience of Uber to employees while providing a transparent and clear way for firms to regulate its usage. Further, it helps to spread and increase demand throughout the day for drivers, keeping the service reliable and expanding revenue.

U4B was launched in Q3 2014, and permits firms to open accounts with the service to let employees use the service for corporate travel. Uber allows centralized billing and firms to track their usage data via a dashboard interface. The U4B bookings growth rate would make it the fifth fastest city of all time if compared to Uber geographical launches. U4B saw people take trips in over 100 cities (over half of Uber's total), and in 32 of the 45 countries it operates in. Yet Uber for Business trips sees a nearly identical mix of products (UberX, UberBLACK, UberSUV), which includes significant usage of UberX. The product is primarily used during working hours.

## Uber Rush: new product demonstrates Uber's versatility

The networking element of the Uber model means that it has the capacity to take its software and apply it to a variety of services that require facilitation. In New York, the company is trialing a courier service, Uber Rush, delivering packages instead of passengers. It is still in its infancy, but is already making progress; it managed to lower its prices 30% between its inception in April 2014 and July 2014. CEO Travis Kalanick described the service as an "infant", and there may be

some time before it is expanded into other territories. However, it demonstrates that the company can diversify into areas other than personal transportation, and may offer a credible entry into markets where public transportation infrastructure is robust.

Figure 7: Uber Rush couriers



SOURCE: UBER

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# THREATS TO UBER'S EXPANSION

Uber's cavalier attitude towards legal status and in expansion has drawn closer scrutiny. Incumbent taxi drivers protest it is operating in a legally ambivalent manner, and in some cases the authorities have sided with them, penalizing or forbidding Uber operations in their jurisdiction. Elsewhere, there are elements of the industry which seek to make itself as accessible as Uber via technology, and other competitors (such as Lyft) also represent a threat to the company's success. Uber's aggressive behavior may also cause it reputational damage, bringing it under further scrutiny and cannibalizing its market. In particular, the tussle between Uber and its largest competitor Lyft has distorted the incentives of the market for both consumers and drivers, which will cause problems in terms of consistent car supply in the long term.

## Uber's legality has been questioned

The main problem facing Uber is the reaction of authorities to the service. Depending on local regulation and the reaction of the authorities, Uber's operations can either be subject to; the same regulation as taxi drivers, left to compete as before, or outlawed entirely. There can also be a discrepancy in operating policy; given much of it is devolved regionally, Uber may be able to operate in some cities/regions but not others in a country. In many areas there is a fierce debate regarding the legality of Uber. Sometimes these new penalties are not sufficient; Uber's drivers are continuing to operate in areas where they have been forbidden, engaging in civil disobedience.

Taxi drivers protest that they are subject to rigorous vetting, pay higher insurance premiums and generally endure more costs compared to the Uber drivers, and are therefore unable to compete with Uber drivers on price. Uber's riposte is that it is not a taxi service in a traditional sense, and as such should not be subject to these rules. The schism is evident in Spain, where Madrid and Barcelona now threatening Uber drivers with fines ranging from EUR4,000 (approx. \$5300) to EUR6,000 (approx. \$8,000) and which could rise to EUR18,000 (approx. \$24,000) plus seizure of the vehicle if there are repeat offences. However, the Spanish Economy Minister Luis de Guindos has come out as a proponent of Uber. The European Commission is taking a similar stance, resisting calls for continent-wide regulation regarding transportation network companies and instead telling member states it should be encouraging innovation. In the UK, the chairperson of the Public Accounts Committee, Margaret Hodge, stated that Uber is "competing unfairly" in tax practices. This stems from the position of Uber's European operating company, Uber BV, which operates in the Netherlands and therefore pays substantially less tax on its UK operations. An Uber spokesman said it complied with all applicable tax laws and "pays taxes in all jurisdictions, such as corporate income tax, payroll tax, sales and use tax and VAT".

**Table 3: Uber's regulatory hurdles**

Country	Opposition
Australia	Infringement notices, investigation by Roads and Maritime Services
Belgium	Banned in Brussels; fines and impounding for Uber drivers
Canada	Moratorium in Vancouver, fines in Ottawa
Germany	Cease and desist order from August-September 2014, legal action
South Korea	Moratorium in Seoul, police investigation reopened
Spain	Banned in Madrid and Barcelona, fines and impounding for Uber drivers
US	Regulatory opposition at a state level across the country, including a moratorium in Virginia

SOURCE: Uber.com

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## Uber's aggressive strategy could backfire

Uber has begun to attract both ire and acclaim for its business model, which puts it under more intense scrutiny. While in some cases the service seems impervious to brand damage, this may change as media outlets and regulators cast a



more critical eye on the company's practices, which could poison the brand much more than making taxi drivers strike. This includes minimal third party vetting, controversial competitive practices, and tax arrangements.

