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Uber and Cornershop: An acquisition in the multi-sided platform space[[1]](#endnote-1)

Jorge Tarzijan wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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By the beginning of 2021, the Chilean and Mexican antitrust regulatory authorities had approved Uber Technology, Inc.’s (Uber’s) acquisition of a controlling stake in Cornershop, and the new partners were ready to implement their union.[[2]](#endnote-2) The two technology firms were both based on multisided platforms. Uber was a technology platform that connected riders with drivers for ridesharing services (through Uber Rides), and consumers with restaurants for meal deliveries (through Uber Eats). Cornershop was an on-demand delivery mobile application (app) that enabled customers to purchase goods from supermarkets and other stores and have them delivered to their front doors.

Uber’s acquisition involved an investment of $460 million[[3]](#endnote-3) for 51 per cent of Cornershop’s shares.[[4]](#endnote-4) Cornershop was founded in 2015 in Chile, and its business model connected end-consumers, personal shoppers, and supermarkets. The company had been highly successful in terms of growth, and five years after its founding, the company was operating in Brazil, Canada, Chile, Colombia, Mexico, Peru, and the United States.[[5]](#endnote-5) The acquisition surprised the market, mainly because, a few months earlier, Cornershop had been slated to be acquired by Walmart Inc. (Walmart). However, the Walmart acquisition attempt had failed because the Mexican antitrust authority alleged that the transaction would have increased the likelihood of anticompetitive behaviour against rival supermarkets chains.[[6]](#endnote-6)

Uber’s management had long thought about the notion of transporting not only people but also goods. In the past, the company had experimented with Uber Everything, whereby restaurant orders were matched with drivers to deliver meals, an idea that led to Uber Eats.[[7]](#endnote-7) Uber invested substantial financial and operational resources in the expansion of Uber Eats, subsidizing the costs of the service to increase its share in a crowded market.[[8]](#endnote-8) With the Cornershop acquisition, Uber expected to excel in the delivery of grocery products. However, the market was competitive, with rivals such as Instacart, DoorDash, Amazon.com Inc. (Amazon), and the apps of individual supermarket chains.[[9]](#endnote-9) Partly because of stiff competition, in October 2020, Uber Eats announced the suspension of its operations in Colombia and Argentina.[[10]](#endnote-10)

Despite the success of Cornershop and Uber as independent companies, their combined operation involved significant managerial challenges. What were the main sources of value in this acquisition? Regardless of regulatory issues, would Walmart have been a better fit for Cornershop? Should Uber and Cornershop be managed with significant levels of interdependencies or as independent units? Finally, an always present question was: what was the best strategy to grow in this multisided business space?

Cornershop

Business Model

Cornershop was an app that enabled end-consumers to purchase online from supermarkets and stores and have the products delivered to their home addresses. The app listed stores who had signed an agreement with Cornershop and whose products were therefore available through their platform. The consumer opened the Cornershop app and selected a store to view its products and prices. With this information, the consumer prepared a shopping list of the products to be purchased (see Exhibit 1). Consumers also had the option to use a single shopping cart to buy from different stores.[[11]](#endnote-11) Customers paid Cornershop for the purchases, not the store, and usually with a credit card. Prices were generally the same as purchasing in the physical store; however, Cornershop charged a delivery fee that decreased when the total purchase price was above a predetermined amount.[[12]](#endnote-12)

The value proposition focused on consumers who might not have the time or the will for frequent trips to the supermarket. Cornershop started serving affluent customers but soon included larger consumer segments. According to its founders, Cornershop was for everyone who needed it.[[13]](#endnote-13)

Once a consumer placed an order through Cornershop, the app assigned a personal shopper to fulfill that order. The allocation of orders to shoppers was based on shoppers’ availability, location, and expertise. The personal shopper was responsible for purchasing the products at the indicated store and paying for them at the store’s checkout counter. When a specific brand could not be found in a supermarket because of a last-minute shortage, or when fruits and vegetables were not of good quality, the shopper would inform the customer of available substitutes and their prices. Thus, Cornershop managed to combine the digital and human sides of shopping, avoiding product selection being delegated to a technological system where customers did not know who was behind it.

