



Programme:

MSC IN BUSINESS ANALYTICS

Module:

Business Strategy - B9MG100

Assignment Title:

**CA 1 – STRATEGY APPRAISAL & FORMULATION
OF UBER**

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1. Introduction:

Uber Technologies (UBER) explosive growth and constant controversy made it one of the most fascinating companies to emerge over the past decade. The firm, founded in 2009, soon grew to become the highest valued private startup company in the world. (Investopedia.com,2019)

Uber's Technology offers Access to rides, on demand, delivering food fast, helping businesses move ahead with Uber Freight and Uber Business, Uber Health, JUMP bikes and scooters. Dedicated team is also working to build safe, reliable, and cost-effective self-driving technologies as well as Uber Elevate to make urban air mobility accessible. (Uber.com)



Fig 1.1 Uber Products (Ft.com,2019)

With Uber's rapid growth came many controversies that knocked down the firm's valuation from a lofty \$70 billion to \$48 billion in its last funding round in Jan. 2018. On May 23, 2018, the company announced a new tender offer that would bump the company's value to \$62 billion. (Investopedia.com,2019)

Having posted a \$5.2bn loss last quarter and with its mainstay business coming under threat from regulatory burdens, it is looking to expand its vision even further.

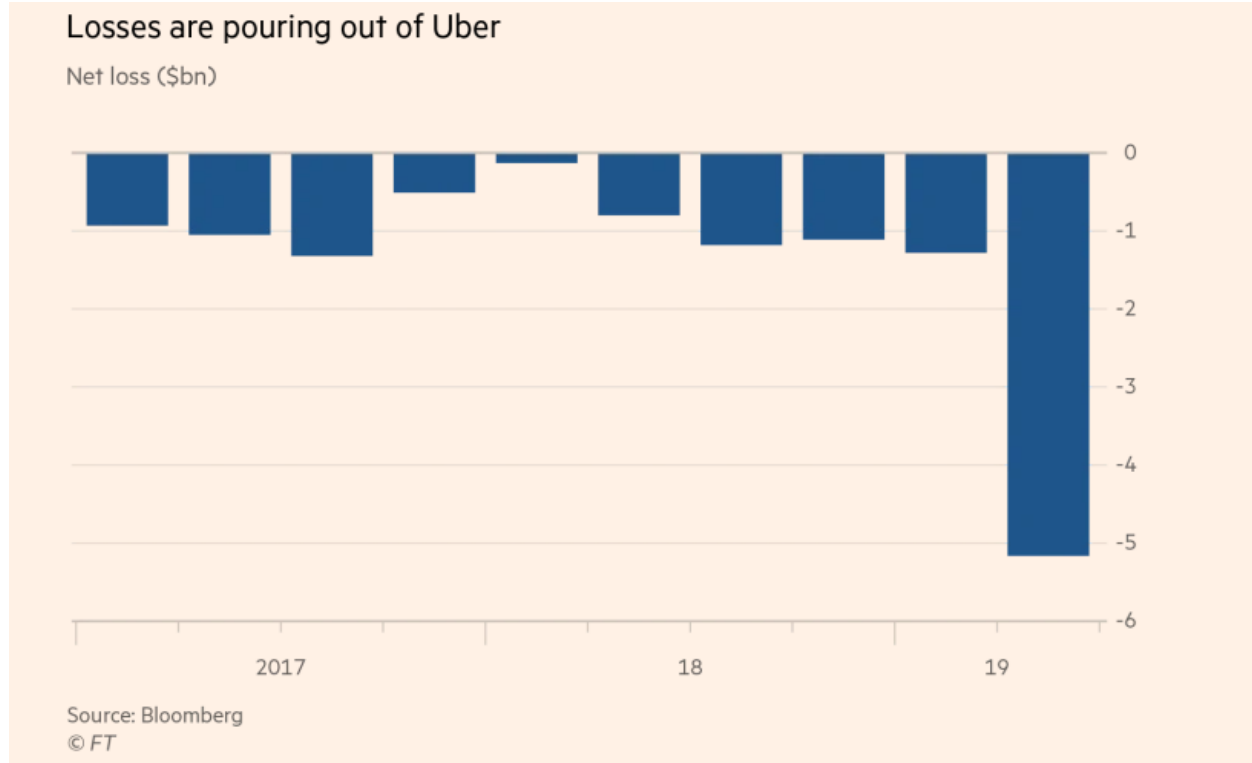


Fig 1.2 Uber losses for last three Fiscal years (Bloomberg,2019)

Investors now worry that its business model may possibly be flawed, and that it may never be profitable. It is under immense pressure from investors to lay out a convincing path to profitability and prove that it will have a sustained competitive advantage in the long-term. (Bloomberg.com,2019)

2. Strategic Position of Uber

Mission: Uber's mission is to bring transportation for everyone, everywhere. (Uber.com,2019)

Vision: Smarter transportation with fewer cars and greater access. Transportation that's safer, cheaper, and more reliable; transportation that creates more job opportunities and higher incomes for drivers. (Uber.com)

All the uber products like uber cabs, uber eats, uber freight, uber business, uber Jump bikes and scooters fit in an application-based ecosystem. All the current and future applications **Strategically Fit** in Uber's quest to become the first Super App. The idea is for Uber to provide, within a single app, access to transport, groceries, hot meals, banking and more. In short, it wants to be a "super-app" modelled on apps like Gojek, whose food and payments features have already overtaken its transport business by revenue.

Until recently, Uber’s food delivery, scooter and bike services were offered in different apps, but now the functions are embedded into one. This “one-app strategy” signals a massive shift, following in the wake of apps like WeChat and Alipay, the popular Chinese platforms that combine messaging and social media with shopping, delivery and gaming. One lucrative area for Uber to expand further is in banking, particularly for its 3m drivers. (FinantialTimes.com,2019)

While Uber struggles to prove that ride-hailing can ever be profitable, the data that business generates could give it a big advantage towards making money through loan services. Whereas banks rely on monthly credit scores, Uber has almost real-time financial information on its drivers — including how much they earn, how often they work and the speed they drive. (FinantialTimes.com,2019)

Providing more features could couple this information with spending habits, including petrol costs and rent or mortgage payments. At its keynote last month, Uber payments head Peter Hazlehurst hinted at its future ambitions when he said: “If you consider everybody’s human needs of financial stability, and their health, and their independence as a core asset that we want to help them with, what we do in the payments team is unlock some of those potential ideas.” (FinantialTimes.com,2019)

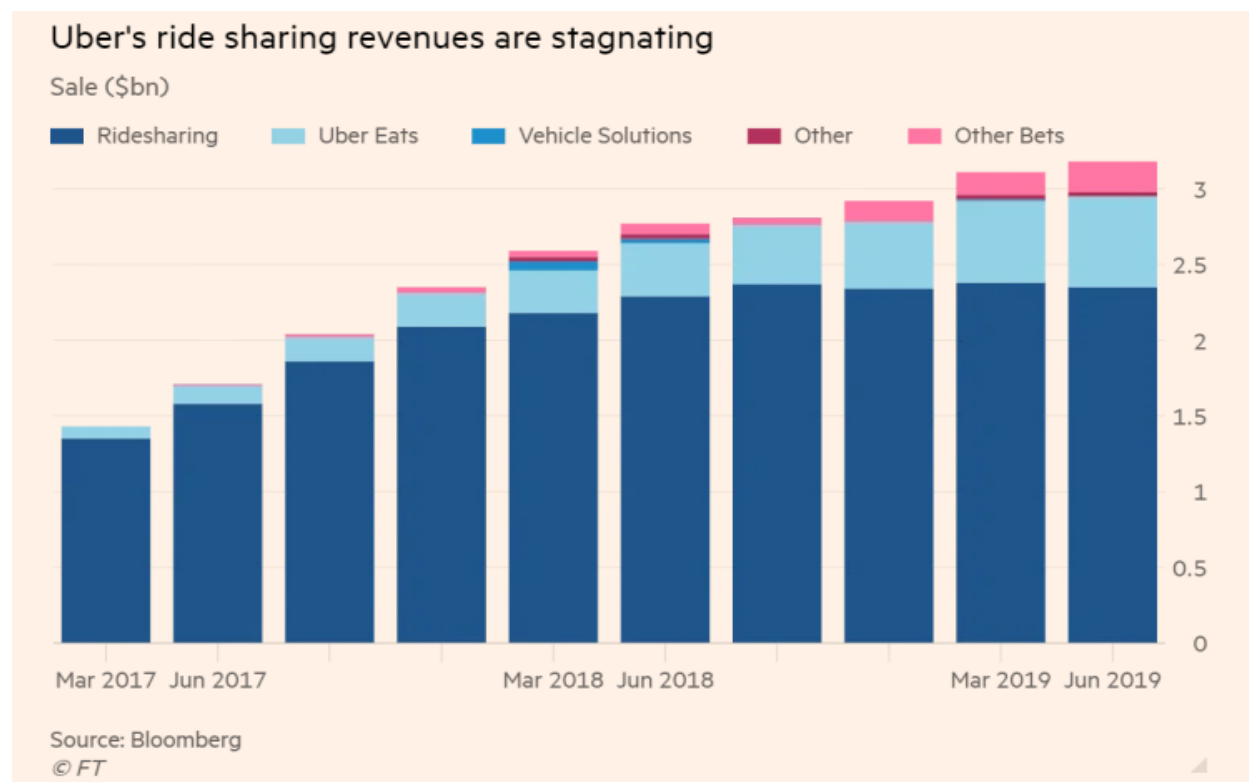


Fig 2.1 Uber’s growth across different units (Bloomberg, 2019)

Avoiding Myopia: Uber has identified itself as a transportation company rather than just being a taxi company. This way of thinking gives light to more opportunities as the technology evolves.