Uber CEO Travis Kalanick is unrepentant regarding his voracious expansion campaign, taking on both regulators and competitors with extreme prejudice. The unrelenting tactics may cause further conflict with regulators and also prompt consumers to reconsider using its services.

## **Failure to vet staff could lose Uber customers and cost more**

Media reports have criticized Uber for its recruitment process, claiming its background checks are light touch and jeopardizing passenger safety. If these reports are justified, this could cost Uber both lost revenue and also further losses via court cases. Uber says that while it is not subject to the same extensive regulatory process of hiring drivers as taxi firms do, it vets its drivers thoroughly. However, because the drivers are independent contractors (either through sub-contractors or self-employed), Uber also states that it has little hand in the conduct of its employees. During the London black cab strike, its statement said it complied with Transport for London's stringent regulations. However, in March 2013 The New Yorker reported that at SXSW festival Uber hired 50 drivers to give festival attendees free rides. Uber recruited the drivers off classified advertisement website Craigslist, gave them a background check and 45 minute orientation. Public safety organization Who's Driving You criticizes Uber for its insurance gaps and "poorly conducted" background checks, as well as conduct issues including sexual harassment and physical assaults on passengers. The National Federation of the Blind, a disability group in the US, also filed a lawsuit after "more than 30" blind people were denied Uber's service.

## **Uber's aggression towards new entrants could escalate the problem**

Uber has been accused of using belligerent tactics against competitors, something which will constitute a barrier to entry and could prompt further regulatory action. Even if regulatory action is not taken however, it could cause escalation in terms of competitor practices; if all ride sharing services begin to operate in this manner, it could put consumers off if they cannot access a driver due to false orders. It has been accused of ordering cars with competitor firms, cancelling at the last minute and offering their drivers cash sums to defect to their services. The project is deemed SLOG (Supplying Long-term Operations Growth), and the company insists it is a recruitment campaign for both drivers and customers, and they would never jeopardize a fare. However, Lyft calculates it has lost over 5,000 fares due to Uber's tactics and cancellations since October 2013, particularly in New York when the company tried to expand there. Another New York competitor was also allegedly targeted by Uber's campaign, new start up Gett.

## **The competitive landscape is adapting to Uber**

Kalanick stated that Uber is engaged in a "political campaign" against an "asshole named taxi." Uber has taken a strong swipe at the taxi industry, but it is not alone; the main rival is Lyft, but other ridesharing apps are now burgeoning. Furthermore, some more tech savvy incumbents are attempting to adapt by offering their own apps or signing up to services to provide taxis. This may test levels of consumer loyalty, particularly if there's a perceived safety problem with drivers and regulated vehicles are preferred. Regional incumbent apps may already exist as they do in South East Asia, making it harder for Uber to penetrate new territory. The likes of Malaysia-based GrabTaxi, Indonesia's Blue Bird, and Easy Taxi, a regional player backed by German start-up incubator Rocket Internet, are all performing well in their respective fields, which could make it harder for Uber to gain a foothold.

## **Uber faces ridesharing competitors, particularly Lyft**

Uber is ultimately the most successful of the new start-ups, but it has not yet monopolized the market or the venture capital. There are copious other ridesharing apps including Lyft, Sidecar, and GetTaxi, and others with fortified presences in regional markets. These companies are also drawing investors, although none have quite hit the Uber valuation of \$17bn. The second largest start-up is Lyft, and is allegedly the target of Uber's most menacing tactics. Lyft has responded in kind, attempting to poach Uber drivers and escalating financial incentives between the companies for more drivers. In April 2014, Lyft drew in \$250m of funding and a valuation of \$700m, giving it a sizeable war chest to deploy against Uber.

## Uber vs. Lyft: the battle for drivers

Both companies acknowledge that having more drivers employed gives them wider coverage in a city and also puts the other ridesharing competitor at a disadvantage. The result is that there is an escalating struggle between Uber and Lyft in several cities to poach and recruit each other's drivers, with the financial incentives piling up. Uber began to offer sizeable cash rewards to Lyft drivers just for performing a few shifts, and Lyft matched the offer to Uber drivers. Lyft offers \$500 for 10 Lyft rides, while Uber offered \$500 and a guaranteed wage of \$45/hour until the end of June 2014. In San Francisco, Lyft established promotional presences at an Uber inspection point, with a taco truck.

