



# China Retail

## Sharing economy in China:

### Issue 1: Car-sharing market in China

September 2016

# EXECUTIVE SUMMARY

The Internet makes it easier and cheaper to aggregate supply and demand, while technologies make it easier for people to share excess items with each other. This forms the basis of a **sharing economy**.

The concept of the sharing economy is quickly paving new roads into the **car-sharing industry**. In China, the car-sharing market has developed rapidly over recent years and competition has heated up considerably. Many car-hailing platforms/apps have emerged to provide a wide range of on-demand car services to customers via mobile apps. In terms of market share, Didi Chuxing (85.3%) is the prominent leader, followed by Uber China (7.8%) and Yudao Yongche (3.3%).

The Chinese government released the ***Interim Measures for the Administration of Online Car-hailing Operations and Services*** in July 2016, the world's first national-level regulations that legitimize online car-hailing service. The new regulations will become effective on 1 November, 2016.

On 1 August, 2016, Didi Chuxing and Uber China announced a plan to merge their businesses in China, effectively putting Didi Chuxing in control of their combined car-hailing business for the China market. The deal will reshape the competitive landscape of the car-sharing market and it will bring about mutual benefits and win-win results for the two companies. That said, it has raised monopoly concerns and the Ministry of Commerce is reportedly investigating the deal.

Starting 5 September, 2016, Uber is pulling its taxi and van services from Hong Kong, while its main services, UberX and UberBlack, will still be available in the territory. Local taxi drivers have sparked concerns over Uber's move, stating that the company will further expand its car-sharing services in Hong Kong and may pose a bigger threat to their business.

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# **1. CAR-SHARING MARKET IN CHINA**

# SHARING ECONOMY AND CAR-SHARING:

## KEY CONCEPTS

### What is **sharing economy**?

Sharing economy is an economic concept founded on the idea that different people can share their idle resources.

Sharing economy includes activities that involve:

Trust economy

On-demand  
service

Collaborative  
consumption

Peer-to-peer  
interaction

### What is **car-sharing**?

Sharing economy is quickly paving new roads into the car-sharing industry. The car-sharing market has been emerged since 2010, gradually consolidating and developed to a more regulated industry nowadays.

Car-sharing in China primarily includes these services:

Car-  
hailing

Car  
rental

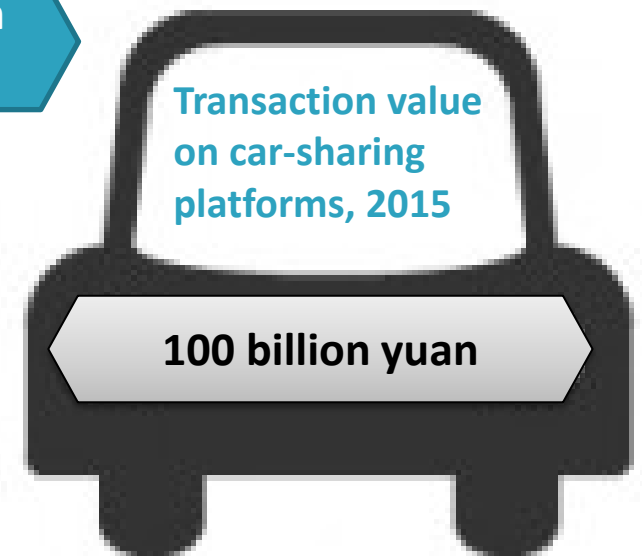
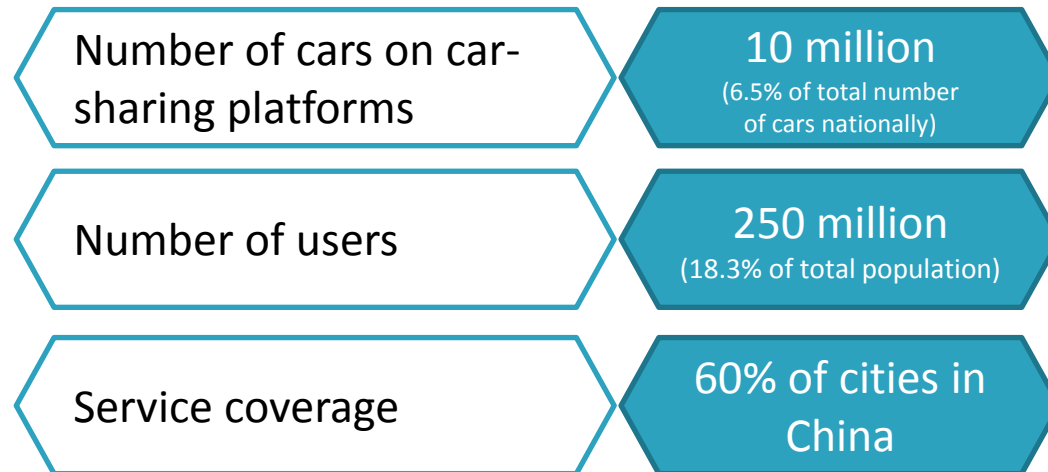
Car  
pooling

Chauffeur  
service

Car-sharing platforms facilitate the provision of these services. The car-sharing platforms all have a similar model: they bring together supply and demand from consumer to consumer, and receive a commission if a transaction is made.

# CHINA'S CAR-SHARING MARKET BY NUMBERS

**As of February 2016**



# MARKET DRIVERS

Both demand and supply of car-sharing services are growing rapidly.

Cloud computing and data analytics facilitate the matching of idle resources with demands.

Market players are offering cash coupons and rebates to attract drivers and passengers.