Most personal shoppers had their own transportation (typically a car or bicycle) for picking up and delivering the products to consumers in a short period of time (usually less than 90 minutes or at a pre-arranged time).[[14]](#endnote-14) The personal shoppers, who were trained by Cornershop, had different profiles. Common profiles were young professionals looking for or changing jobs, parents with older children, and university students. The value proposition to shoppers included a flexible schedule and weekly payments.[[15]](#endnote-15) Shoppers’ remuneration comprised a basic fixed payment for each order, a payment based on the number of products in the order, and a bonus based on the weight of the order. An additional payment for the product delivery to the customer’s location considered the travel distance involved.[[16]](#endnote-16) A personal shopper could handle 8–12 orders in an average of seven hours. The average purchase of supermarket deliveries was 15 items and cost approximately $50.[[17]](#endnote-17)

The value proposition for supermarkets and stores was being part of a new on-demand delivery distribution channel for their products. Once a store registered with Cornershop, it needed to upload its catalogue and unitary prices for each product and keep its stock up to date. Stores could list as many products as they wanted on the Cornershop app. When orders were received for goods from a particular store, personal shoppers went to that store and selected the products as if they were shopping for themselves. Customers paid Cornershop, and Cornershop paid the stores weekly. Cornershop generally charged the store a 15 per cent commission on each order. Even though Cornershop did not maintain exclusivity agreements with supermarkets, it signed non-exclusive agreements with some retailers, who were then charged lower commissions.[[18]](#endnote-18) Consumers had a variety of reasons for selecting Cornershop for their online grocery purchases (see Exhibit 2).

Founders and Early History

Cornershop was founded in 2015 by Daniel Undurraga, Juan Pablo Cuevas, and Oskar Hjertonsson.[[19]](#endnote-19) Cuevas and Undurraga first met while studying civil engineering at Pontificia Universidad Católica de Chile, where they also met Hjertonsson, who was an exchange student. During a brainstorming session, the founders got the idea of a delivery service for supermarket products. To test the idea, the founders looked for potential users, queried them, trained the first shoppers, and managed to convince a few stores and supermarket chains to list their products with them. The company was launched in Chile with approximately 20 employees. The following year, Hjertonsson and Undurraga relocated to Mexico to seek scalability, which had been an issue from the beginning. Due to a lack of funding, they followed a path of organic growth through a word-of-mouth marketing strategy.[[20]](#endnote-20)

Cornershop started with an investment of $300,000, which came from its founders. That amount was soon increased by seed capital raised from an investment fund in Mexico and, in 2017, by Series A financing for entrepreneurs, which provided $6.7 million to continue operations. In 2017, Cornershop also embarked on a Series B round of financing, allowing it to bring in Accel Partners, one of the main Silicon Valley investment funds, which had invested in companies such as Facebook and Dropbox. As a result, the company raised $21 million for its consolidation phase in Chile and expansion in Mexico.[[21]](#endnote-21)

At the time of the acquisition, Cornershop had the highest market share in supermarket delivery—between 70 and 80 per cent of the sales volume made through platforms in Chile.[[22]](#endnote-22) However, supermarket chains were also entering the delivery market using their own applications and technologies (see Exhibit 3 for a summary of market share in Chile’s supermarket industry).[[23]](#endnote-23)

(Failed) Cornershop–Walmart Merger

In 2018, Walmart agreed to acquire a controlling stake in Cornershop for $225 million. The transaction was predicted to be one of the most important in Latin American entrepreneurship. With the acquisition, Walmart was seeking to boost its e-commerce ambitions in Mexico, Chile, and other Latin American countries and to better compete with Amazon in the online world. However, the purchase was not authorized by the Federal Economic Competition Commission (COFECE, or Comisión Federal de Competencia Económica) in Mexico, and as a result, the entire transaction was abandoned (see Exhibit 4 for a summary of market share in Mexico’s supermarket industry).[[24]](#endnote-24)

