EXPERIMENT NO. 4

Case Study on IT Project Financial Management

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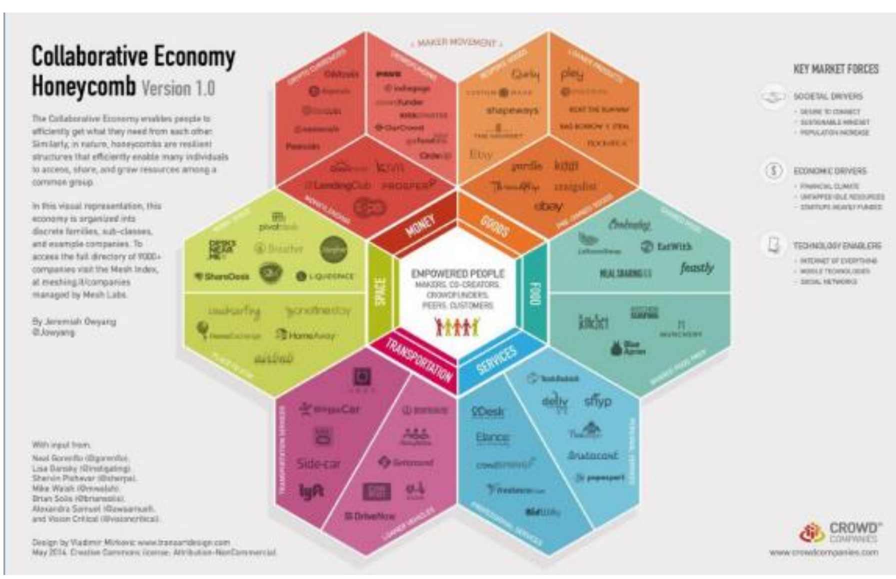
Alexander Cooper,i head of Asia expansion for Uber Technologies, Inc., was sitting in a Tesla that he did not own. The Tesla showed up for his Uber ride to the meeting he was about to have with Travis Kalanick, Uber9s CEO, and Ryan Graves, head of Global Operations. It was morning in San Francisco, California, but the sun was setting in China where the action had occurred. Cooper checked for updates on the new petition they had launched to keep Uber running in Hong Kong, where days before five Uber drivers and three office staffers had been arrested in a police raid.1 Hong Kong was a new market for Uber, and its success or failure there could define the company's next move, not only in Asia, but globally. Uber had posted bail to release the drivers and employees, but the situation was still developing. The drivers would be due in court in several months on charges of operating without car permits. For Cooper, this represented another challenge to Uber's growth. As he mentally prepared for his meeting, he knew that Kalanick and Graves, while concerned about the situation in Hong Kong, would have broader and more significant questions related to Uber's quest for global expansion and leadership role in growing the sharing economy. What should be Uber's next move? How would the company handle the challenges presented by their competitors around the world? What strategies should Uber implement? Should it leave its challenging global markets and simply focus on the U.S. market?

The sharing economy was considered an alternative to conventional business models because it prioritized access to goods, resources, and services, rather than ownership of them. This new collaborative consumption model offered economic advantages over traditional business models. Providers generated revenue by utilizing underused assets, and users had increased access to goods and services at lower prices than with traditional providers. Sharing economies maximize a good's capacity, saving time and money for both the producer and consumer.



Another driver of the sharing economy was the financial crisis of 2008. The sharing economy emerged as a response to the economic downturn and instability that followed the 2008 financial crisis, resulting in networking and pooling of resources.11 Cultural shifts also helped nurture the development of the sharing economy. In the U.S., car ownership had long been a sign of independence and many people could not imagine their world without owning a car. This was not true for younger generations, however. A survey conducted by the technology and research firm Gartner found that 46% of adults between ages 18 and 24 would prefer to have Internet over a car, while only 15% of baby boomers answered the same.

- **Sustainability and Sharing Economy:** There is also a sustainability case to be made for sharing economies. Using goods to their maximum capacity can reduce waste. Additionally, proponents of the sharing economy argued that increased utilization of underused resources could reduce the carbon footprint of a good. For example, a Fast Company business editorial focusing on innovation claimed that
- **Trust and Transparency:** Sharing economies depend heavily on trust and transparency. Companies within a sharing economy emphasize the importance of creating a reputation and building a relationship with their consumers.21 Consumers must trust that providers will provide a worthy product or service, and providers need to trust that consumers will pay and respect the product, as someone else will use the product again in the future.22 Thus, trust is required by both providers and consumers to make sharing economies successful.
- **Technology Innovation:** The development of the sharing economy was also driven by value shifts among both service providers and consumers. Rachel Botsman, a professor at Oxford University9s SaÔd Business School and widely considered a global leader providing insights into the collaborative economy, argued that technological innovations increased the connectivity of societies, which led to changing views on ownership and sharing.