(Uber.com,2019)

3. Business Analysis Frameworks:

3.1 External Analysis

3.1.1 Porter Five Forces

➤ Rivalry amongst existing firms - High

- Rivalry amongst existing firm is intense.
- As the entry barriers are low, it has given rise to many local competitors like Ola in India, Lyft in the US, Didi in China, Via in New York, Gojek in Indonesia and many others. These local competitors can focus on local level and earn more customers. (cnbc.com,2019)
- Lyft provides 18.5 Billion rides in a month [US], Didi provides car hailing to over 500 million users.
- With OLA currently investing in AI, it gets around 150,000 bookings per day. (Statistia.com,2019)

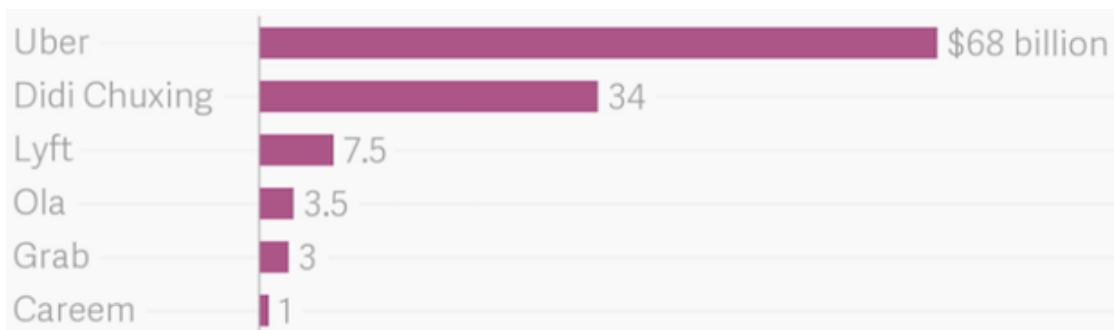


Fig 3.1 Valuation of leading Cab Hailing Companies (Statistia.com,2019)

➤ Threat of new entrants - Moderate

- Uber is an internet-based Transportation service. This business model is not a secret and this can be easily copied.
- As the entry barriers are low, it has given rise to many local competitors.
- Also, as the switching cost is low, customers can easily switch to a new cab hailing service.

- There can be new entries, but will need high investments in order to compete with the Transportations giants like Uber.

➤ **Bargaining Power of Buyers – High**

- Bargaining Power of the buyers is quite high. Customers can easily switch between cab hailing services or other commuting options, if any company decides to increase the price.
- The switching cost is very low for the buyers.

➤ **Bargaining power of Suppliers – High**

- The web-based cab hailing service model depends on availability of drivers owning cars. The drivers also have to meet the terms and condition of the company, in order to use their application
- Replacing or bringing in new drivers is not easy. Also, government is putting restrictions on the app-based cab drivers as they are seemed of being responsible for the increasing traffic and pollution. Ride-hailing accounts for up to 14 percent of vehicle miles traveled in some cities. (Verge.com,2019)
- Other major Suppliers are Oil and Gas providers. Oil price has been increased considerably since 2015. Lowest price was 30\$ in the year 2017. This high fluctuation of price of oil has been a problem in the transportation-based business model. So, these suppliers have a high bargaining power. (Statistia.com,2019)

➤ **Threat of Substitute - High**

- In the transportation industry, the threat of Substitute is quite high. As Buyers can easily opt for cheaper options like Public transport or Taxi service.
- But the Application based transport hailing services provides ease of use. Then again, if a particular company increases its rates, buyer will switch to other company for the same service for cheaper rates.

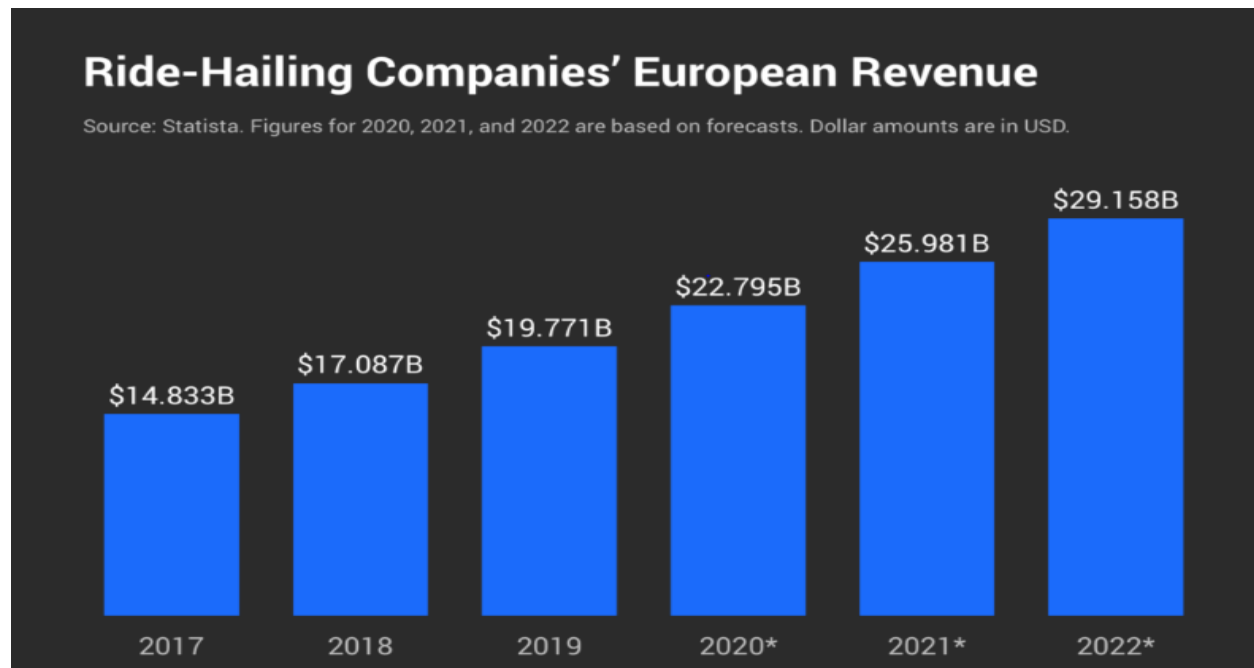


Fig 3.2 Europe Ridesharing revenue forecasting for upcoming years (Statista, 2019)

3.1.2 Pestel Analysis:

Political:

- Government is planning to put restrictions because of the increased Co2 emissions. It is estimated that for London and Paris alone, Co2 emissions may be as high as Half a megaton of Co2. (forbes.com,2019)
- Even Uber eats drivers have to face regulatory actions or fines as they break traffic rules or meet with an accident to fulfill their promise of fast delivery. In a survey, 50% of 160 riders were found to have met with an accident or known someone who have met with an accident. (the guardian,2019)

Economical:

- Uber has been recording losses for quite some time. In the last quarter it recorded a loss of \$5.2 billion (Bloomberg,2019)
- It has a dynamic pricing model; this means it can add surcharges.
- So, if the price is high compared to other applications, buyers may switch to those applications as the switching cost is low. Moreover, it has provided income for large number of drivers.
- Uber's self-driving car has received \$7.2 Billion investment of which, \$457 million they have already used for Research and Development. (Nytimes.com,2019)

Social:

- Ease of Use is main feature which has attracted the masses. This includes riders as well as customers. Customers can find rides with just few taps on their mobile phones and riders can find customers easily.
- Uber currently has 3 million drivers globally. Uber has generated a lot of jobs. (Slate.com,2019)

Technology:

- Technology is one of the key strengths of Uber and it has used it to its fullest. It has its web application as well as mobile application.
- It has used technology to provide seamless experience to both riders and customers. It uses geo location, push notifications, wallet and much more integrated in one application.
- Uber cab also has a safety feature where rider can inform their near ones about their location. It also has a review system, where the riders as well as the drivers can rate each other.
- Riders can even give reviews/comments and Uber can use that information to provide better service to the buyers.
- Ubers next milestone is to become a Super – App. All its business units integrated in one application. Now they have Uber Eats and Uber Cabs integrated in one application.

Environmental:

- Government is putting restrictions on Uber because of the increased CO2 emissions from its cars.
- In response to this Uber initiated an eco-friendly strategy namely Uber Green where in riders can hail electric cars, hybrid cars and 100% battery electric cars.
- Government is putting restrictions on Uber because of the increased CO2 emissions from its cars.

Legal:

- Uber expanded its vehicle count, ignoring the local rules and regulation mentioning that it is a communication service rather than a transportation service. This has led to various problems in different cities.
- In Bulgaria, Uber was fined with €50,000 as its drivers were found without proper taxi license and supreme court has banned it. It has also faced bans on many locations worldwide. (theguardian.com,2019)
- Denmark fined £57,000, Hungary fined £560 for 1,200 drivers and much more for ignoring the rules and regulations. (theguardian.com,2019)
- Uber also has to figure out its legal aspects in its self-driving cars. As the laws would be region specific and cars have to be trained to follow the rules of that particular region.

3.2 Internal Analysis

3.2.1 VRIN

Value:

- Huge Funds from investors is a great a value for Uber. This helps Uber to be one step ahead of its competitors. It has received \$7.2 Billion investment just for its Automated Car's research and development.
- Uber eats is now integrated in the same Application with Uber Cabs. This has been received well by its customers. Inter-related offers when a customer's uses Uber has paved its way to become a "Super-App" and add more business units in the same application in future.
- Uber has more than 300+ patents. This helps Uber to use its features without having the fear of its competitors replicating its features. (patents.justia)
- Uber has total 75 million users globally. This number itself is a huge asset for Uber. (statistia.com,2019)
- Its cost to production and huge amount is spent on research and development is a competitive disadvantage that needs to be worked upon.

Rare:

- Uber is not just a cab hailing application. Uber's mission is to bring transportation to everyone. While its local competitors focus on cabs, it focusing on all over transportation like food delivery, grocery delivery, jump bikes, freights, etc.
- Also providing inter related offers helps the customers to remain in the ecosystem.
- In Uber Cabs there as many unique features like
 - Adding multiple drop points
 - Free rides by sending out invites
 - Sending out ride status to required contacts
 - Schedule future rides

Imitability:

- Application based transportation service model can be imitated but uber has its unique features and invested in a lot of business units.
- Because of this, they have received a lot of investments and funds from its investors; This keeps Uber way ahead than its competitors.

Non – Sustainable:

- Uber has 300+ patents features. This keeps uber unique from its competitors.
- Inter related offers between business units will help to bring more customers and tie them to an "Uber-Ecosystem".

4. SWOT Analysis:

Strengths

It was one of the first ride-sharing apps, operating across the globe with **largest ride-sharing technology** in the world with 100 million active monthly users in more than 760 cities internationally in the year 2018.

It has strong brand recognition in over 50 countries overtaking GM, Honda and Ford with **values at \$ 72 blion** in 2018.

It's "**Higher the Demand; Higher the Price**" policy has proven to be beneficial to its drivers and industry.

Uber operates on **low fixed investment**. It has no fixed infrastructure or investment in place so it continues to expand at a fast pace.