According to COFECE, the combination of Walmart and Cornershop presented significant barriers to entry into the Mexican supermarket market and Walmart could not guarantee a level playing field for rival supermarket chains. COFECE argued both that Cornershop was the economic agent with the highest share in the Mexican market for the purchase and immediate delivery of products offered by stores through Internet pages and apps and that Walmart had the largest share in the supermarket industry.[[25]](#endnote-25)

In this setting, and according to COFECE, the acquisition implied a vertical integration between the two major players in their markets, which could (1) exclude Cornershop’s competitors from the market, because being able to offer Walmart products was essential to allowing other platforms to compete and because Walmart could displace other apps to benefit Cornershop, and (2) exclude Walmart’s competitors by using the information collected by Cornershop to customize offers to the competitors’ customers or position Walmart’s products more favourably in the app.[[26]](#endnote-26) Alejandra Palacios, COFECE’s president, declared that “It all has to do with Walmart’s size” and that “If you’re going to discriminate against or help one of the parties, you’re usually going to help the big one.”[[27]](#endnote-27)

Uber Technologies, Inc.

Upon starting in 2010, Uber sought to solve an apparently simple problem: How do you get access to a ride at the touch of a button? Uber’s goal was to move people and things safely, and with that objective, it connected consumers (riders) with independent providers of ride services (drivers) for ridesharing services. Uber also connected diners with restaurants for food delivery services.[[28]](#endnote-28) In 2020, Uber was operating in 69 countries and in more than 10,000 cities. In 2019, it completed more than 7 billion trips and reported $65 billion in gross booking revenues (see Exhibits 5 and 6 for information on Uber’s rides and market share). Uber’s advantages relied on leading technology, a massive network, brand recognition, and operational and scale efficiency.[[29]](#endnote-29) However, the company had incurred losses since its founding ($4.1 billion, $3.0 billion, and $8.6 billion in 2017, 2018, and 2019, respectively), and it anticipated additional losses in the following few years as a result of investments to increase the number of drivers, consumers, and restaurants.[[30]](#endnote-30)

Uber Eats, one of Uber’s business units, focused on the purchase and delivery of products from restaurants, and was a category leader in Australia, Canada, France, and Mexico (see Exhibit 7for Uber’s gross bookings for Uber Rides and Uber Eats). It was believed that Uber Eats increased the supply of drivers in the Uber network.[[31]](#endnote-31) For example, Uber Eats enabled Uber Rides drivers to increase their utilization by accessing additional demand for trips during non-peak times for rides. The Uber Eats business model sought to increase demand for its delivery services, make more trips per hour, decrease the drop-off cost, and lower prices and fees.[[32]](#endnote-32) If restaurants or drivers chose to partner with other meal delivery services, Uber Eats might lack a sufficient variety and supply of restaurant options and become less appealing to consumers and restaurants.[[33]](#endnote-33)

Uber had operated in Chile since 2014, first with a platform that offered the intermediation service for the transportation of people (Uber Rides) and then, since 2017, with a platform that provided delivery services (Uber Eats).[[34]](#endnote-34) Uber Eats had three types of participants: the end-consumer, the delivery person, and the restaurants. Consumers purchased meals from restaurants through the platform and paid the price of the meal together with a delivery fee. The delivery person collected the meal from the restaurant and delivered it to the consumer’s address. Restaurants registered first, and then, if accepted, joined the platform, uploaded their menus, and used a mobile or computing device to receive and accept consumers’ orders. Restaurants could work with more than one delivery platform at the same time.