Business Model :

Uber provided a technology platform to allow customers to receive easy and reliable access to a ride using the tap of a button. An Uber board member described Uber as a marketplace through which customers connected with drivers who were considered <independent agents.=44 Uber also boasted clear pricing, direct charges to a credit card for convenient pay, and the opportunity to split a fare with other riders. Furthermore, on the application riders could see the estimated time of arrival for pickup, as well as the route and estimated time to their destination. Following the ride, both the rider and the driver had the opportunity to rate each other and provide feedback on their experience. 45 For Uber, creating a value proposition for consumers was all about offering a premium experience. Kalanick told an audience at an early Uber event: <You get that experience of like…8I pushed a button, and a car showed up, and now I9m a pimp.9= 46 In addition to a technology and a transportation company, Uber was seen as a lifestyle company. Uber offered a variety of car types to cater to different demands as well as surge pricing, 48 a demand-response pricing model through which rates increased at times of peak demand, such as rush hour. These

aspects made Uber's business model unique compared to competitors. Additionally, Uber sought to distinguish itself from competitors by diversifying its service offerings. For example, Uber offered specialized services, such as UberHealth, 49 through which individuals could order a nurse to administer a flu shot; UberAssist, designed for senior citizens or people with disabilities requiring special assistance; and UberRush, a delivery service. Uber also experimented with providing alternative modes of transportation, including boats, helicopters, and motorcycles. Importantly, these distinguishing features were available only in select geographic locations. Uber's pricing comprised an important component of its business model. Early in its history, Uber provided rides at a cost roughly 50% higher than traditional taxis.53 However, by 2015 Uber claimed to offer rides using the UberX option, the least expensive of available cars, at rates up to 40% cheaper than a taxi. Although operating at lower margins, Uber was able to lead the market at different price points (i.e. for different car service options), with the ultimate goal of enhancing customer experience across a broad range of consumers. Furthermore, Uber9s surge pricing technology was so important that Uber applied for a U.S. patent on it. Uber's primary appeal to potential drivers was that they could earn extra money as an independent contractor using their own vehicle, create a flexible personalized work schedule, and receive weekly payments. An Uber board member stated that over 80% of gross fares went to the drivers.57 In addition, Uber offered advantages over other driving opportunities, such as taxis, chauffeuring, limos, buses, heavy trucks, and delivery or courier vehicles. Uber claimed to offer higher hourly payments than all these other sectors, while having fewer licensing requirements. Only a standard driver9s license, background check, and insurance (provided by the driver or offered through an Uber plan) were required.

Case Study Evaluation:

Q1: What challenges did Uber face in Hong Kong, and how did it impact its growth strategy in the region?

A1: Uber faced challenges in Hong Kong when five drivers and three office staffers were arrested. This raised questions about operating without car permits. The situation posed a threat to Uber's growth in Hong Kong, influencing its broader strategy in Asia and globally.

Q2: How did the sharing economy emerge as a response to the 2008 financial crisis, and what role did cultural shifts play in its development?

A2: The sharing economy emerged as a response to the economic downturn post the 2008 financial crisis. Cultural shifts, especially among younger generations, played a role, with a survey indicating that 46% of adults aged 18-24 preferred internet access over owning a car, contrasting with the mindset of baby boomers.

Q3: What factors contribute to the success of sharing economies, and why is trust crucial in this model?

A3: Success in sharing economies is driven by maximizing resource utilization, reducing waste, and providing economic advantages. Trust is crucial as both providers and consumers need assurance that the product or service will be reliable, creating a successful sharing economy ecosystem.

Q4: How did technology innovation contribute to the growth of the sharing economy, according to Rachel Botsman?

A4: Rachel Botsman argued that technological innovations increased societal connectivity, leading to changing views on ownership and sharing. This connectivity facilitated the development of the sharing economy.

Q5: Describe Uber's business model and the unique features that set it apart from competitors. How did Uber differentiate itself and appeal to both riders and drivers?

A5: Uber's business model provided a technology platform for convenient ride access. Unique features included clear pricing, rating systems, surge pricing, and diversified services. Uber appealed to drivers by offering flexible work schedules, personalized work with their vehicles, and higher earnings compared to traditional driving opportunities.