- For example, Didi Chuxing offered 20-50% discount in March 2016 for taxi hailing service in around 100 cities in China.

Increasing  
Internet  
penetration

The rise of mobile  
commerce and  
social commerce

Wide use of  
mobile app

Data analytics

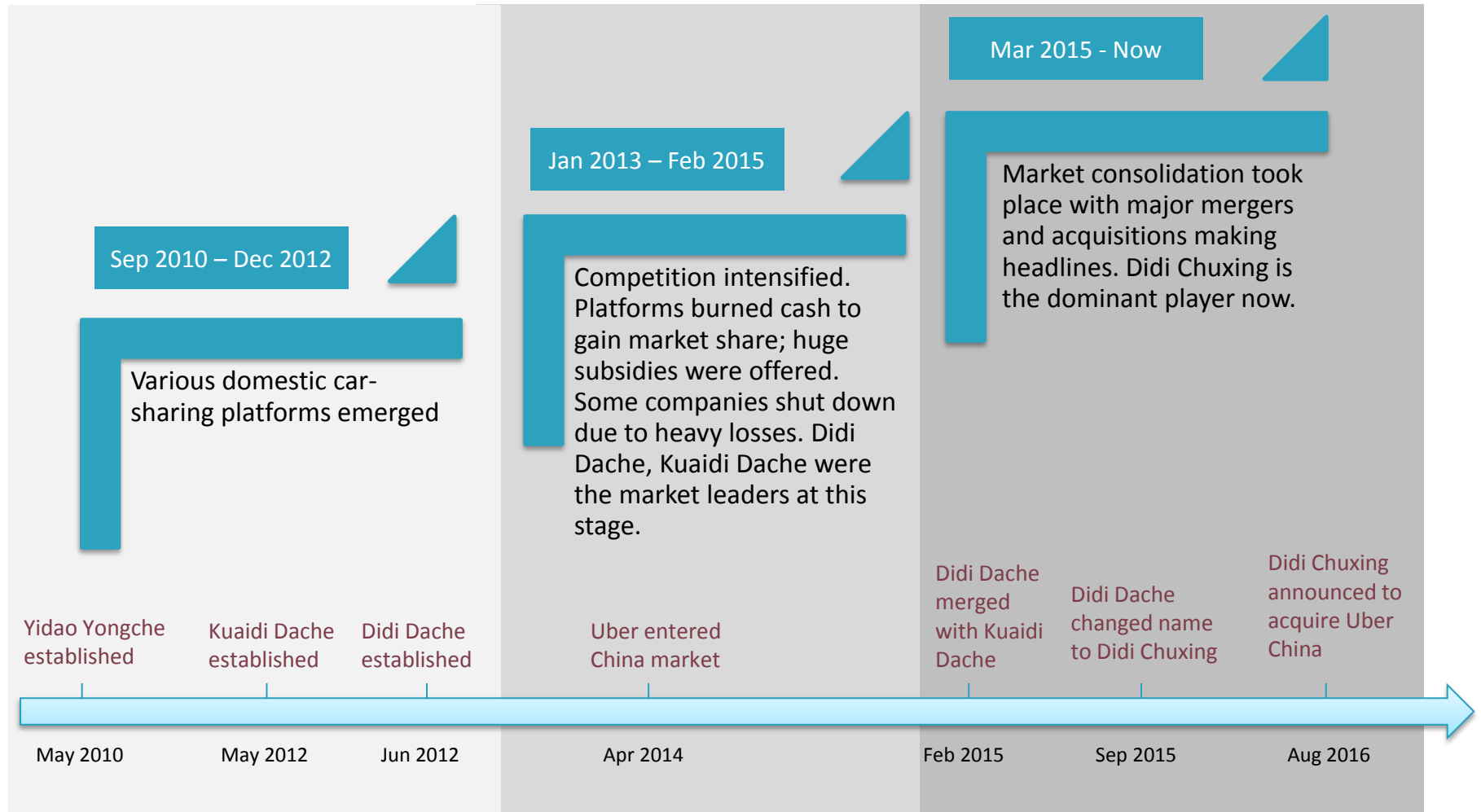
Cloud computing

Strong support  
from market  
players

Increasing  
venture capital  
investment

Changing  
consumption  
pattern

# STAGES OF DEVELOPMENT





# PROS AND CONS

## For providers

## For consumers

## For society



- Earn income from idle resources
- Flexible working time

- Cost savings
- More convenient to use taxi-hailing services then picking a taxi randomly on street
- Gain access to otherwise unattainable products and services (e.g. travel by a luxury car)

- Reduce traffic congestion
- Reduce air pollution
- Increase employment opportunities



- Safety issues
- Liability issues
- Uncertainty about the security and reliability of digital identities and systems

- No guaranteed income
- Wear and tear on car

- Uncertainty about the quality of drivers and cars

- Entrenched interests of traditional businesses

# CONSUMER USING CAR-SHARING SERVICES IN CHINA

According to a survey by iiMedia...

**42%** of the respondents  
used car-hailing services  
more than once a week

**54%** of the respondents  
thought that the service is  
good, but can be further  
improved

**70.5%** of respondents  
were satisfied with the  
service of drivers

**82.8%** of the users  
concerned about car safety  
when using car-sharing  
services

(Aug 2015)

Consumers are increasingly adopted to using car-sharing services in China.

# REGULATIONS: FIRST MEASURES ON ONLINE CAR-HAILING OPERATIONS AND SERVICES IN CHINA

On 28 July 2016, the Ministry of Transport and six other ministries jointly released the *Interim Measures for the Administration of Online Car-hailing Operations and Services*. This is the first national measures for online car-hailing operations in the world. The measures will be effective from 1 November, 2016.