Restaurants paid a commission to the delivery platform as an intermediation service fee, which could be lower if the restaurant agreed to exclusivity with the platform.[[35]](#endnote-35) Typically, Uber Eats took a cut of 15–40 per cent on every order fulfilled from a restaurant partner. Additionally, Uber Eats charged customers a flat delivery fee irrespective of the order value. This charge varied, for example, between $1 and $5, depending on the market, restaurant location, and availability of nearby delivery people. Uber Eats paid its delivery partners or drivers a fee that was divided into a pickup fee, a delivery fee, and a per mile fee.[[36]](#endnote-36) Consumers selected Uber Eats for their restaurant meal purchases for various reasons (see Exhibit 8).

The Transaction

In October 2019, Uber targeted Cornershop to acquire a majority stake in the company. The price for the transaction was divided into two parts. The first part (carried out in October 2019) was the acquisition of 7.14 per cent of Cornershop’s capital stock, for a total of $50 million. The second part, through which Uber became the owner of at least 51 per cent of Cornershop’s capital, was carried out after the acquisition was cleared by the antitrust authorities and involved approximately $460 million in cash and shares.[[37]](#endnote-37) This acquisition represented a four-fold growth in Cornershop’s valuation since its previous proposed deal with Walmart, which the Mexican government had blocked a few months earlier.[[38]](#endnote-38)

The antitrust authorities in Chile and Mexico analyzed Uber’s proposed acquisition of Cornershop, studying whether it would lead to significant risks to competition, mainly throughout the potential exclusion of competitors. However, potential anticompetitive behaviour was downplayed based on the argument that supermarkets were “strongly promoting the development of e-commerce” through their own platforms and that delivery competitors were heavily investing in their platforms.[[39]](#endnote-39)

Dara Khosrowshahi, Uber’s chief executive officer (CEO), said, “Whether it’s getting a ride, ordering food from your favourite restaurant, or getting groceries delivered, we want Uber to be the operating system for your everyday life.”[[40]](#endnote-40) The company not only delivered food but had expanded to also deliver clothing, toys, home décor items, books, electronics, and pharmaceutical goods. This expansion was unsurprising, as Uber had signed deals around the world.[[41]](#endnote-41) Uber had invested more resources in its related businesses, such as Uber Eats, Uber Connect (a courier service that allowed people to ship just about any item), and its recent acquisition of Postmates, an on-demand delivery company.[[42]](#endnote-42)

The Cornershop acquisition also showed Uber’s intentions to expand throughout Latin America. According to Khosrowshahi, the region would be the first to test Cornershop’s service via Uber: “If it works there, and we are pretty sure it will, we will seek to extend it. But first, it will be within the markets of Latin America where Cornershop has experience.”[[43]](#endnote-43) Moreover, Raj Beri, Uber’s global head of Grocery said,

Uber started on the premise that people should be able to more easily get to the places they need to go and to people they care about. This has since evolved to connecting people to food from their favorite local restaurants, and we are thrilled to bring our product expertise to the world of grocery alongside the Cornershop team.[[44]](#endnote-44)

As per Cornershop’s CEO Oskar Hjertonsson, the association with Uber would help the company offer grocery delivery services in many markets across the globe.[[45]](#endnote-45)

Uber and Cornershop were kept as distinct brands. After the acquisition closed, Cornershop was expected to continue to operate under its previous leadership while reporting to a board with majority Uber representation.[[46]](#endnote-46) According to Cornershop’s CEO, a major driver of the decision was Uber’s commitment to extend a considerable degree of autonomy in Cornershop’s decisions once the operation was completed.[[47]](#endnote-47)

Competition in the market of delivery applications

Online delivery applications were generally multisided platforms (see Exhibit 9 for a summary of the basic economics of multisided platforms). Internationally, Uber Eats competed with other meal delivery applications, including DoorDash, Grubhub, Deliveroo, Postmates, Delivery Hero (owner of PedidosYa), Just Eat Takeaway, Amazon, and restaurants offering their own delivery systems.[[48]](#endnote-48) At the end of 2020, the biggest US food delivery player was DoorDash, which had been valued at approximately $38 billion in its initial public offering in December 2020. In contrast to rivals such as Uber Eats, DoorDash had mainly focused on suburban areas and was planning to move further into logistics and merchant services to make the on-demand delivery of anything within a city. Its operations were centred in the United States, Australia, and Canada, but the company was planning expansions elsewhere.[[49]](#endnote-49)

