

Uber promises member exclusives as Uber One passes \$1B run-rate

Rebecca Bellan 7:41 AM PDT · May 8, 2024

Uber plans to deliver more perks to Uber One members, like member-exclusive events, in a bid to gain more revenue through subscriptions.

“You will see more member-exclusives coming up where members have exclusive access to events and experiences, which will kind of surprise and delight our members,” said Uber chief financial officer Prashanth Mahendra-Rajah Wednesday morning during Uber’s first-quarter earnings call.

Uber CEO Dara Khosrowshahi said Uber One’s membership fees are “in excess of \$1 billion” run-rate. In other words, Uber is extrapolating its current subscription revenue to estimate \$1 billion in annual revenue. This is the first

time Uber has shared run-rate numbers on its subscription service, which was introduced in November 2021.

Uber One costs \$9.99 per month or \$99.99 annually and offers perks like \$0 delivery fee on eligible food and groceries, up to 10% off certain deliveries and pick up orders, better pricing on certain rides and more.

Uber said it would share more information on these experiences in the future, but some members have received emails already about exclusive deals, like a party with rapper Post Malone at the Fontainebleau in Las Vegas.

The ride-hail giant wouldn't be the first to offer events to members. Credit card companies like Chase, for example, give members in New York City access to a Sapphire Lounge at the South Street Seaport and VIP access to concerts at Pier 17 over the summer.

Uber in 2022 launched a pilot feature to help customers book events and reservations at restaurants. It was a limited pilot, and Uber has not provided any updates, but it's possible such features will be leveraged to provide Uber One members access to events.

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The introduction of member events is an attempt to attract more subscribers, who tend to spend more on the platform and use more of Uber's products.

"I'll remind folks that members spend 3.4 times as much as non-members per month, so it is a great vehicle for us to drive adoption and drive, really, attachment with our various services, as well," said Mahendra-Rajah.

The CFO noted that members now generate 32% of mobility and delivery gross bookings, and over 45% of delivery gross bookings specifically.

The increased delivery spend can be partially attributed to the use of Uber Cash. In 2023, Uber dropped the 5% discounts on rides it offered to Uber One

members in favor of a cash-back scheme. Mahendra-Rajah said a quarter of all Uber Cash earned from rides in the U.S. is being redeemed on delivery. For Uber Business riders, that penetration is even higher, with 60% of the Uber Cash earned on rides being redeemed in delivery.

“We think that membership is a powerful lever in terms of general penetration into our marketplace and the frequency of growth that we’re seeing,” said Mahendra-Rajah.

Uber’s strategy for the past few years has been to actively cross-sell customers between its offerings – food delivery to grocery, grocery to alcohol, alcohol to mobility – in order to create in-app stickiness. The Uber One membership is an amalgamation of these efforts.

To increase retention of Uber One, the company is also pushing its annual pass, which lets users have a cheaper monthly option if they sign on for the year. Mahendra-Rajah said the annual pass has resulted in retention increasing “nearly 200 basis points on a year-on-year basis in March.”

Instacart deal fueling growth in suburbs

Khosrowshahi said during Wednesday’s earnings call that the platform, specifically Uber Eats, is growing faster in the suburbs than in urban areas where Uber has higher penetration.

“It’s about getting the basics right – building an audience and a brand, increasing selection, making sure we’ve got pricing right and making sure the quality of the service continues to be high,” said the CEO.

He said Uber’s recent deal with Instacart, which allows Instacart customers to use the app to order from Uber Eats restaurants across the U.S., will help Uber grow in the suburbs. Khosrowshahi also noted that penetration with Domino’s and other merchants make Uber “well positioned to grow into the suburbs.”

In terms of other growth areas to watch out for more generally, Mahendra-Rajah pointed to new products like Uber for Business, Uber Health, UberX reserve and shared rides as areas that are growing 80% year-over-year. The CFO also said 20% of new customers are coming from these new products, as well.

Uber records loss even as demand grows

Uber recorded a revenue of \$10.1 billion and gross bookings of \$37.7 billion in the first quarter, a year-over-year increase of 15% and 21%, respectively. Yet despite increased demand, the company posted a \$654 million loss – a

surprise to analysts who expected a profitable quarter after Uber reported its first full-year profit in 2023.

Uber attributed the loss to legal settlement payments and equity investments.