Figure 8: Uber's targeted campaign against Lyft



SOURCE: UBER

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Figure 9: Lyft's promotional efforts at an Uber inspection point in San Francisco



SOURCE: UBER

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## Scissor pull of driver/consumer incentives is unsustainable

Uber and Lyft's attempts to muster both consumers and drivers are unsustainable, as the drivers will expect more money from the conversion while the companies compete to drive down costs for the consumers. As the initial bonuses are waived (including lower commission rates or golden hellos), the fares themselves are much less than what the drivers used to be paid, prompting a race to the bottom in both fares and wages. The way for the drivers to respond is to calculate the efficiency of their time between the two companies, doing odd jobs for them when and where. It may also be the case that some opportunistic drivers only sign up for initial offers, which could cause long term labor supply problems for Uber in terms of consistency.

To reel in users, companies make rides cheaper and cheaper, but this will disadvantage the drivers. In January 2014, Uber dropped its low-cost UberX fares 20% and cut commission from 20% to 5%. But at that rate, Uber lost money on every ride. In April 2014, it began taking a 20% cut again, but didn't raise prices again, meaning drivers now make less for the same work. Lyft took its cue from Uber and dropped prices 20% in early April 2014 and then dropped it 10% more two weeks later. It also stopped taking any of its usual 20% commission and has not said when it will restore it. Additional charges, such as Uber's safety fee, go the company rather than the driver. Surge pricing may also not be effective if the consumers remain price elastic; they could just wait until the prices drop, only using the surge in times of no other options.

## Uber CEO hints at a potential solution in automated cars

CEO Kalanick has shown no quarter when competing, and also demonstrated none when pontificating about the future of Uber, perhaps realising that driving prices down for consumers while trying to keep drivers once promotions expire is unsustainable. Efforts by other tech companies (including Uber investor Google) to develop automated vehicles are a long term vision for Uber as it will reduce the costs of the journey and the company. Kalanick stated at Code Conference in May 2014 "The reason Uber is expensive is not the car, it's the other dude in the car." He later clarified that there are no immediate plans to introduce this, but that it is rather a decades' long process.

# CONCLUSIONS

## Uber could be a dominant force for decades

Uber has successfully manipulated technological advances to exploit a market corner for which in some cities there was demand. The ubiquity of smart phone technology, a stagnant industry in many countries combined with Uber's insatiable appetite for expansion have put the taxi industry on the defensive, and have irreversibly decimated the number of fares available to regulated drivers. Uber is not the sole cause of this cataclysm, but it is poised to become the dominant force among the transportation networking companies.

It currently occupies a regulatory blind spot which allows it to offer much cheaper fares on the supply side via less regulation or a costly fleet of cars which taxi firms have to maintain. The convenience of the business model, the ability to see when the driver is coming with estimate fares and rating systems is an improvement on previous levels of accountability. What's more, the versatility of the app presents the company with unlimited opportunities to diversify and expand its business, as shown with Uber Rush. This versatility has also been utilized well in creative marketing campaigns, and the company offers services across the price spectrum to cater for casual, corporate, or more affluent consumers. Investment in the ridesharing industry has been incredibly asymmetric towards Uber, which is valued higher than its nearest rival Lyft. The colossal war chest it has amassed funds its relentless expansion, and allows it to fight the costly regulatory battles which it draws, as well as the poaching of rivals' drivers.

Uber's two biggest threats are regulatory retaliation and itself. Regulators range from ambivalent to hostile across the globe, although any hostility affirms Kalanick's contempt of the taxi industry hiding behind barriers to entry and pushes Uber to fight harder, sometimes defying court orders to continue operating. This exuberant attitude extends to rivals as well, as Uber allegedly attempts to recruit competitors' drivers and also disrupt their business through highly aggressive tactics. The defiance will further draw more regulatory scrutiny, and also may force rivals (particularly) Lyft to adopt similar tactics. In an effort to offer consumers the lowest price possible, Uber's vetting process is nowhere near as robust as the regulated taxi firms, and the overextension in terms of aggression may cause reputational damage. With both Uber and Lyft cancelling each other's rides and reducing driver availability, they may deter consumers from using the services. The race to the bottom for end user prices contrasts with the wanton spree to recruit competitor drivers, who sign up for initial offers but find their income squeezed when prices are cut further or the introductory offers expire. This may create a catch 22 situation between extremely price sensitive consumers, and wage suppressed drivers.

The industry will eventually consolidate, and when this happens, Uber is in a very strong position to possess the largest market share. Its aggressive strategy shows no force will deter it. Legislation may have evolved in the future to accommodate Uber's business model, but by then Uber will have reinvented itself again with new technology. It has shown a willingness to diversify and also to think to the future with unmanned cars. What happens if Uber dominates is an altogether different proposition; if it manages to harvest most of the taxi industry's passengers and also beat Lyft to a distant second, it will become an effective monopoly on transportation services, which may bode ill for consumers and drivers alike. It still has the camouflage of an industry disruptor, but if its belligerent cost cutting strategy is maintained, the industry could be completely revolutionized.

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