## **Highlights of the *Interim Measures for the Administration of Online Car-hailing Operations and Services***

- Qualified online car-hailing services platforms will be issued a Business Certificate from relevant provincial authority.
- Qualified vehicles registered for car-hailing services will be granted a service license.
- The platform shall ensure that the drivers have the legal qualification for running the taxi services and may sign labour contracts with the drivers depending on the working hours and frequency of service.

On 26 July 2016, the State Council issued the *Guidance to Push Forward the Reform of Taxi Industry*, which aims at deepening the reform of traditional taxi services and standardize online car-hailing operations and services.

China has released the world's first national-level regulations that legalize online car-hailing services.



# REGULATIONS: FIRST MEASURES ON ONLINE CAR-HAILING OPERATIONS AND SERVICES IN CHINA (CONT'D)

## What are the implications?



More changes to industry players and the car sharing industry as a whole are expected.

Car-hailing platforms are required to obtain a business certificate for operation. This means **higher barriers to entry**.

More stringent requirements (such as drivers' qualification) imply **higher operating costs** for operators.

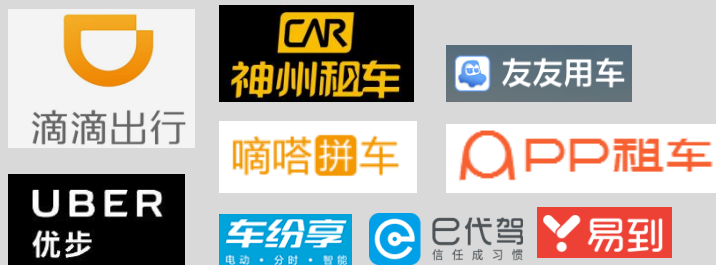
The relevant policies are expected to continue to revise and adapt in practice, thereby supporting the growth of the car-sharing market, as well as the **restructuring and upgrading of traditional taxi industry**.

# COMPETITIVE LANDSCAPE

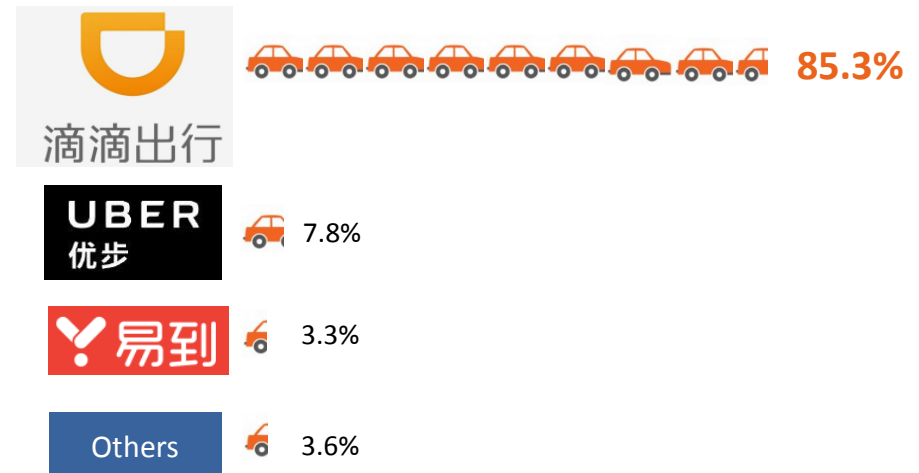
Competition has long been fierce in the car-sharing market. Since the merger of Didi Dache and Kuaidi Dache in February 2015, the industry has become more consolidated. Didi Chuxing is the prominent leader in terms of market share, followed by Uber China and Yidao Yongche.

Didi Dache and Kuaidi Dache, two of China's leading car-hailing apps, announced to merge in February 2015. The combined entity was roughly US\$ 6 billion.

## Selected players in the car-sharing market in China, 2016



## Market share of major private car-hailing players in China, by order volume, 1Q16



Source: CNIT Research, compiled by Fung Business Intelligence

## 2. LATEST DEVELOPMENT

I) UBER PLANS TO  
END SERVICES IN **MACAU**

# ABOUT THE PULL OUT

- It is reported that Uber will pull out of Macau on 9 September, 2016, due to the escalating crackdown through local policies.
- Uber said that more than 300 drivers had been fined 10 million patacas (US\$ 1.25 million) since operations began in October 2015.
- Fines on Uber drivers charged by the police has reached 1 million patacas (US\$ 125,000) per week in Macau, while a number of Uber drivers have also been detained by the police "without any legal ground".

## Uber in Macau

**Oct 2015**

Uber launched services in Macau . Only the UberBLACK service, which uses high-end vehicles, is available.

**Dec 2015**

Uber launched Uber X which offers cheaper rides for passengers than UberBLACK.

**Aug 2016**

According to a copy of a letter uploaded onto Macau legislator Au Kam-san's official Facebook account, Uber's Asia Regional General Manager Mike Brown said the firm planned to exit Macau market.

As of August 2016, Uber has around 2,000 full-time and part-time drivers in Macau.

# ISSUES RELATED TO UBER'S OPERATION IN MACAU



- The Public Security Police Force and the Transport Bureau jointly released a statement in October 2015, emphasizing that a vehicle must be duly registered as a taxi before a driver can offer someone a ride for payment of a fee; it is illegal for Uber to operate in Macau.
- Two Uber drivers were prosecuted by local police for providing unlicensed taxi services after the first week of its soft launch.
- In August 2016, the Secretariat for Security said that local police had prosecuted 379 cases of Uber drivers providing unlicensed taxi services since Uber's launch in Macau.
- Hundreds of supporters of car-hailing service Uber in Macau have vowed to take to the street on 4 September to protest at the government's crackdown on Uber.



