



UBER Thought Paper

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“You can love them or hate them, but you cannot ignore them”

Uber - the first company since Google with a service so popular that its name is in regular use as both a noun and a verb - has spawned an entire category of business known as the one-tap economy. Many startups that have come up in the last few years have been called ‘The Uber of something’; that itself speaks volumes of the position and reputation that Uber has acquired over a short span of time. I believe that any company is a manifestation of its founder, and if we want to get our head around Uber’s wild growth, and its even wilder potential, we must get to know its wildly ambitious, ever-restless CEO. Travis Kalanick has been described as many things in the industry, “the evil genius”, “loose cannon”, “ruthless and capitalist” and many other unflattering names. There is a seed of truth in all of these. But none of these terms paint a completely true picture of the man who is responsible for driving Uber to become the richest startup in history, with a valuation of 68 billion. Travis is at the heart, a go-getter and by his own admission, Uber’s problem-solver-in-chief. He loves challenges and is not afraid to bend some rules, when it comes to competition. Being a computer science student from UCLA, he understands technology better than most other technology company CEOs, and that is why Uber is as much a technology company as it is a transportation giant. He believes in jumping hurdles and moving on to the next one and the challenges only keep getting bigger - that’s what makes Uber one of the most interesting companies and explains why Kalanick can raise as much money as he wants, with neither a profit nor an IPO in sight.

To trace and deconstruct the meteoric rise of Uber, we need to go back a few years to where it all started. Travis is an engineer by practice and an entrepreneur by heart. His first startup ‘Scour Inc.’ ran into a legal lawsuit and had to fold up by filing for bankruptcy. His second company ‘Red Swoosh’ fared better than the first one. However, it ran into a lot of troubles and was eventually acquired by Akamai Technologies. So, by the time the idea for Uber was conceptualized, Travis had seen enough rough weather and had become aware of the vicissitudes of the market. I believe his experiences with his previous two companies must have hardened him to face the challenges that lay ahead, and to become the person that we know him today as. Initially started just as a service that could disrupt the high-end limousine business to having their presence in 528+ cities worldwide and growing, Uber has come a long way. Uber transformed the dreadful experience of hailing a cab into a comfortable one by integrating technology at every step of the process to give riders the experience that they desire. By acting as an aggregator, they created an entirely new market for drivers. I vividly remember when the service was launched in India, and how initially some of the Uber drivers were earning more than double per month compared to software engineers. That is the kind of employment opportunity that Uber had generated. In any given month, about 40 million people take an Uber ride, and its drivers collectively cover 1.2 billion miles, or about 35 times the distance between Earth and Mars (Helft). Think about those stats for a moment. That is the extent

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to which Uber has penetrated the transportation industry and it is nowhere close to stopping. They started out with a simple idea - tap a button and get a ride. Today, Uber has spearheaded an entire category of business known as the one-tap economy: millions of people now routinely open an app to enlist a distributed workforce to deliver groceries, hot meals and their clean laundry on demand.

Experimentation and testing is second nature to Travis. This is evident from the range of delivery services Uber has experimented with like Eats (food), Rush (anything, quickly) and Freight (long-haul trucking). It is constantly testing the waters with marketing stunts like UberChopper, UberSeaplane and UberBoat. However, the most ambitious of their projects till now, would be the self-driving fleet of cars they are currently testing out on the streets of Philadelphia. Autonomous cars have been the fancy of many tech companies like Google and Tesla and competing with these giants is not going to be easy, especially considering the resources these companies have at their disposal. I am, however, a bit skeptical about Uber testing out these cars. Firstly, the biggest threat to realizing this dream is the lawsuit filed by Google accusing Uber of using stolen technical know-how to fuel its own autonomous research. If this does not go Uber's way, then it could devastate Uber's self-driving car program. Secondly, Uber has an asset-light model right now, with drivers owning or leasing the cars and registering with Uber. This would change once self-driving cars become a reality. Uber would have to start rolling out these cars with the specialized hardware and software built in. For doing this, they would require extremely deep pockets; and the rate at which they are burning cash presently to maintain their market dominance by offering free rides and discounts, they would have to think about generating profits very soon. Uber's lack of a dedicated vehicle manufacturing unit could be its Achilles' heel, as they are testing out driverless vehicles. Another major issue I see with Uber using driverless cars is that it will eliminate the human connect. A large part of the Uber experience are the Uber drivers, who are individuals from different walks of life and each one has a story to tell. Just the other day, I hailed an Uber to travel back home; and the driver was a person who had served in the Navy and had so many stories to tell, about his postings, about the wars with the pirates that he had been a part of and about life in general. This experience of getting to interact with people will be completely removed with driverless cars. Also, a major reason for the popularity of Uber is that it has provided many people the means of their livelihood. The move of transitioning to driverless cars will lead to unemployment and growing dissent among drivers. One of the threats to self-driving cars could be cyber threats. Imagine the extent of damage that a hacker could do if he gets into the car software and wreaks havoc with it. In short, going autonomous with its cars is a big gamble. But then Travis has not made Uber reach where it is today by playing it safe.