Low Prices as Compared to Taxis and Other Commute apps. cheaper than Lyft and SideCar in 20 major US cities.

Weaknesses

Brand has received negative coverage over **numerous scandals** and controversies. Public outcry over negative allegations resulted in **#DeleteUber campaign** where about 500K users deleted their accounts in 2017.

It has been facing **significant losses** since 2009. In order to beat out the competition, it started providing **bonuses** to its drivers and **discounts** to its customers. This investment has only resulted in Uber's **net losses to exceed \$2.75 billion** in 2016.

It faced a severe **public backlash** over its high pricing during Hurricane Sandy. This forced the company to revise its policy.

Its heavy **dependence on its workforce** and internet has not been advantageous for the company. Over 103 Uber drivers in the US were accused of sexual harassment and abuse which paints a poor picture of the company culture.

Opportunities

It can improve by offering its services based on **accountability and performance**. By **tracking the performance of the drivers**, the company can identify top performers.

The world is becoming increasingly digital, it can **utilize Digitalization** by investing in services like Uber Eats and countries like China and Denmark where Uber does not operate can start expanding its operations.

Uber has the potential to venture into **driverless technology and other special transportation services** like ambulances or other forms of emergency vehicles. This will help the company to differentiate, gain more popularity in public and the mainstream media.

There has a great scope in **Logistics** business where Uber can also launch its own **movers and packers** for the public's convenience.

Threats

With competition on the rise, **customer and employee** retention can prove to be a challenge for Uber. Any financial incentive from its competitor is enough to **steal its customer base** and employees.

About 300,000 Uber drivers filed **lawsuits** against the company over the company's minimum wage policy. These were settled out of court. However, the cases were enough to threaten and damage Uber's public image.

Increasing Competitors, like Lyft and other transportation services such as Ola in India has significantly affected Uber.

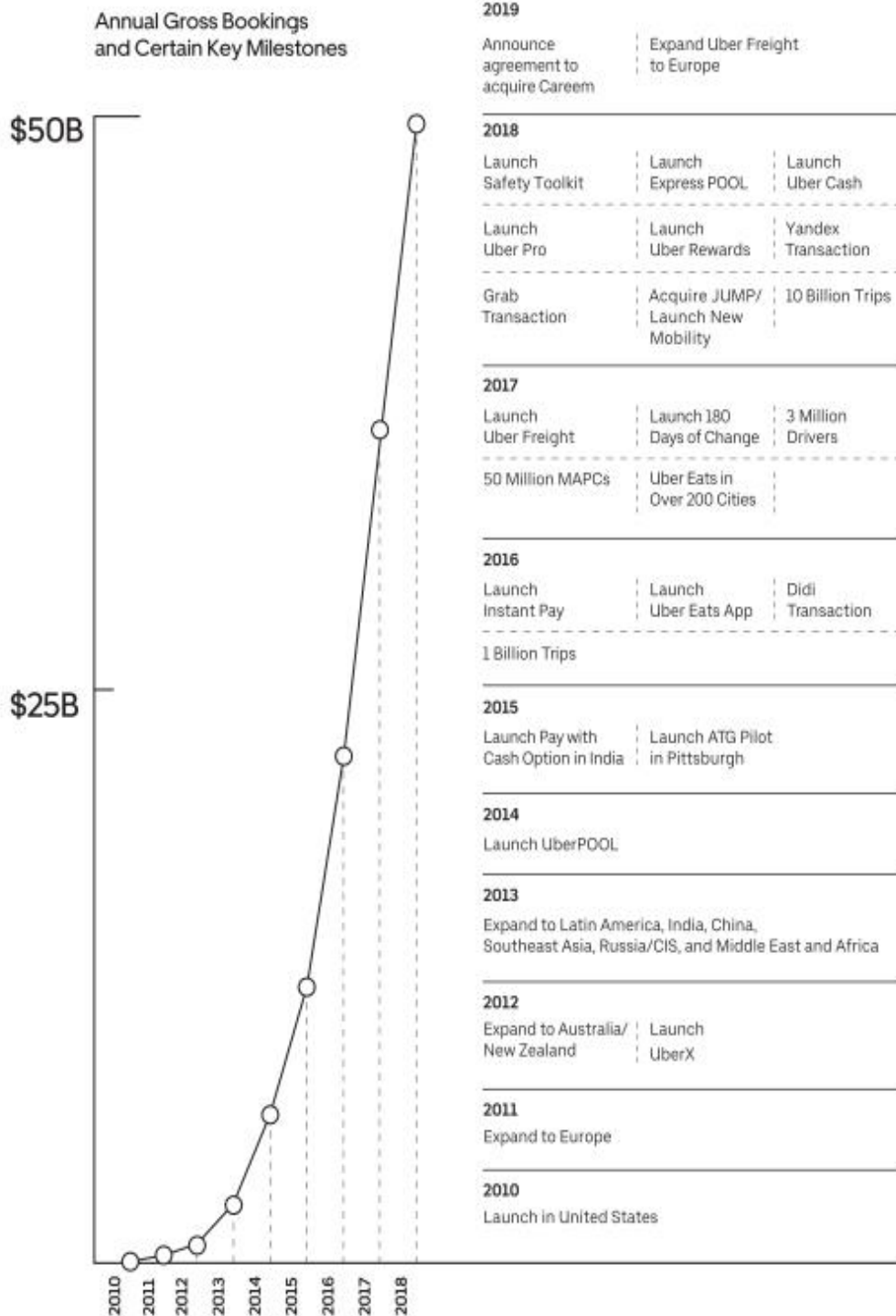


Fig 4.1 Key Milestones(sec.gov,2019)

5. Key Performance Indicator:

5.1 Strategic KPI

- **Active Users:**

In 2018, 95 million people used the Uber app on a monthly basis. Uber is one of the most popular ridesharing apps in the world. Based in San Francisco, their global net revenue amounted to 11.3 billion U.S. dollars. Contributing to their revenue is the 5.23 billion rides that were delivered via the Uber app in that year. In

the fourth quarter of 2018, Uber generated almost 14.2 billion U.S. dollars in gross bookings worldwide. (sec.gov,2019)

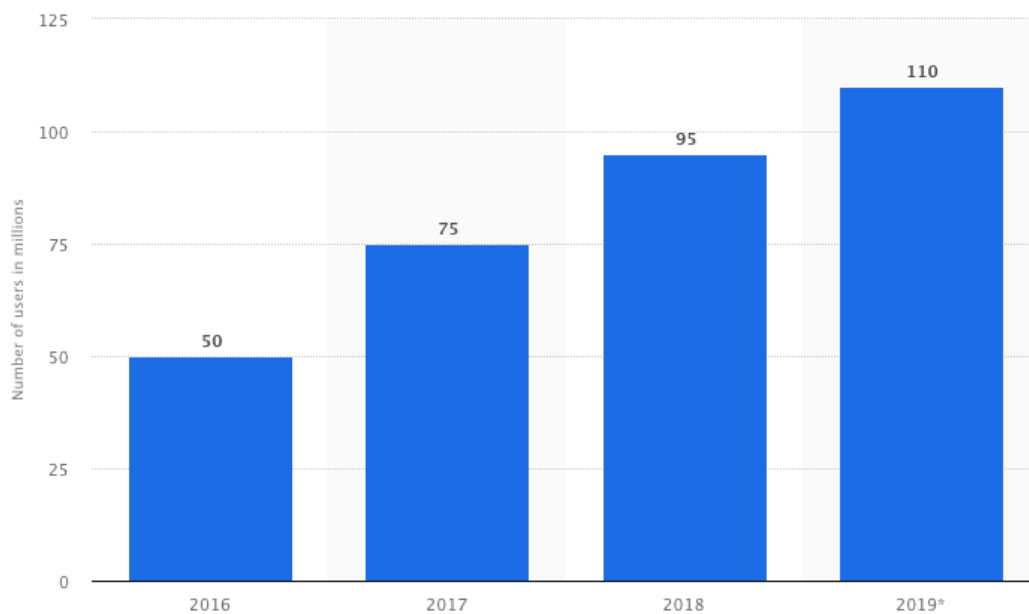


Fig 5.1 Monthly number of Uber's active users worldwide from 2016 to 2019

5.2 Operational KPI

- **Driver's Satisfaction:**

Logical KPIs would stem from measuring their network such as number of drivers by location, driver ratings, number of missed calls, driver turnover/loyalty, response times, etc. For drivers best KPIs would be cost and satisfaction. The overall driver rating is just one of many factors Uber considers when assessing drivers. With the whole list of KPIs it can be figured out who's in and who's out. Below are the diagrams which shows how much Uber drivers are satisfied and what things values them most in the ride-hailing business.