## 2. LATEST DEVELOPMENT

### II) UBER TO CUT SERVICES IN **HONG KONG**

# UBER TO CUT UBERVAN AND UBERTAXI SERVICES IN HONG KONG

- UberVAN, which allows users to hail minivans, and UberTAXI, which allows users to book "regular" taxis through the app, will no longer be available starting 5 September, 2016.
- UberBLACK which offer luxury private cars, and UberX which offer budget private cars, would not be affected.
- As of July 2016, over two million trips have been taken on Uber in Hong Kong.

## Uber in Hong Kong

**Jun 2014**

Uber launched services in Hong Kong. UberXL 7-Seaters and UberBLACK Mercedes S-Classes are available.

**Jan 2015**

Uber launched Uber CARGO service in Hong Kong. This service was renamed to UberVAN later.

**Aug 2015**

Uber launched UberTAXI service in Hong Kong.

**Dec 2015**

Uber launched Uber X service in Hong Kong.

**Mar 2016**

Uber dropped Uber X fares by 20% for all trips starting in Kowloon or New Territories

**Sep 2016**

Uber cut UberVAN and UberTAXI services in Hong Kong

# ISSUES RELATED TO UBER'S OPERATION IN HONG KONG



Uber is less popular in Hong Kong for the following reasons:

- The taxi fee in Hong Kong is cheaper than in many overseas countries, thus the difference between taxi and Uber services is not that much. Profitability of UberTAXI and UberVAN might be low.
- Some taxi drivers are reluctant to join Uber as they cannot collect cash directly but need to go via Uber platform.
- Local traditional taxi industry believed that Uber will further expand its car-sharing services in Hong Kong and may pose a bigger threat to their business.

## 2. LATEST DEVELOPMENT



### III) ACQUISITION OF UBER CHINA BY DIDI CHUXING

# ABOUT THE STRATEGIC ALLIANCE



- On 1 August, 2016, Didi Chuxing and Uber announced to merge their businesses in China.
- In the deal, Uber has agreed to sell its China operations to Didi Chuxing. With the completion of the deal, the newly combined entity is valued at approximately US\$ 35 billion.
- Uber will take stake of Didi Chuxing.
  - Uber will take 5.89% stake in Didi Chuxing via preferred shares, with 17.7% economic interest, and remaining shareholders of Uber China will receive 2.3% economic interest.
- Uber and Didi Chuxing will become cross shareholder for each other.
  - Uber's CEO Travis Kalanick will join Didi Chuxing's board, while Cheng Wei, founder of Didi Chuxing, will in return join Uber's.
- Upon deal completion, Uber China will maintain its independent branding and business operations, while Didi Chuxing will combine the two teams' managerial and technical expertise and share resources in terms of user base, online and offline operations and marketing.
- China's Ministry of Commerce is reportedly investigating the deal over anti-monopoly concerns.

# ABOUT THE STRATEGIC ALLIANCE (CONT'D)



## For Didi Chuxing (after acquisition)

### Management

- Tencent, Alibaba and Baidu will all be owning the combined company\*
- Uber becomes the largest shareholder of Didi Chuxing

### Strategy

- Able to build a more sustainable and profit-making business model
- Stop burning money to subsidize drivers and passengers; focus on service enhancement instead of gaining market share

### Market competition

#### Local

- Further strengthen its leading position in the market as there are no close competitors in the meantime

#### Global

- Leverage on Uber's global network and resources to expand overseas, e.g. Japan, South Korea, European countries and Russia

## For Uber

### Management

- Become the largest shareholder of Didi Chuxing

### Strategy

- Avoid further loss that is likely dragging its overall profitability\* \*

### Financing

- Benefit from Didi Chuxing's growth with its economic interest in Didi Chuxing

### Market competition

#### Local

- No longer being considered as a threat to Didi Chuxing  
(Concern: will Uber China have similar fate as Kuaidi Dache?\*\*\*)

#### Global

- Can influence the global expansion strategy of Didi Chuxing
- Can focus its resources on expanding in other markets such as India

Source: Fung Business Intelligence

\* Alibaba and Tencent hold an undisclosed stake in Didi Chuxing; Baidu holds an undisclosed stake in Uber.

\*\*Uber is making profit in other markets.

\*\*\* Kuaidi Dache merged with Didi Dache in February 2015; Kuaidi Dache's services were being marginalized after the merger.

# ADVANTAGES OF THE STRATEGIC ALLIANCE



- In fact, rumours that the two companies would join hands together have been going on since July 2014.
- There are several reasons for the deal to happen, which include:
  - Both Didi Chuxing and Uber China are not making profit yet, partially due to the fierce competition and heavy subsidies offered to drivers and passengers.
  - Didi Chuxing can leverage on Uber's resources to expand overseas.
  - Didi Chuxing is a strong local player which has strong connections with China's Internet giants such as Alibaba and Tencent.
  - With improved financials, Uber has a better chance for its potential IPO.

# IMPLICATIONS

The deal signifies a new era for the car-sharing market in China. The integration between the two leading players will reshape the competitive landscape of the car-sharing market.

The Fung Business Intelligence expects the strategic alliance will bring about mutual benefits and win-win results for both Didi Chuxing and Uber.

## Impact on car-sharing industry



- Possibly put an end to the price war\*



- Lead to a healthier and more sustainable Industry



- Monopoly concerns: Didi Chuxing becomes the market leader, which might marginalize other smaller players

Source: Fung Business Intelligence

\*The two companies spent huge amount on marketing and subsidies. Before the acquisition, price wars took place very often in the car-hailing industry.