As mentioned in one of the articles (Scola and Peterson), Uber is becoming a Big Data company. The data that Uber has been accumulating over the years about people's lives

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and travel histories, can be used to paint an intimate portrait of how people travel, where they travel, at what times they travel etc. The company will surely use this data to generate additional revenue streams by offering the data to third parties. What I am concerned about most is the security of this data. If the security of this data is breached, and this is not an impossibility as we have seen numerous times in the past, it can lead to endangering people's lives. Another thing I read in an article is that Uber uses its app to track your location for up to five minutes after you have dropped off at your location. The reasoning they provide for this is that it will help them fine-tune their services and mapping software. I find it creepy that they are tracking you and know your exact location even after you have stopped using the service.

Lately Uber launched a new product called 'Uber Movement', which seeks to provide interactive maps on which local authorities will be able to view Uber-gathered data on people moving around their town or city. City officials, planners and policymakers will henceforth be able to obtain a far more accurate picture of current road traffic flows and how they are evolving, based on millions of trips made by Uber users (Renouard). Uber has always had strained relations with local authorities and is embroiled in several lawsuits around the globe. I believe this is one of Uber's ways to develop more peaceful and collaborative relationships with the authorities, while at the same time helping in urban planning.

I have several ideas that Uber could use to differentiate themselves from its competitors. Since it's all about the user experience, Uber could try asking its drivers to provide services like newspapers and magazines for users. They could also provide entertainment options like movies-on-demand. Or maybe play their favorite music based on the user's stored preferences. Another service they could introduce is intercity travel. That is a market segment which is currently dominated by buses. If Uber could work out the dynamics to offer a better pricing option, they could pose a serious threat to the existing players in this market.

Many new food and beverage entrants in the market often try out new strategies to get market feedback. Uber could collaborate with them, where in Uber could share the customer data with these companies and these companies could offer their products as freebies in each ride. The Uber app would have a feedback option for the users to fill, regarding their opinion about the product and suggestions. With the customer base that Uber has, these companies could receive instant feedback from a large population and gauge the market response. Uber in turn would benefit because the users would be happy with the added incentives.

One of the major constraints that handicapped people face is travelling. Uber could ease this by tying up with providers who provide specially designed vehicles that are optimized

for travelling for the handicapped. Uber could also tie up with event organizers to carry passengers to and fro from events where massive crowds are expected.

The road has not been easy for Uber. It has been marred with controversies and hurdles right from the start. They have been accused of playing dirty with their competitors to diminish their reputation and gain an upper hand in the market. There was this controversy where Uber recruiters allegedly booked and cancelled around 5000 Lyft rides, which would decrease Lyft rider's availability and send users to Uber instead (Fink). Critics have attacked Uber's surge pricing time and again and Travis has nonchalantly ignored them. Uber has mostly been able to sail through them unscathed. However, the recent ones have caused a dent in their reputation. The one controversy that must have done the maximum damage is the sexual harassment case filed by an employee against the senior leadership in the company and the subsequent inaction of the HR in addressing the issue. Nobody likes a sexist organization that abuses its employees. The fact that disgruntled employees are publicly airing dirty laundry indicates the kind of culture at the company. Another recent controversy, where the CEO is embroiled in a fight, with an Uber driver, calls into question the kind of leadership and maturity that Travis stands for. Uber must be extremely careful in how it charts its further path. Riders angered by Uber's politics, or its corporate culture, or its legal attitude, or its CEO's belittling of drivers, or anything else, don't even have to #DeleteUber. They can just tap the Lyft icon instead (Davies).

The opportunities for Uber to grow and maintain its monopoly over the market are endless. However, the CEO needs to understand that they are no longer a startup that can get away with anything. Investors are willing to sign blank checks because they believe in the product and its potential. However, in the age and market that they are a part of, it takes just a night for fortunes to change. Uber is treading a fine line here. They cannot afford to make mistakes, especially with competitors waiting to pounce on the opportunities. Travis needs to reflect on how his behavior and attitude can have a major impact on his dream of building the ultimate transportation machine.

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