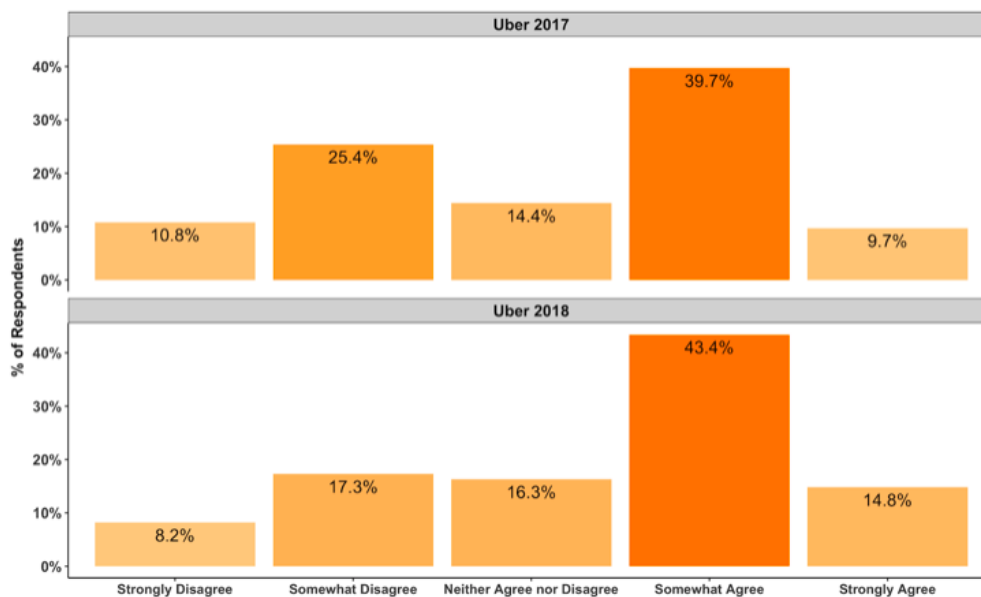


Fig 5.2 Uber driver satisfaction

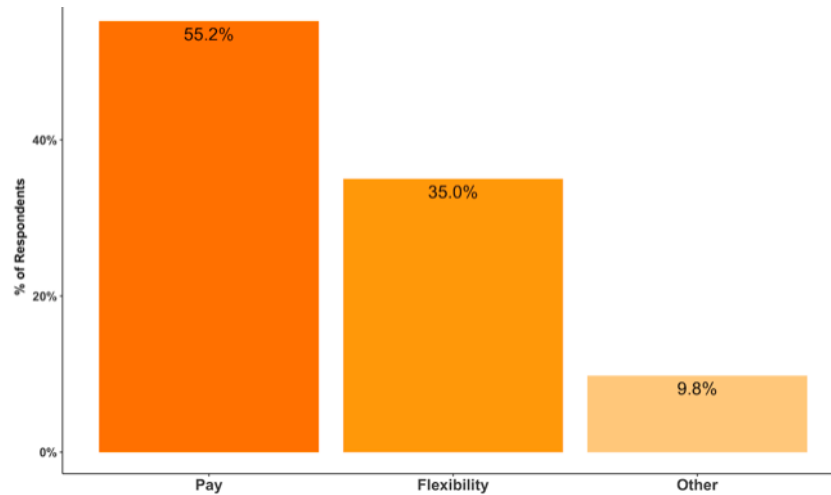


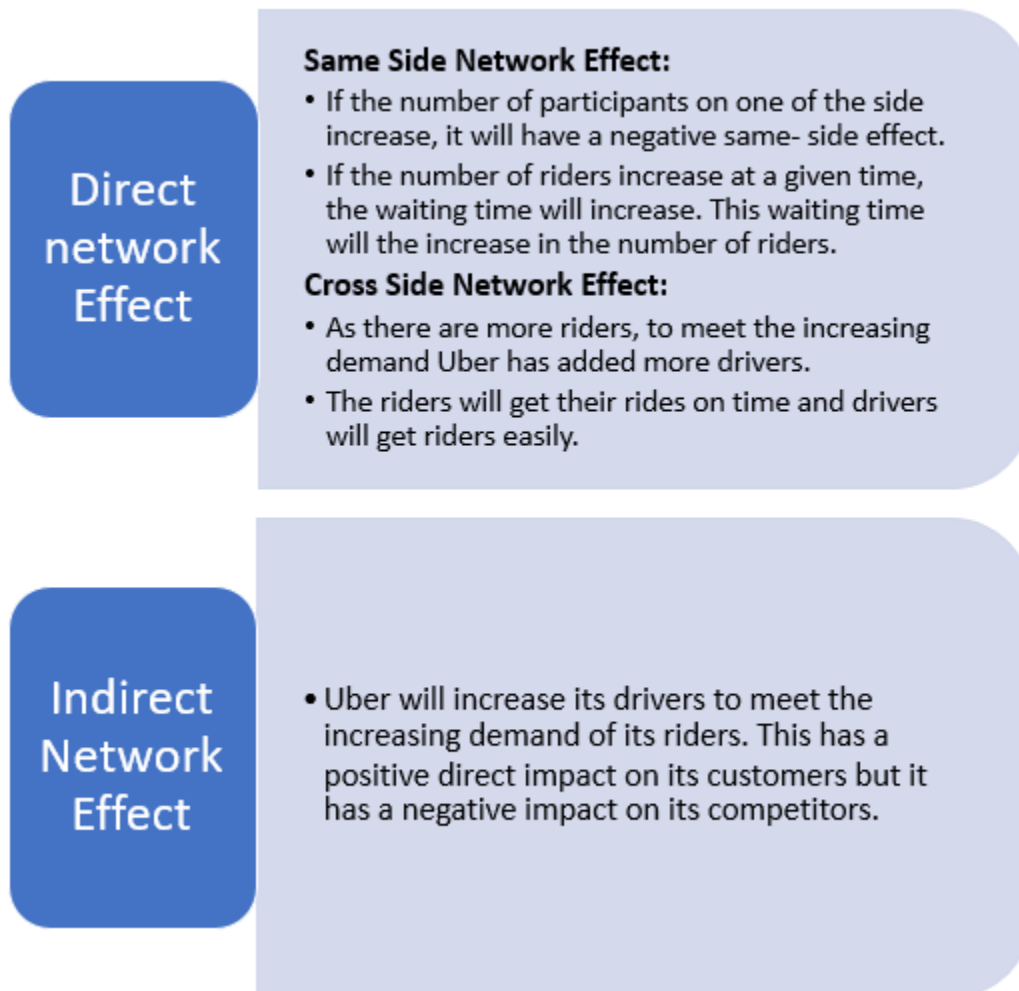
Fig 5.3 Key measures for Driver Satisfaction

- **Customer Satisfaction:**

Customer satisfaction plays a very important role in a company's growth. It not only measures customer's satisfaction or customer loyalty but it's a key point of differentiation that helps you to attract new customers in competitive business environments. It includes measures like overall rating, surge rating, non-surge rating, acceptance rate, cancellation rate, fare reviews per trip, total 1-star ratings, total 5-star ratings.

6. Network Effect:

There are different types of network participants like riders, drivers, competitors.



Asymptotic Network Effect:

When uber was in its early stage of ridesharing business, the waiting time for riders was quite large. But, then uber increased the number of drivers and reduced the waiting time considerably. Now, even if Uber increased the number of drivers, it will help more riders using the application but the waiting time change as compared to the previous waiting time, will be negligible.

Chicken and Egg Problem:

Uber has solved the chicken egg problem in its ridesharing business. It has done this by bribing both chicken and the egg. There are two main entities drivers and the riders. It gave incentives to uber drivers as well as free rides and various offers to the riders. This has kept both the parties happy.

7. SWOT Analysis with Competitors:

7.1 SWOT Analysis with Uber Ridesharing's Competitors

Key Measures		UBER	DIDI	LYFT	OLA
Strategies		Increased service range to cater for the needs of great number of customers. Depending on their budget, the occasion and purpose of ride, customers can choose among Uber X, Uber XI, Uber Pool, UberGO, Uber AUTO. Uber offers unprecedented user convenience at multiple levels whether it be in bookings or in payment modes. Intensive growth strategies adopted by Uber like Market penetration and Market Development.	Didi is adding more capacity to its network to meet a significant demand for its service. It is now allowing users to book rides with rival services through its own app. Didi users can now book rides with ride-hailing services run by Chinese automakers FAW Group, Dongfeng Motor, and Guangzhou Automobile Group.	From user acquisition to activation to engagement to retention, Lyft is characterizing portable development methodologies that have taken the quantity of Lyft rides from 12 million in May 2016 to 40 million in May 2017.	Its business objective is to focus and expand in the Indian market and customizing its operations that suits the needs of its local market and local customers. Any existing licensed cab owner can work for Ola and its targeting to have on board a million driver partners.
Strengths	<i>Area of operation</i>	600 cities in 65 countries worldwide	400 Chinese cities, Brazil, Japan, Mexico, Australia, Hing Kong, Taiwan	300 US cities, 2 Canadian	250 cities, effective in Australia, New Zealand, and UK
	<i>Revenue</i>	\$4.07 Billion (2019)	\$ 3.50 Billion (2018)	\$2.2 Billion (2018)	\$310 Million (2018)
	<i>Valuation</i>	\$82.2 Billion (2019)	\$56 Billion	\$11 Billion	\$6.2 Billion
	<i>Riders</i>	75 Million	550 Million	23 Million	125 Million
	<i>Drivers</i>	3.9 million	21 Million	1.4 Million	1.5 Million
	<i>Total Trips</i>	10 Billion	7.4 Billion (2017)	1 Billion	1 Billion
	<i>Other Business</i>	Ride-hailing, Food Delivery, Freight, Helicopter & Elevators, Driverless Cars	Ride- hailing services	Ride-hailing, Food Delivery, Lyft Mobile App	Food Delivery, Ola Prime Play

Weakness	<i>Loss</i>	The company lost \$1.1 billion, more than the \$887 million it lost in 2019 and Uber Eats, lost \$461 million on revenue of \$734 million.	Faced operating losses of \$571 million in the first five months of 2015. Much of the losses come from driver payments and subsidizing trips for a total of \$330 million.	In 2016, they realized losses of \$682 million on \$343.3 million in revenue. In 2017, it was losses of \$688 million on \$1.1 billion, and last year, the company lost \$911 million on \$2.2 billion in revenue.	Ola has more than halved its consolidated losses to \$384 million, while growing revenue by almost 61% during FY2018, as per regulatory documents. Ola had registered a loss of \$663 million in FY2016-17.
	<i>Operational Cost</i>	Uber's operating costs come to a total of \$2.2 billion. And as Uber's costs are \$700 million greater than its available gross profit.			
	<i>Legal Issue</i>	The company faces legal action in several cities around the world like UK, US, Germany, Netherland and Australia. Uber's license in many cities have revoked, citing failings in its approach to reporting serious criminal offences and to background checks on drivers and city law limiting the number of licenses for ride-hailing services.	China has laws restricting where Didi drivers who live in rural areas aren't supposed to work in big cities unless they live there. This has caused a shortage of drivers and forced Didi to remove many of its drivers from its own app as well.	The lawsuit, filed in California, accuses Lyft of not doing enough to protect both drivers and passengers. 14 women have filed a lawsuit against Lyft accusing the company of not addressing a 'sexual predator crisis' among driver.	Karnataka suspended Ola's licence to operate in the state for six months after the homegrown cab aggregator failed to comply with an order to suspend "illegal" two-wheeler taxi services in the state's capital Bengaluru.