## ABOUT THE COMPANIES





**DIDI CHUXING**

# COMPANY BACKGROUND

- **Founder:** Cheng Wei and Lu Chuanwei
- **President:** Jean Liu Qing
- **Year of establishment:** June 2012
- **Headquarters:** Beijing, China
- **Key mergers:** merged with Kuaidi Dache in February 2015 and Uber China in August 2016
- **Company website:** <http://www.xiaojukeji.com/>
- **Key investors:** Alibaba, Apple, Tencent
- **Is the company listed?** : No

## Basics

- **City coverage:** 400+ cities (May 2016)
- **Market share:** 87% of on-demand car service market (CNNIC) , 99% of taxi-hailing app (1Q16)
- **No. of registered drivers:** 15 million (May 2016)
- **Customer base:** 300 million; which is equivalent to more than 11 million rides a day (May 2016)

## Coverage

- **Business model:**  
A platform that facilitates C2C business , one-stop platform for various car services
- **Strategic goals:**
  - **Within China:** By 2018, the company targets to serve 30 million passengers a day, with waiting time within three minutes
  - **Globally:** Expanding overseas (e.g. Japan, South Korea, European countries and Russia)

## Business

## Financials

- **Performance:**
  - Monthly GMV : US\$ 800 million (January 2016)
  - Profit is recorded in more than 200 cities
- **Estimated company size:** US\$ 26 - 28 billion (July 2016)

Source: website of Didi Chuxing; “Apple Backs Didi With \$1 Billion in Blow to Uber in China”. Bloomberg Technology. 13 May, 2016; “Comprehension of Uber China setting up its office in Shanghai FTA.” Yangmiao. 8 October, 2015; “Five Things to Know About Didi After Apple Invested \$1 Billion” Bloomberg Technology. 13 May, 2016; and “With Poly’s \$0.4 billion investment Didi Chuxing’s valuation is released.” Sina finance. 21 June, 2016.

# SERVICES

As a one-stop car-sharing platform, Didi Chuxing offers a wide range of on-demand car services to its customers via its mobile app. Some on-demand services include:

Taxi-hailing service – Didi Taxi (滴滴出租车)

Private car service – Didi Kuaiche (滴滴快车)  
Didi Zhuanche (滴滴专车)

Car pooling service – Didi Hitch (滴滴顺风车)

Chauffeur service – Didi Chauffeur (滴滴代驾)

Public transport – Didi Public Transport (滴滴公交)

Source: Websites of Didi Chuxing Inc. and “Didi partners with Yutong to create a ecosystem for internet bus service.” Sina finance. 14 September 2015.



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# SERVICES

## 1) TAXI-HAILING SERVICE – DIDI TAXI (滴滴出租车)

### DIDI TAXI

Didi taxi is the first service offered by Didi Chuxing. Riders can easily order a taxi via Didi's mobile app, especially in rush hour.

- **Launch date:** October 2012
- **City coverage:** 300+ cities
- **Characteristics of service:**



Place your order by a click



Use of AI system to ensure your request is answered on time



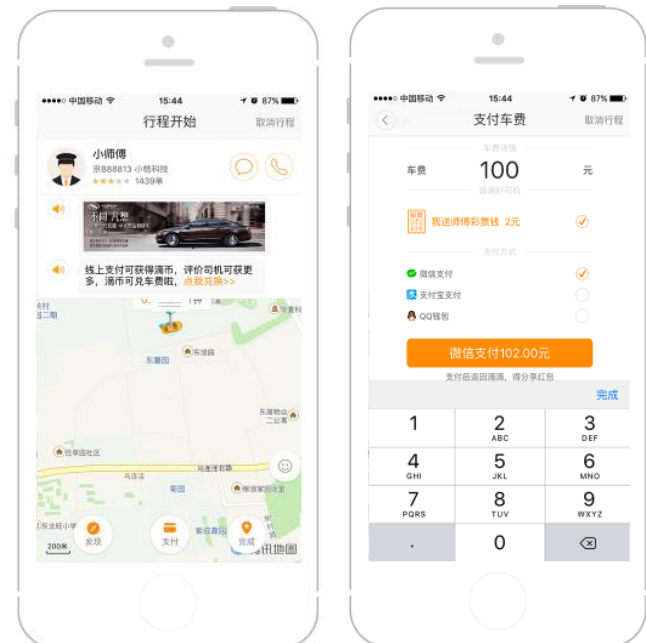
Real-time checking on driver's location and arrival time



Payment via WeChat



Cross-cities booking available  
(bookings allowed three days in advance)



Source: Official website of Didi Chuxing

Screenshots of Didi Taxi

- Left: Real-time checking on drivers' location
- Right: Payment via WeChat

Source: Official website of Didi Chuxing

# SERVICES

## 1) TAXI-HAILING SERVICE – DIDI TAXI (滴滴出租车)

### DIDI TAXI STATION

To make it more convenient to its taxi customers, Didi Chuxing has developed Didi taxi station in major locations such as hospitals, hotels, etc.



Source: China News  
Didi taxi station in  
Yangpu district,  
Shanghai



Source: China News  
Didi taxi station in Xidan Joy City, Beijing

- **Launch date:** October 2015
- **City coverage:** Shanghai and Beijing
- **Characteristics of service:**
  - Riders can directly enter their phone number and destinations on the smart taxi stands.
  - Taxi drivers can gain extra bonuses if they take orders from Didi taxi stations.
  - A hotline has been created especially for the elderly who do not use smartphones.

