A thought paper on the evaluation of Uber's business model

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Abstract

Uber is an on-demand transportation service that has brought a revolution in the personal transportation industry all across the world. Uber is one of those few tech companies in the world that has been valued over $50 Billion. Uber has already received an equity funding of 8.2 Billion dollars and is present in 60 countries. Uber is right on place with its market traction, but is it exploiting its data enough? Is Uber over valued and will its market saturation lead to its downfall?

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Current Strategy

Uber vibes as that sophisticated woman executive who gets your work done the way you want, making you want to keep going back. Easy, one click, no hassle. Uber has received an equity funding of $8.2 Billion and is present in 60 countries. Uber is a billion dollar company and their current strategy is pretty simple. It stems from the number of transactions happening every single day, and Uber has a striking 1 million rides daily.

They have different kinds of rides specific to your need, and a pretty slick interface. The method of booking is simple and the average wait time is now 8 mins. The driver gets you where you need to go and for every ride a chunk goes into their pockets along with a safety fee that they slap onto each transaction.

What's been working

Uber has 4 types of cars designed to need. This means an MNC can do a VIP pick up of their clients in town with an Uber black, AND the student next door can take the girl out on a date with UberGo. Its need specific and I have the liberty to choose what I want as a user.

Uber is also currently the cheapest ride you can get in the market, by a small margin, but still the cheapest. It's the first to enter the market with a disruptive idea and it grabbed a whole lot of users before the next big opponent entered the market. They has a patent on the infamous 'surge price algorithm' (which is the only reason I think they can call themselves a technology

company). Uber also have a handsome driver sign in bonus of 350$ as well as a free ride for users.

An active google search was enough to see the areas that Uber has looked into for tie-ups. Uber ties up with hotels, educational institutions, regional map API companies, healthcare startups and even AirBus. Their strategy in expanding their network seems good enough.

What might not work. Uber has been in the news a lot and not for the best reasons. There have been charges filed against Uber drivers for rape, assault, racism, theft and murder. When I was researching more about charges filed against Uber, funnily enough I found an entire website dedicated just to document the cases against Uber (uberlawsuit.com). There is definitely a security issue that's been haunting them.

The 'surge price algorithm' was a good strategy to begin with, because they've a patent on it and it is a vital part of their model to even out number of users and drivers. But is it really effective? If not where is it failing? In the video the reporters talk about how one short ride costed 441$ due to the surge price algorithm (CTV News, 2015). The surge price was a good piece in the puzzle but it clearly needs to be optimized.

The Uber rebranding catastrophe? Oh boy! I have a lot to say about this. Bits and atoms together. Was that supposed to be innovative? What are the rest 70 percent of the companies in the world doing? Their new logo seemed to me like something that an intern came up with and the board just decided to go with. I read in an article that the 'man behind uber's rebranding left the company' (DailyMail, 2016) and this seemed like the only right thing to me that Uber did regarding its rebranding. The advertisement shows a series of smiling consumers and talks about how important people are to the company. 10 seconds later it talks about driverless cars being

their future. So the company apparently responsible in giving us all a better life, who is now making money off of drivers sees its future as firing its entire revenue base? Oh well.

What should be changed. This might be an opinion too strong to put on paper, but I feel that Uber currently is on wafer thin ice and it's just a matter of time before someone prettier comes along. Lyft might just be that one! The only feature they're cashing on right now is that they were first in the market, so they have a huge consumer base, which means a lot more transactions across 60 countries. Lyft is only slightly more expensive now and if they figure out a way to beat Uber's prices which might just break their model.

The growing bad publicity isn't doing them much good either. There has to be a better way of monitoring the rides and a much more stringent screening and enrollment policy. For the grieving souls, they least they can do is have a hotline. Consumers calm down mostly after having conveyed their message across. They current system is a token raising system with a typical response rate of 3 days. For the drivers, Lyft has a Facebook group where the drivers can talk to each other about getting started and solve collaborative issues where Uber does not provide them a portal. This might be one of the reasons why Lyft drivers have given a 100% satisfaction rate while Uber has an 84% satisfaction rating

Future strategy. If I were the CEO of Uber, there are a string of things I would do first.

Introduce a hike in the bonus for working extra hours (not enough data to infer exact number of hours) substantially. For example if a driver is available on the app for required X hours that week, an additional Y$ can be awarded or a maybe even fuel card. This way the drivers see an incentive and tend to stay online longer on Uber. I feel strongly about this strategy because its benefits amplifies as it goes along the process chain. More hours on Uber means less hours on its competitors, this means less surge prices and simultaneously more surges in

competitors, slowly this will grow enough to break the competitor and Uber has the resources right now to fund this hike for drivers.

I would work really hard on getting the ride-share system up and going as soon as possible. With the data my company holds I can see how statistically this works out. I can identify the areas where people ride solo and initially work harder on getting ride-sharing system in those regions. This will help us slash prices and reduce the financial burden on solo riders. We also get to play the go-green card!

There's all this fuss about my company's rebranding debacle. For damage control I would derive off of Lyft's idea. Have theme cars, like cookie theme, trivia theme, harry potter theme etc(but only for UberGo, because we want to be mindful of the audience we deal with). This might help lighten the mood and make the experience more fun, because that factor has definitely been working for Lyft and I don't see any patents on having theme cars.

A subscription based (or scheduled rides) approach can work well. Some of our drivers aren't full time drivers and might just on their way to a destination. This means repetition. This ensures a steady income and commitment from the users end. It will help us slash the prices down for this service and also to get drivers on board. Once the users ride with a particular driver more frequently, the safety also becomes less of a concern on our end.

Airport pickups isn't something we are doing right now. I would integrate a full-proof identity authentication based system and invest heavily on getting started in this area.

Maybe save this for a better day, but I would surely explore having party buses (considering most of my student consumer base are drunk) or pick-up trucks.

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