7.2 SWOT Analysis with Uber Eats' Competitors

Key Measures		UBEREATS	GRUBHUB	DOORDASH	DELIVEROO
Strategies		Uber Eats offering allows consumers to search for and discover local restaurants, order a meal at the touch of a button, and have the meal delivered reliably and quickly.	Food is an essential, social and enjoyable aspect of everyday life. However, diners are increasingly looking for a broader and more diversified choice of cuisines and menu items. Takeout offers a convenient alternative, providing diners with a wide variety of options, wherever they want and whenever they want.	DoorDash's initiative for reducing food waste, delivers surplus food from restaurants to those who need it. Users get access to some aggregate data, of restaurant has a 'delight score', and a rating based on a combination of delivery quality, customer feedback, and popularity.	Deliveroo is on a mission to transform the way customers eat. A key ingredient of our success is having the best selection of popular restaurants to choose from. Constantly innovating and expanding, we offer the best choice and convenience. Our aim is to bring great food direct to customers as fast as possible.
Strengths	Area of operation	3,20,000 + restaurants in 500+ Cities globally.	300,000 restaurants and is in partnership with more than 155,000 of these restaurants in 3,200 U.S. cities and London.	310,000 restaurants located in 4,000 cities worldwide.	100 towns and cities across the UK. Working with more than 8,000 restaurants and 15,000 riders.
	Gross Revenue	\$7919 Million	\$325.1 Million	\$900 Million	\$284 million
	Gross Booking	\$ 2.6 Billion	\$1.5 Billion		35,000 Globally
	Customer served	15 Million	22 Million	5 Million	
	Drivers Tips	\$4	\$10	\$6	
	Total Trips	4.9 Trips per month	\$2.5 billion		

Weakness	<i>Debt</i>	\$461 Million	492,723	\$450 Million	£323 Million
	<i>Legal</i>	It imposes 'Unfair Contracts' and ruins deliveries, restaurant allege.	Defendants made false and misleading statements. Failed to disclose material adverse facts about the Company.	Misled customer over Driver's tip.	Charter for secure and flexible work' for on-demand economy.
	<i>Scandal</i>	Fake takeaway sold on Uber Eats.	It is using making of thousand fake websites to upcharge commission fees.	Using customer gratuities to cover delivery workers' pay, the company says it's amending the policy so that workers keep the amount of tips they receive.	Cyber criminals relied on people reusing passwords for multiple online services and used data breaches on other sites to try to access Deliveroo accounts.

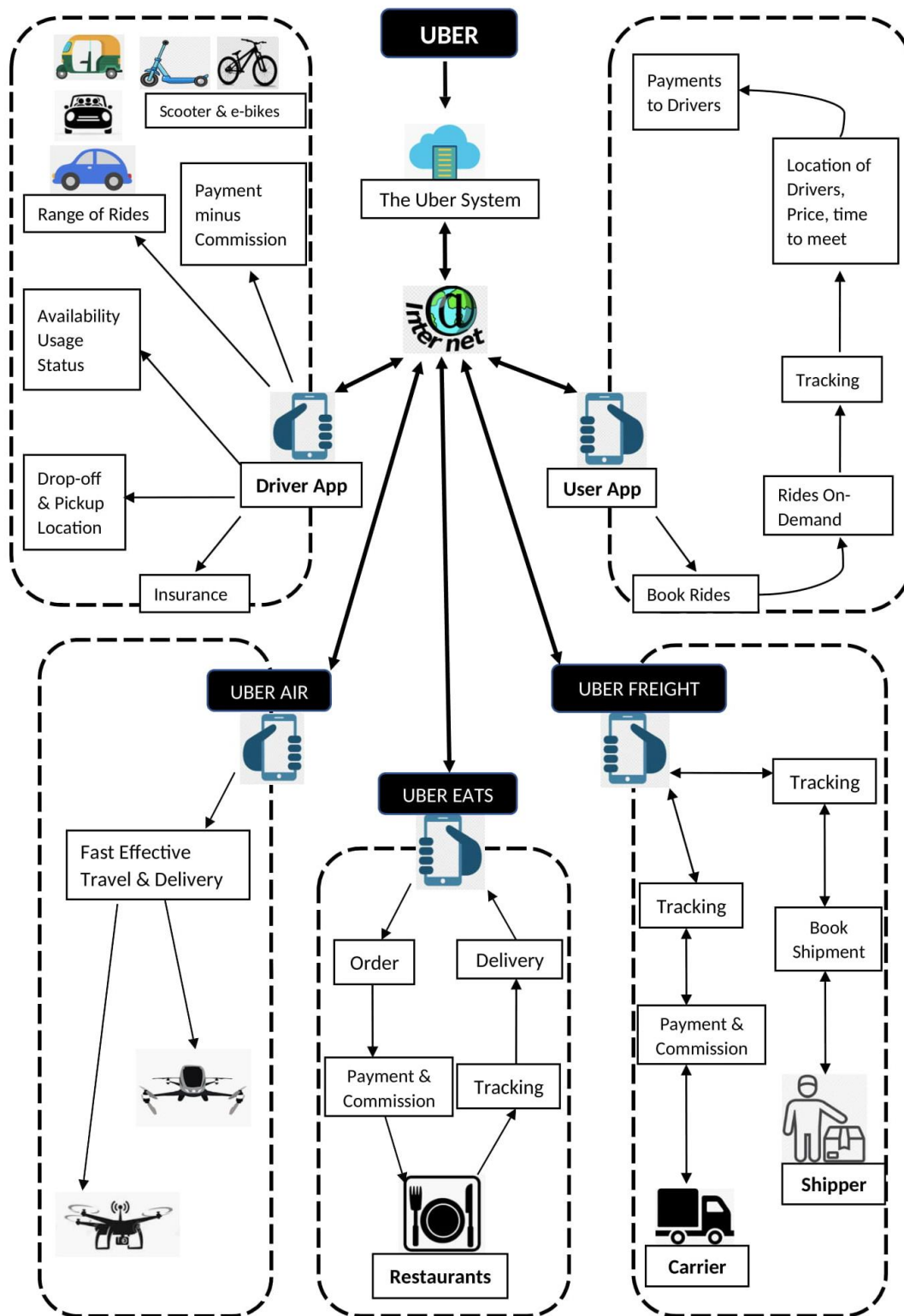
7.3 SWOT Analysis with Uber Freight's Competitors

Key Measures		UBER FREIGHT	C.H. ROBINSON	TOTAL QUALITY LOGISTICS	XPO LOGISTICS
Strategies		Uber Freight goal was to revitalize an industry and help freight move seamlessly and effortlessly around the country. Our first step towards achieving this was empowering carriers and their drivers, the heart of the trucking industry, with technology to help them succeed.	C.H. Robinson's Key trends continue to drive long-term growth in third party transportation, such as increased outsourcing, adoption of core carrier programs, increased reliance on technology, and globalization of supply chains. To capitalize on those trends and meet our growth goals over the long term.	TQL work with a network of more than 85,000+ carriers to create greater supply chain efficiencies for our customers. This network, combined with our industry leading technology and unmatched service has been the key to our growth, plain and simple.	XPO Logistics maintained an aggressive acquisition strategy from 2011 to 2016,, hoping to be able to provide end-to-end logistics services, and cross-sell across customers for additional logistics services. With that strategy also for the most part came a soaring stock price. XPO reached a high of about \$114 per share in September of 2018, up from about \$31 per share at the end of 2015.
Strengths	Area of operation	36,000 carriers, more than 400,000 drivers and have served over 1,000 shippers, including global enterprises. And it expanded our operations into Europe with more than 85% of the total carrier pool.	More than 119,000 customers and 78,000 contract carriers.	Network of more than 85,000+ carriers. And 5000+ employees and 57 offices in 26 states in USA.	1 Lakh employees with 50000 customers and operates in 30 countries within 1504 locations. And it's managed 7 billion Inventory units daily.
	Revenue	Grown to over \$125 million in revenue for the quarter ended December 31, 2018.	Annual revenue for 2019 was \$15.3 Billion.	Annual revenue for 2018 was \$3.6 Billion	Annual revenue for 2019 was \$16.648 Billion, a 3.65% decline from 2018.
	Drivers	More than 36,000 carriers contracted and representing 400,000 drivers.	78000 Contract Carrier.	More than 28,000 loads every week and employs more than 160 carrier relations specialists to support carriers and drivers.	5,000 drivers and technicians.
	Total Trips	Six years and more than two billion trips later.	78 million shopping trips per week. And 18 million shipments annually.		Approximately 10 million last mile deliveries per year.
	Other Business	Uber Ride, Uber Drive, Uber Eat, Uber For Business, Uber Health, Uber Works, Uber Elevate.	cross-border shipping services , consolidation , supply chain consulting services, project logistics.		Supply Chain.

Weakness	Operational Cost	Uber Freight will still hand over 97% of revenue to carriers. Claiming just a tiny fraction of a more than \$70 billion pie.	Operating expenses increased to \$458.3 million. Personnel expenses increased to \$339.3 million, driven primarily by higher Variable compensate expense and a 1.4 percent increase in average headcount.		Operating expenses to the value of more than 15.8 billion U.S. dollars.
	Legal	Self-driving trucking company, called Otto, which Uber acquired in 2016 and later became the attraction of a high-stakes lawsuit over trade-secrets theft. Uber settled that lawsuit, brought by self-driving unit Waymo, in February for \$245 million.	In mid-January, seeks \$1.1 billion in unpaid profits and punitive damages.		XPO's share price fell \$15.77 per share, or more than 26%, to close at \$44.50 on December 13, 2018, thereby injuring investors.
	Debt	\$750 million in debt financing to help fund its \$3.1 billion buy of Careem, a ride hailing company that is based in the Middle East.	The debt can be defined as a measure of a company's financial leverage calculated by dividing its long-term debt by stockholders' equity. C.H Robinson Worldwide debt for the three months ending December 31, 2019 was 0.65.	Total Quality also pays an average \$4,144 in tuition reimbursement per employee every year.	The debt can be defined as a measure of a company's financial leverage calculated by dividing its long-term debt by stockholders' equity. XPO Logistics debt for the three months ending December 31, 2019 was 2.44.

8. Strategy

8.1 Uber Ecosystem



Consumers:

Uber has a wide range of consumers as it focuses on only on cab hailing service but also on entire transportation industry.

As of 2019, there are total 110 million active users. (Statista,2019)

Uber focuses on building customer relationship by providing various offers for riders and rides for the drivers.

Uber is also planning on reaching out more consumers by expanding to many cities and acquiring companies like Careem, Swipe Labs, Geometric Intelligence, Otto, deCarta.

(sec.gov,2019)

Key Activities and Resources:

Ubers focuses a lot on marketing and customer acquisition.

Uber has invested a lot in Customer Support which is key for relation between drivers and consumers as well as its relation between all its customers.

It also has a strict driver hiring policy and the drivers has to follow the rules and regulations.