Source: Official website of Didi Chuxing



# SERVICES

## 2) PRIVATE CAR SERVICE –

## DIDI KUAICHE (滴滴快车) AND DIDI ZHUANCHE (滴滴专车)

### DIDI KUAICHE DIDI ZHUANCHE

Didi Chuxing offers two types of private car services, namely Didi Kuaiche (滴滴快车) and Didi Zhuanche (滴滴专车).



Source: Didiabc  
Car pooling  
promotion for  
Kuaiche

	Didi Kuaiche	Didi Zhuanche
Launch date	May 2015	August 2014
City coverage	80+ cities	259 cities (as of December 2015)
Target customer	Mass	Mid-to-high end
Average daily order	4,000,000 times	N/A
Fare	By distance per km; no base fare	Base fare + by distance per km
Subsidy to drivers/ membership fee	There are subsidies given to drivers	No subsidies are given to drivers; drivers are required to pay 40% of fares as membership fee
Additional service	Real-time car pooling service is available since December 2015	Absolute Comfortable Experience (ACE service): customized service for elderly, children and pregnant women

Source: Official websites of Didi Chuxing and Didi Kuaiche, “How can Didi Kuaiche upgrade to Didi Zhuanche?” Didiabc. Timing unknown. ; “What is the difference between Didi Kuaiche and Didi Zhuanche?” VIPCN. 6 July ,2015; “Zhuanche Industry Report 2016” Roland Berger. 2016 (P.15); and “Sign up and become a Didi Kuaiche’s driver immediately.” Didiabc. Timing unknown.



# SERVICES

## 3) CAR POOLING SERVICE – DIDI HITCH (滴滴顺风车)

### DIDI HITCH

The car pooling service, Didi Hitch was launched as a short-range commuter sharing service in June 2015.

- **Launch date:** June 2015
- **City coverage:** 343+ cities (as of June 2016)
- **Strategic goals:**
  - 100,000 order per month; more than 1,000,000 order a year;
  - The car will be ready in 15 min after receiving riders' request (market norm: 45 min)
- **Market share:** 69% of car pooling market (3Q15)



Didi Hitch's marketing claims – “Didi Hitch matches drivers and passengers with similar routes”

Source: Official website of Didi Chuxing

### Launch of intercity car pooling service during Spring Festival

new

- Didi Hitch introduced the service for Chinese New Year in 2016. The service is beneficiary to those who need to travel across cities in order to go home for family reunion during the holiday
- Passengers can book the service 30 days in advance
- Pricing is standardized in all cities





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# SERVICES

## 4) CHAUFFEUR SERVICE – DIDI CHAUFFEUR (滴滴代驾)

### DIDI CHAUFFEUR

Chauffeur service helps users find a driver to chauffeur them around in their own car when they are not in a good condition to drive.

- **Launch date:** 28 July, 2015
- **City coverage:** 200 (as of November 2015)
- **No. of registered drivers:** 1,000,000 at the time of launch; drivers from other services can also be one of the designated drivers
- **Fare calculation:** determined by a 10 km base fare and an additional charge for each additional km
- **Strength:** can leverage on the existing pool of taxi drivers

- **Additional functions available:**
  - Offers insurance of a maximum of 3,000,000 yuan per order
  - **Accompanied return (结伴返程) for drivers:** This is especially relevant to drivers who are on call in midnight when public transportation is not in service. Drivers can quickly locate each other and go back together. This reduces the transportation cost for driver



Source: Weibo of Did Chauffeur  
Promotion message of using Didi Chauffeur when you are drunk. (June, 2016)

Source: Official website of Didi Chuxing; "Didi Chauffeur is officially launched." Sina technology. 29 July, 2015; "Will Didi Chauffeur change the industry just like what Didi Zhuanche has done?" Q daily. 31 July, 2015; and "How will eDajia compete with Didi Chuxing in the designated driving market?" TMT Post. 31 August, 2015.



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## SERVICES

### 5) PUBLIC TRANSPORT – DIDI PUBLIC TRANSPORT (滴滴公交)

#### DIDI PUBLIC TRANSPORT

An alternative to existing public transportation. This is Didi Chuxing's first entry to China's public transport sector.

- **Launch date:** July 2015; previously known as “Didi Bus” (滴滴巴士)
- **City coverage:** 7 cities, including Beijing and Shenzhen
- **Price:** 7 - 13 yuan
- **Strategic movement:** took over Koala Shuttle (考拉班车) in September 2015
- **Sources of bus:**
  - Leased from travel agencies or car rental companies

- **Services provided:**
  - Real time enquiry for bus arrival time
  - Bus pooling service
  - Bus rental service for big groups (滴滴包車)



Source: South China Morning Post  
An example of Didi Bus (bus pooling)



Source: Beijing Youth Daily  
Real-time checking on bus arrival (May, 2016)

Source: “Didi Bus” is upgrading to “Didi Public Transport.” Beijing Youth Daily. 3 June, 2016.

# SELECTED LATEST MOVEMENTS/ STRATEGIES SINCE MERGER WITH KUAIDI DACHE

	Strategic partnerships	Launch of new services or product upgrades
2016	<b>3Q16</b> <ul style="list-style-type: none"> <li><b>AUG: Acquired Uber China</b></li> </ul>	<b>Ongoing</b> <ul style="list-style-type: none"> <li>Started working with CMB for auto-finance</li> </ul>
	<b>1Q16</b> <ul style="list-style-type: none"> <li>JAN: Partnered with China Merchants Bank</li> </ul>	<b>2Q16</b> <ul style="list-style-type: none"> <li>JUN: “Didi Bus” (滴滴巴士) upgraded to “Didi Public Transport” (滴滴公交)</li> </ul>
2015	<b>4Q15</b> <ul style="list-style-type: none"> <li>OCT: Received the first ever nationwide on-demand chauffeured service permit from Shanghai Transportation Commission</li> </ul>	<b>4Q15</b> <ul style="list-style-type: none"> <li>DEC: Launched “Didi bus booking” (滴滴包车)</li> <li>OCT: Rolled out “Didi station” (滴滴车站) in Beijing and Shanghai</li> </ul>
	<b>3Q15</b> <ul style="list-style-type: none"> <li>SEP: Officially renamed itself as “Didi Chuxing” (滴滴出行)</li> <li>SEP: Partnered with Yutong (宇通) to develop Internet bus ecosystem</li> <li>AUG/ SEP: Investment in Grab Taxi (Southeast Asia), Lyft (U.S), Ola (India) (Global expansion)</li> </ul>	<b>3Q15</b> <ul style="list-style-type: none"> <li>JUL: Launched “Didi Driver” (滴滴代驾)</li> <li>JUL: Rolled out “Didi Bus” (滴滴巴士) in Beijing and Shenzhen, etc</li> </ul>
	<b>1Q15</b> <ul style="list-style-type: none"> <li><b>FEB: Didi Dache acquired Kuaidi and formed Didi Chuxing</b></li> </ul>	<b>2Q15</b> <ul style="list-style-type: none"> <li>JUN: Launched car pooling service “Didi Hitch” (滴滴顺风车)</li> <li>MAY: Launched “Didi Kuaiche” (滴滴快车)</li> </ul>



**UBER CHINA**

# COMPANY BACKGROUND

## Global

- **Founder:** Travis Kalanick and Garrett Camp
- **Year of establishment:** March, 2009
- **Headquarters:** San Francisco, California, the U.S.
- **Company website:** <https://www.uber.com/>
- **Is the company listed?** : Not listed
- **Key investors:** Baidu, Google Ventures, Microsoft
- **Business model:** A platform that facilitates C2C business

## China specific

- **Strategic in-charge:** Liu Zhen 柳甄
- **Year of market entry:** April, 2014
- **Local headquarters:** Shanghai\*

## Basics

- **City coverage:** 60 cities (1Q16)
- **Market share\*\*:** 30% - 35% (2015); 15.4% (1Q16)
- **No. of rides per day:** 1 million
- **Milestone:** Achieved 2 billion order worldwide, out of which 54% comes from China (June 2016)

## Coverage

## Vision

- **Strategic goal:** To position itself as an all-in-one solution for transportation, food and entertainment

## Financials

- **Performance:**
  - A deficit of US\$1 billion (December, 2015)
- **Estimated company size:** Valued at around US\$ 8 billion (January 2016)

Source: uber.com; "Uber: We'll be China's number one taxi app within a year" Tech Crunch. June 2 2016; "Uber enters China". Financial Times. 25 June, 2016; "Uber announces it has achieved 2 billion car calling, and increase by 1 billion in the past 6 months" Fengwang Technology. 19 July, 2016; and "Uber Sells China Operations to Didi Chuxing". Wall Street Journal. 1 August, 2016.

\* Registered as 2 separate companies 优步(上海)软件科技有限公司 (for daily operations) and 上海雾博信息技术有限公司

\*\* Market share in year 2015 is claimed share by Uber China; market share for 1Q16 is from third party research agency (Analysys)

# SERVICES

By positioning itself as an integrated platform for car-hailing and lifestyle experience sharing, Uber provides services in various areas:

Private car service



Carpooling (rider) -  
UberPOOL+ (人民优步+)



Carpooling (driver) –  
UberCOMMUTE (优步同行)



UberLIFE (优生活)



# SERVICES

## 1) PRIVATE CAR SERVICE

### PRIVATE CAR SERVICE

Riders can choose the type of cars that they prefer. Fares vary on the types of car.

There are four types of car available in China:

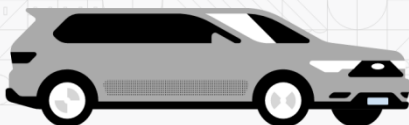
#### MAJOR



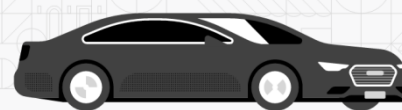
**Uber BLACK**  
*(the original)*  
The one with highest price –  
“executive luxury”



**Uber X**  
*(low cost)*  
The everyday car, usually 4 seaters



**Uber XL**  
Good for larger groups, usually  
SUV or minivan



**Uber English (Shanghai only)**  
English speaking drivers are  
available

# SERVICES

## 1) PRIVATE CAR SERVICE

### UBERSTATION

#### **UberStation - the first of its kind in China**

UberStation is set up at major locations such as residential areas, office areas and commercial areas.

Recently, the station has been upgraded to version 2.0, which is a smart-station to allow riders to enter their phone number and destinations on the smart taxi stands.

It serves as a good way for riders and drivers to communicate where they are, which can reduce the waiting time and make communication easier.

The station is currently available in Guangzhou, Tianjin, Shenzhen, Chengdu, Hangzhou, Qingdao.



UberStation 2.0 in Shenzhen  
(April 2016)



# SERVICES

## 2) CARPOOLING (FOR RIDER) - UBERPOOL+ (人民优步+)

### UBERPOOL+

Uber is the first car-hailing company to launch car pooling service in the China market.

- **Launch date:** November 2015\*
- **City coverage:** 15 cities including Chengdu, Guangzhou, Hangzhou, Beijing, Shenzhen, Shanghai, etc. (as of April 2016)
- **Fare calculation:**
  - No starting base
  - **“Upfront fare”**, the fare is estimated based on the starting point and destination entered in the Uber mobile app before the trip starts
  - Do not charge drivers for more than what they spend on gas or other fees and maintenance
- **Mechanism:** connecting riders who start and end their trip nearby; each rider is allowed to bring one more friend at maximum with them.