It is also investing its resource in platform development and enhancement.

It has key resource in the form of consumers, its patents, digital platform, sustainable algorithms so that the customers can enjoy the ease of life.

It has spent around 9.1 Billion in RnD, Support, Cost of Revenue, Sales and Marketing, General and Administrative operations on core platforms. (sec.gov,2019)

Value Proposition:

Uber focuses on the whole transportation service this makes it unique than its local competitors. Its vision is to build an ecosystem where in the customers will be using its application for multiple purposes.

For drivers, Uber provides an access to all its riders with is more convenient than the taxis, Opportunities to earn and the freedom to choose the working hours

For riders, Uber provides lower prices than taxis, cashless transactions, ETA and mobile tracking, also safety and security to build customer loyalty.

Revenue Areas:

It gets its major share of revenue from core platforms like Uber ridesharing and Uber Eats. It also earns from surge prices and license Fees.

Investments for Future

Uber has invested around \$ 20 million on Uber Elevate and will be soon ready for trial runs. This will help Uber to gain access to new array of customers. (Uber.com)

Uber's self-driving cars is valued at \$ 7.25 Billion by its investors. (nytimes, 2019) Though it had come to a road block due the fatal car crash, it has taken a new approach in this division. (cnbc,2020)

8.2 Core Platform Financial and operating model:

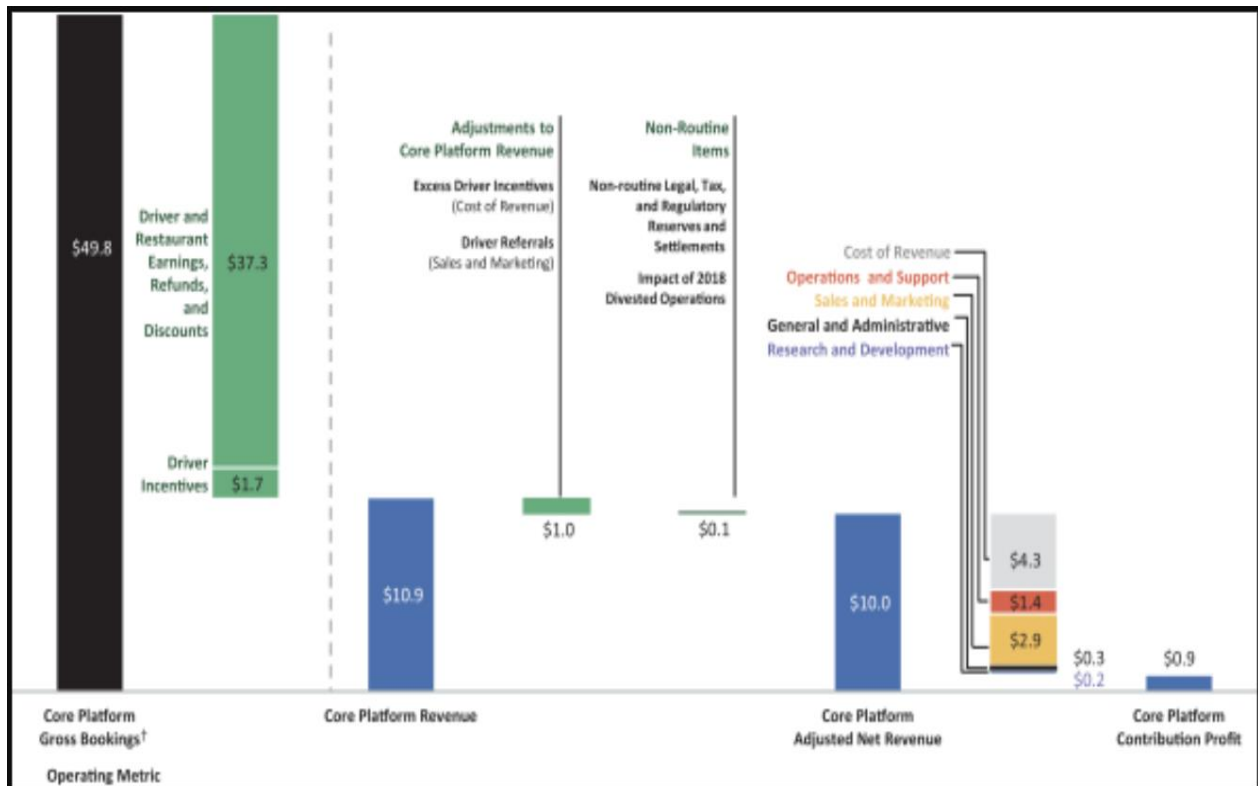


Fig 8.2.1 Core platform Financial & Operating model (sec.gov, 2019)

Uber generate Gross Bookings from Ridesharing trips and Uber Eats deliveries trips for Core Platform segment. We refer to the portion of the fare that the Driver & restaurants earns as a earning and also include Refunds and discounts for customers along with Driver incentives to encourage them to work on our platform. Core platform revenue is equal to core platform Gross Bookings less (i) Driver and Restaurants Earnings, refunds & discounts. (ii) Driver Incentives. Whereas we define core platform Adjusted net revenue as core platform revenue less Driver incentives & referrals excluding the impact of legal, tax, and regulatory reserves and settlements recorded as contra-revenue.

Core Platform Contribution Profit illustrated above represents Core Platform revenue less the following Core Platform direct costs and expenses: (i) cost of revenue, exclusive of depreciation

and amortization, (ii) operations and support, (iii) sales and marketing, (iv) research and development, and (v) general and administrative. We believe that Core Platform Contribution Profit and Core Platform Contribution Margin are useful indicators of the economics of Uber Core Platform, as they do not include indirect unallocated research and development and general and administrative expenses (including expenses for ATG and Other Technology Programs).

Uber is, however, “contribution margin profitable.” In its 2019 S-1 filing, Uber announced a \$ 0.9B “core platform contribution margin.” A year prior, its core platform margin was 0% — the year prior to that, it had been -23%.

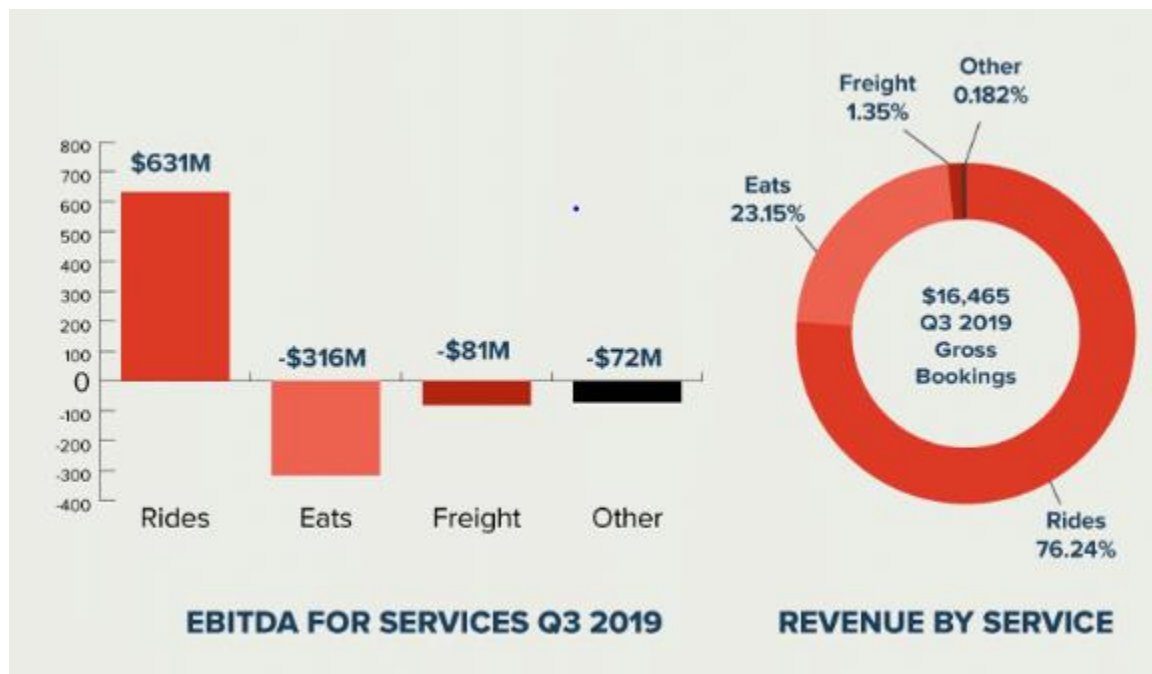
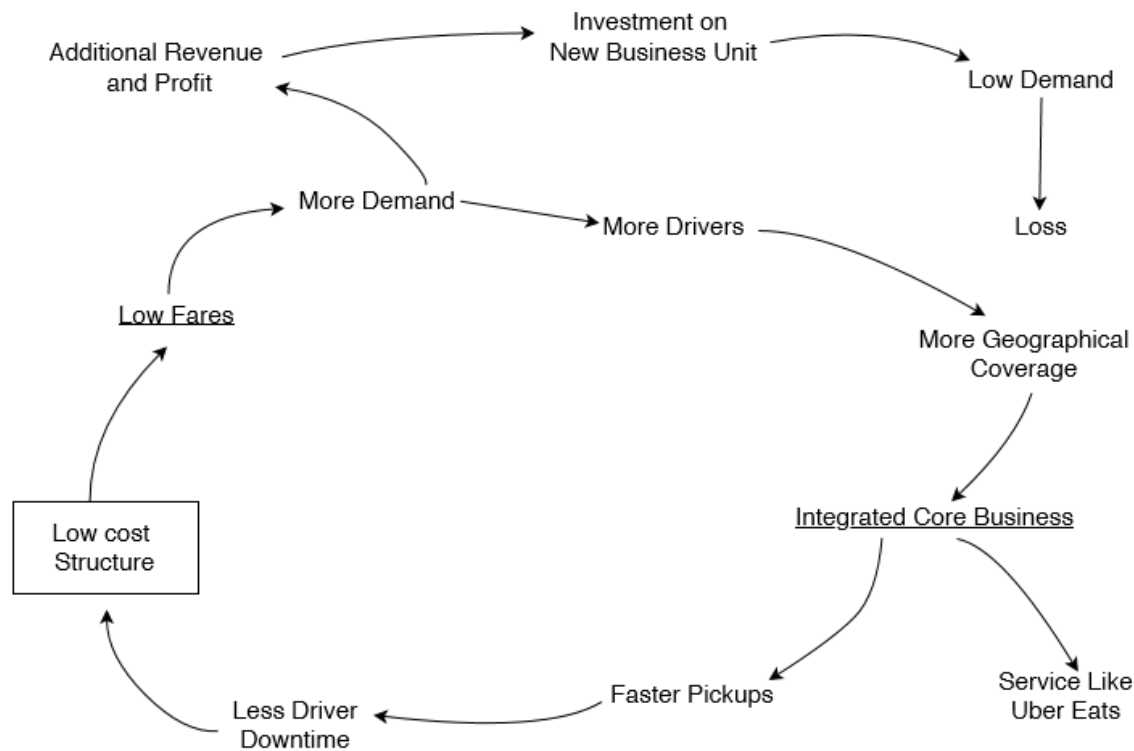