Source: Uber newsroom  
“People’s Uber”, an earlier version of UberPOOL+ (4Q14)



Source: Uber newsroom  
UberPOOL+ - 2<sup>nd</sup> (latest) generation of UberPool (3Q15)

Source: Uber newsroom

“Why do we need UberPOOL?” Today’s headline. August, 2015; and “What is the newly launched ‘UberPOOL+’ about?” Zhihu. August, 2015.

\*UberPool+ is a modified version of UberPool. UberPool was launched in July 2015.

## SERVICES

### 3) CARPOOLING (FOR DRIVER) – UBERCOMMUTE (优步同行)

#### UBERCOMMUTE

UberCOMMUTE helps drivers to fully utilize their cars and time while commuting. This is the first time Uber launched a new product outside the U.S.

- **Launch date:** September, 2015
- **Target customers:** drivers who commute longer distances and want to share the costs of the trip
- **Mechanism:** Drivers sign into the Uber app and indicate where they are going. Drivers can then see the requests from riders who are traveling in the same direction, and also the estimated fare drivers will receive from the trip.



Source: Uber newsroom

Promotional materials for UberCOMMUTE: everyone can take an order once they are on the ride

Source: Uber newsroom

# SERVICES

## 4) LIFESTYLE GUIDE – UBERLIFE (优生活)

### UBERLIFE

UberLIFE goes beyond car-hailing and provides lifestyle guide for local residents.

- **Launch date:** May 2016
- **City coverage:** more than 10 cities including Beijing, Shanghai, Nanjing, Dalian, Xian etc.
- **Mechanism:**
  - Creates relevant theme for each city, for example the theme for Dalian is about ocean (海洋生活家)
  - In-app services providing info on dining, travelling, cultural performances, sports events etc. to riders to browse when travelling.
  - Leverages big data to recommend activities that riders may be interested in.



Source: Uber newsroom  
UberLife in Nanjing (for sports, food and leisure)

Source: "Uber China officially launches Uber Life in Dalian" Do News. July ,2016; "UberLife is launched in Nanjing". Uber. 17 May, 2016; and "Uber China officially launches Uber Life in Dalian" Do News. July, 2016.

# SELECTED LATEST MOVEMENTS/ STRATEGIES IN 2015-2016

	Strategic partnerships	Launch of new services or product upgrades
	<b><u>2Q16</u></b> <ul style="list-style-type: none"> <li>JUN: Strategic partnership with Hainan Airlines (海航), qnaer (去哪儿网), LY.com (同程旅游)</li> <li>MAY: Teamed up with Alipay for on-demand car service overseas</li> </ul>	<b><u>2Q16</u></b> <ul style="list-style-type: none"> <li>MAY: Launch of UberLIFE ( 优生活 )</li> <li>JUN: Launch of “Travel with Uber” (优步 + 旅游)</li> </ul> <b><u>2Q16</u></b> <ul style="list-style-type: none"> <li>JUL: Cooperate with KFC to launch the first Uber-themed restaurant in Xi’an</li> </ul>
	<b><u>4Q15</u></b> <ul style="list-style-type: none"> <li>DEC: Formed strategic partnership with Guangzhou Automobile Group (广汽集团)</li> <li>NOV: Formed strategic partnership with Alibaba</li> <li>OCT: Set up local office in Shanghai FTA and built an operation center in Chengdu</li> </ul> <b><u>3Q15</u></b> <ul style="list-style-type: none"> <li>SEP: Partnership with Baidu , qyer.com (穷游) and Raven Tech (渡鸦科技)</li> <li>SEP: formed strategic partnership with National Center of Intelligent Transport Center (国家智能交通中心)</li> </ul> <b><u>2Q15</u></b> <ul style="list-style-type: none"> <li>APR: Strategic partnership with China Telecom</li> </ul> <b><u>1Q15</u></b> <ul style="list-style-type: none"> <li>MAR: Strategic partnership with China Yongda Automobile</li> </ul>	<b><u>4Q15</u></b> <ul style="list-style-type: none"> <li>NOV: Official launch of UberPOOL+ (人民优步+) and UberCOMMUTE (优步同行)</li> <li>NOV: Upgrade of “UberSTATION”</li> <li>OCT: Upgrade of safety regulations</li> </ul> <b><u>3Q15</u></b> <ul style="list-style-type: none"> <li>SEP: Soft launch of “UberCOMMUTE” (优步同行) in Chengdu</li> </ul> <b><u>2Q15</u></b> <ul style="list-style-type: none"> <li>AUG: Launched UberSTATION in Guangzhou</li> <li>JUL: Rolled out “UberPOOL+” in Chengdu</li> <li>APR: Set safety standards</li> </ul>

Source: website of Uber newsroom; “Uber enters China” by Financial Times. 25 June, 2016.

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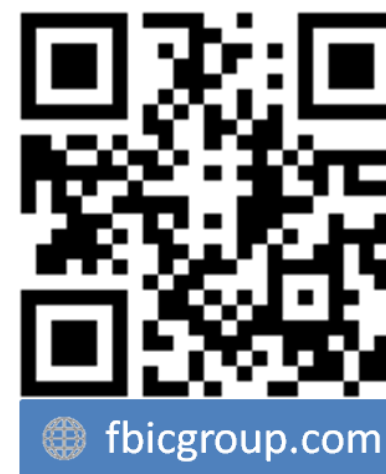
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