Fig 8.2.2 EBITDA and REVENUE for services

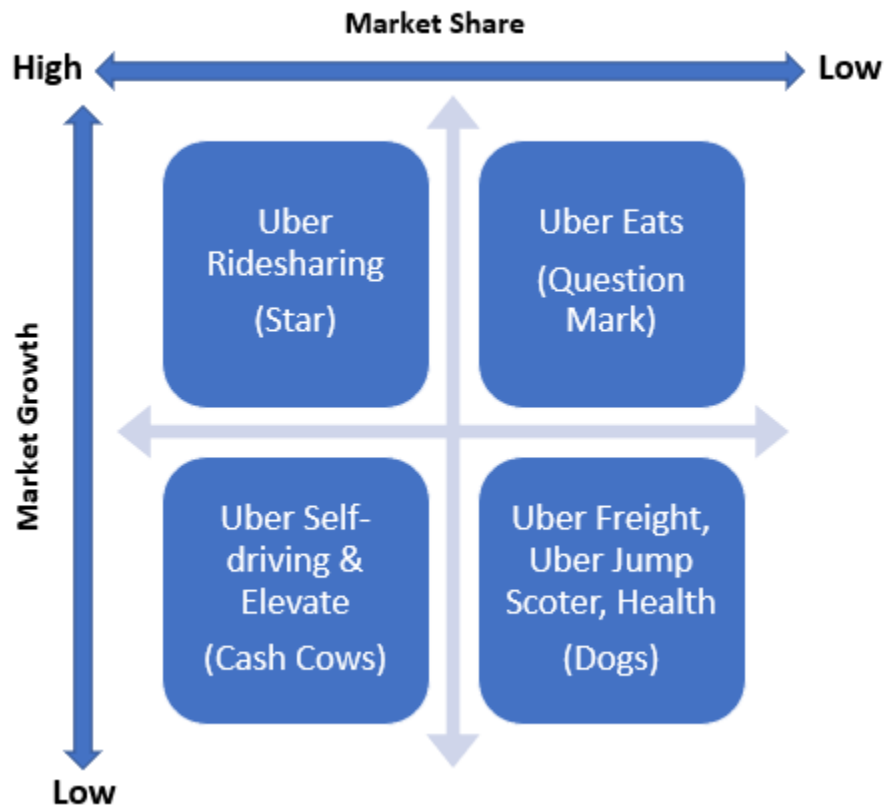
8.3 Current Business Model



As per current strategy, Uber is trying to increase its customer base. Uber ridesharing and Uber eats is currently in profit \$ 0.9 Billion profit. (sec.gov, 2019) But it is investing its additional revenue and profit on new businesses. It has spent its revenue on acquisitions and marketing to increase its customer reach. It has opened new businesses like Uber freight, Uber Health, Uber Jump scooters and bikes, Uber Business which is not currently in profit. When expanding to new cities, it ignored rules and regulations which resulted in regulatory actions and bans. It has also invested heavily in future businesses like Uber Elevate and Uber self-driving cars. Also, Uber self-driving was involved in fatal car crash and it has resumed its test drives now. It was expecting to make it a reality in 2020.

Because of the mentioned reasons, Uber is currently in loss.

8.4 Strategic Groups



Ridesharing brings the maximum profit for Uber, which makes it the star of the BCG matrix. Uber self-driving cars and Elevate has a lot of investment but still the growth is not defined as long as it becomes a reality. Uber Freights, Uber health, Uber Jump scooters and bikes are the dogs because they are in loss, also the market share is low.

9. Game Theory

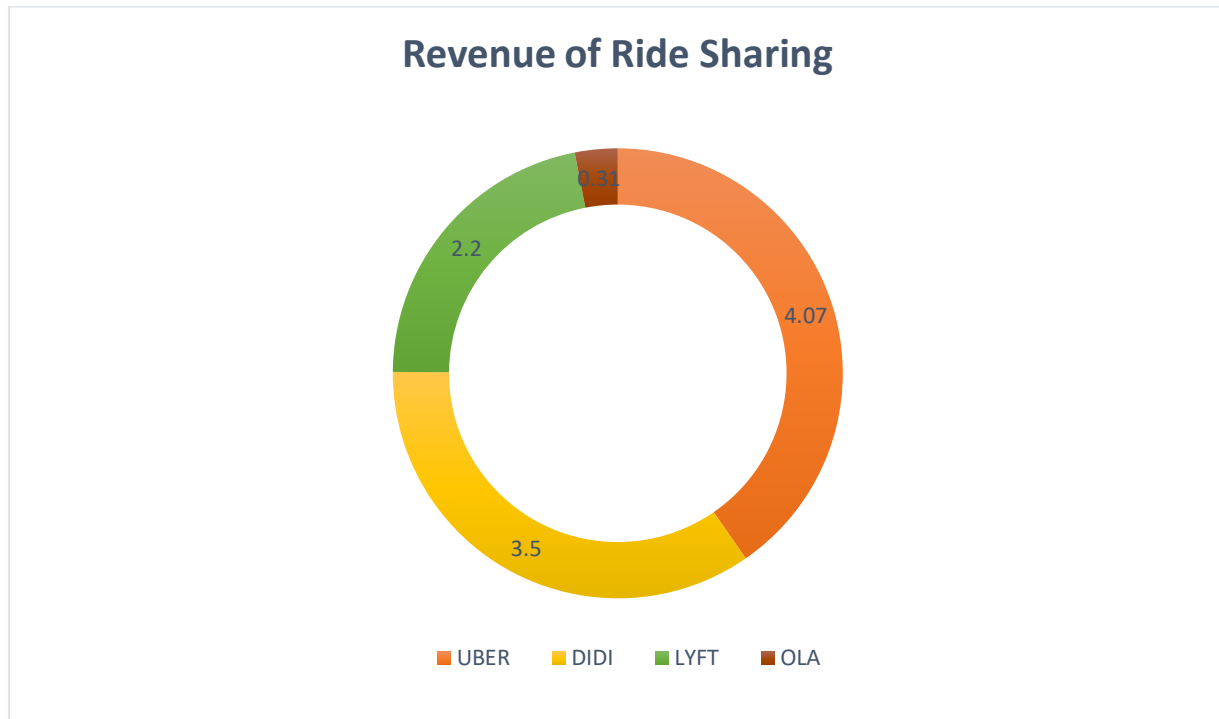


Fig 9.1 Revenue is in Billion (USD)

Uber Ridesharing is higher in the category of revenue which is \$4.07 Billion, among all its other well-known competitor. Followed by DIDI which is \$ 3.5 B, and the remaining other two cab services which is Lyft and OLA in ride sharing category are lower in terms of revenue.

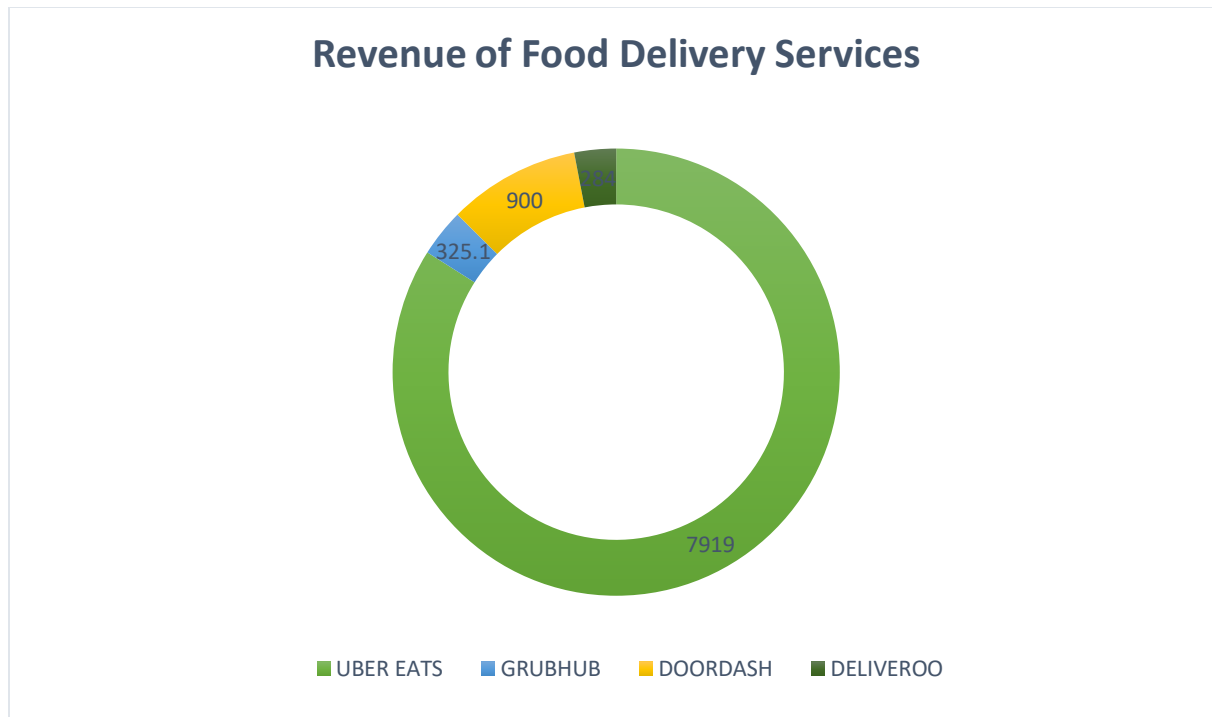


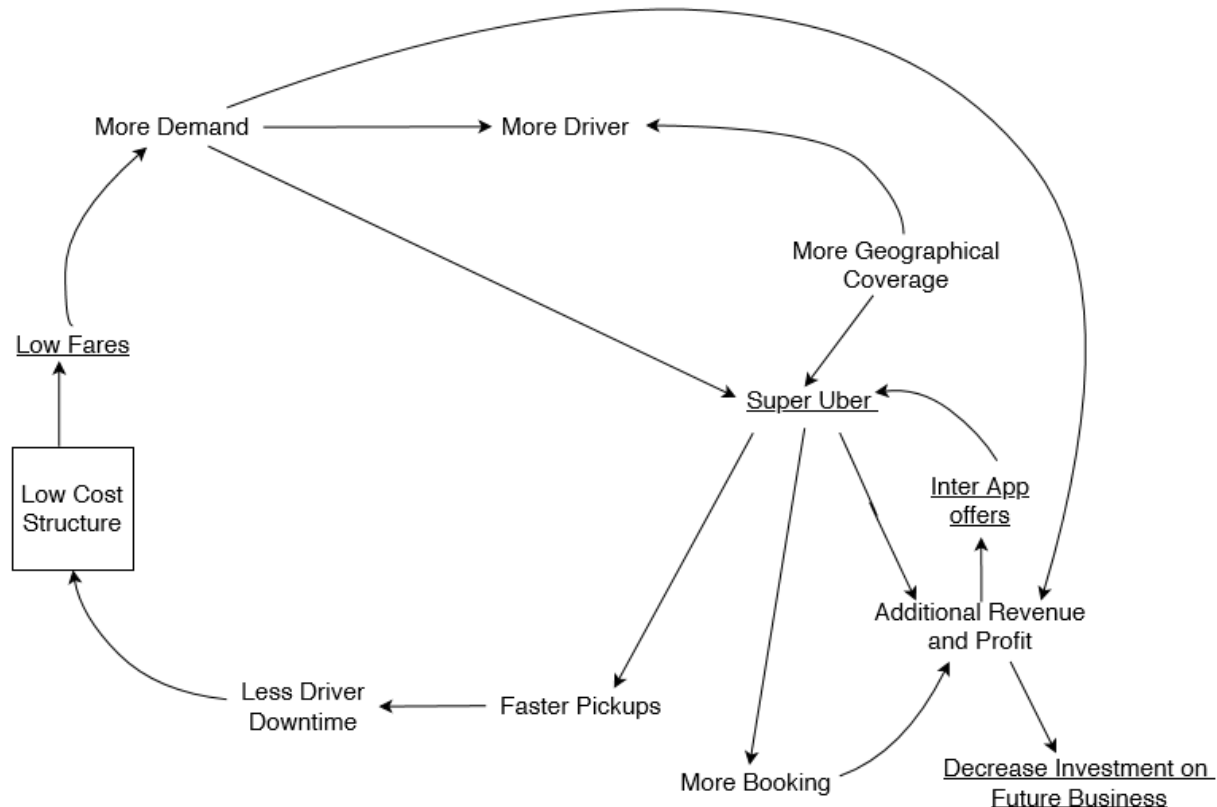
Fig 9.2 Revenue is in Million (USD)

As compare to other competitor in food delivery service Uber Eats is having greater amount of revenue which is \$ 7919 M, whereas the Grubhub, Doordash and Deliveroo are poor in generate revenue in which Doordash comes under second level of revenue that is \$900 M and other two are lowest in the category of revenue.

As we can see that Uber is globally expand with major level of revenue and with unique services. but as compare to Uber's competitor in worldwide in each and every country there are some of the local competitor for instances: - DIDI, LYFT, GRUBHUB, JUST EAT, C.H. ROBINSON, TQL and many more. Where the Uber still fighting with their competitor in every country and in every field of services with higher volume of revenue which is one of the major powers of Uber.

11. Scenarios

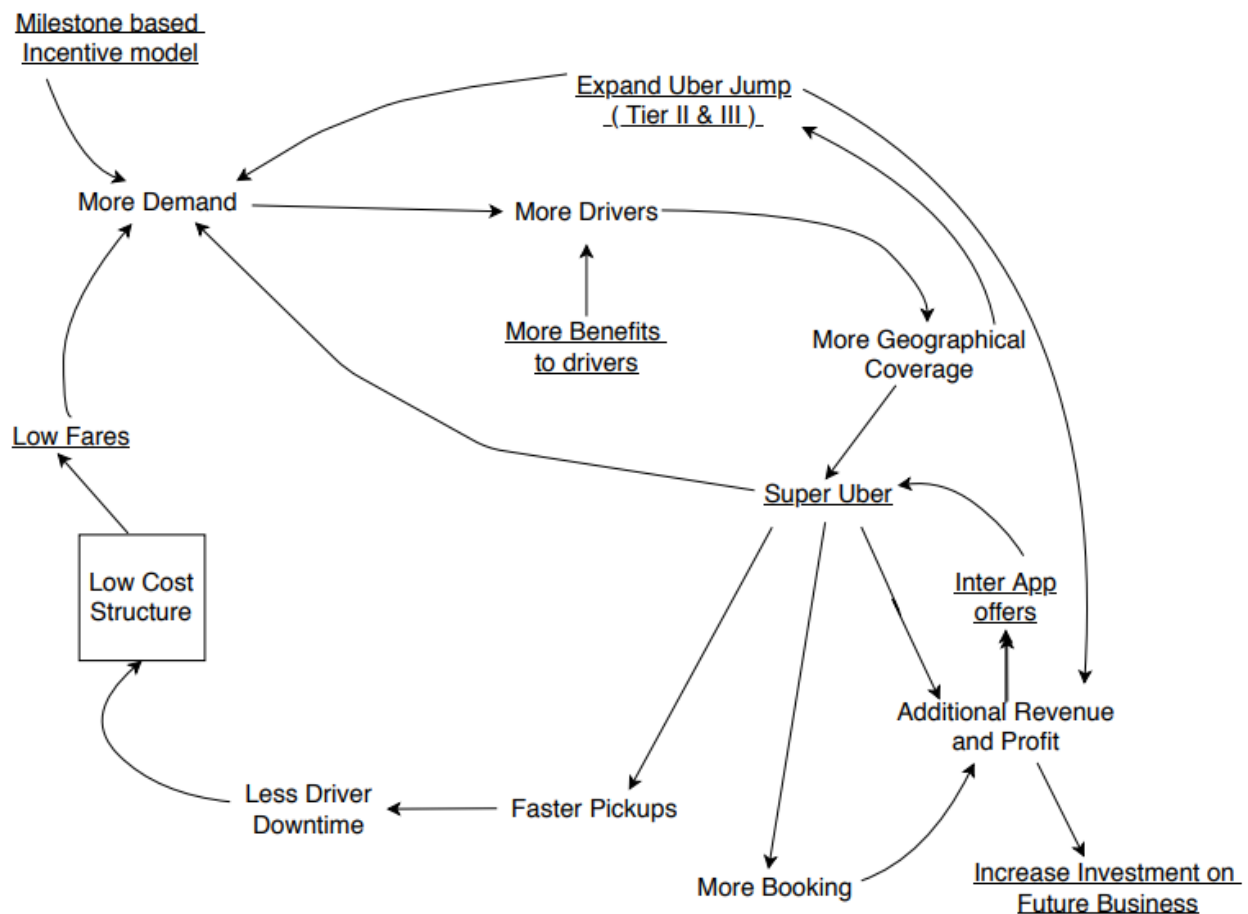
Use Case 1: Increasing Consumer base by creating an Ecosystem Lockdown



In order to counter the current loss, Uber will create an Integrated Application of its business units called “Super Uber”. It will have all its applications like Uber Rideshare, Uber Eats, Uber health, Uber Jump Bikes and Uber Business. Uber will also provide inter application offers so that customers will try and eventually use the other applications in Super Uber too. This will increase its customer base and create an ecosystem lockdown. Also, if the future businesses like Uber Self-driving cars and Uber Elevate does not bring any major breakthrough, Uber will decrease the investment on the same and focus more on building Super Uber. This will increase the revenue and in turn the profits.

Competitors will not be able to counter this move effectively and immediately as none of the competitors have invested heavily on multiple business units in the transportation industry as that of Uber.

Use Case 2: If major competitors merge to compete with proposed business model



In Order to counter the Super Uber, Major Competitors may merge. To counter this move, Uber needs to maintain its consumer base that it had created using Super Uber Application as well as expand its Consumer base at the same time reaping profits. Uber will provide milestone based incentive model to its consumers, where consumer will receive incentives when they will reach a certain milestone. Also, better incentives for inter-application milestones. Also More benefits to the drivers like health insurance in order to reduce the churn rate of driver i.e, 12.5% monthly churn rate. According to uber S-1 filling the cost of acquiring new drivers is around \$2,000 to \$5000 which cost uber around \$900 million excess driver incentive(Sec.gov 2019). Therefore to reduce the churn rate Uber will give them benefits to stick with uber for longer period.

Uber will further increase its consumer base by expanding Uber Jump in Tier 2 and Tier 3 countries of Asia and Africa. This will boost its consumer base as well as profits. Now, that the technology is more advanced and there is more additional revenue and profit, Uber can increase its investment on future businesses like Uber Elevate and Uber Self-driving cars.

12. Conclusion

Uber will be able to considerably increase its profits with the proposed strategy, although Uber is currently in loss. The formulated strategy of “Super Uber” would allow Uber to gain more customers all over the globe and create an ecosystem lockdown and thereafter establishing itself as a profitable company by 2025.

Team

Since this was a group assignment, Each individual was part of multiple brainstorming session to formulate strategy. Multiple scenarios have been taken into consideration to provide effective strategy. Strategy formulation is done under various parameters of business strategy right from External & Internal analysis with KPI & Network effects to build a sustainable Business model.

Individual contribution

Gagan – Worked on Current strategy formulation, Business Model & Use case scenarios, Data facts collection from dependable sources. KPIs and compilation of report.

Jatin – Worked on Internal Analysis & External Analysis, Use case scenarios. Data facts collection from dependable sources. Strategic groups & compilation of report.

Mousumi – Worked on SWOT with External Analysis and use case scenario & Network effects. Data facts collection from dependable sources and Presentation.

Yash – Worked on Game theory & Business model along with operational model. Data facts collection from dependable sources & Presentation.

Yogesh – Worked on Networks effects & Uber ecosystem. Data compilation for Use case scenarios & Referencing.

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