In another important transaction, in 2020, Uber bought Postmates for $2.65 billion.[[50]](#endnote-50) Postmates was a US company that offered local delivery of restaurant-prepared meals and other goods in more than 2,900 US cities.[[51]](#endnote-51) The idea was to combine Postmates with Uber Eats while letting Postmates continue to operate under its own name. Together, Postmates and Uber Eats were the second-largest player in the US meal delivery service market, behind DoorDash and ahead of Grubhub, which had earlier merged with Just Eat Takeaway.[[52]](#endnote-52)

In Chile, the category of delivery application grew by 100 per cent in 2019, and the COVID-19 pandemic resulted in a 2020 growth of approximately 200 per cent.[[53]](#endnote-53) This growth caught the attention of various actors, who diversified their supply and joined the business; this included the major supermarket chains, which offered their own delivery services.[[54]](#endnote-54) For instance, in September 2020, Walmart announced a new version of its delivery app that would allow users to make grocery purchases in more than 60 Chilean cities. The app offered a wide range of products at the same prices as in the physical stores, and customers could also choose to gather their purchases at pickup stations established in the parking lots of the supermarkets.[[55]](#endnote-55) Other delivery apps, including Rappi and PedidosYa, were also growing at high speed. Despite the high level of growth of online sales, a Nielsen report mentioned that, of total supermarket sales, online sales barely rose, at 4 per cent.[[56]](#endnote-56)

Cornershop was the leader in the delivery of online supermarket sales in Chile, with a market share in the range of 70–80 per cent. The remaining 20–30 per cent was distributed among the delivery platforms of online supermarket sales and other distribution platforms, such as Rappi and Pedidosa.[[57]](#endnote-57) The main players in the delivery of online restaurant sales were Uber Eats, PedidosYa, and Rappi, and each had similar market shares.[[58]](#endnote-58) These platforms extended their purchases to sellers other than restaurants, including pharmacies, liquor stores, and convenience stores.[[59]](#endnote-59) In passenger transportation services platforms, the undisputed leader was Uber, followed by Didi, Beat, and Cadify (in that order).[[60]](#endnote-60)

A survey of Chilean consumers showed that 76 per cent of the surveyed users who had made online purchases from restaurants had used more than one delivery platform. Of those consumers who utilized these services more frequently (i.e., once or more per month), 51 per cent used more than one application. Moreover, more than 61 per cent of the surveyed Uber Eats users mentioned that Uber Eats was replaceable or highly replaceable by other platforms, such as PedidosYa or Rappi, and nearly 50 per cent mentioned that Uber Eats was replaceable by restaurants’ own online applications. Nearly 50 per cent of people responded that they were unwilling to pay for an Uber Eats loyalty program that would give them access to deliveries free of charge for a year.[[61]](#endnote-61)

Another survey showed that approximately 65 per cent of the respondents who were Cornershop’s subscribers were unwilling to pay more than approximately $15 per year for a subscription that provided free delivery on their Uber Eats requests, while 25 per cent were unwilling to pay any additional amount for that benefit. The survey also showed that 45 per cent of Cornershop’s subscribers stated that their willingness (or not) to pay for such a subscription would not change if the subscription allowed a free monthly ride on Uber Rides.[[62]](#endnote-62) On the other hand, 37 per cent of Cornershop users felt that this platform was not replaceable by any of the alternatives available in the market. The total number of monthly active consumers of Cornershop represented between 20 and 30 per cent of the consumers who used the digital restaurant platforms on a monthly basis.[[63]](#endnote-63)

Conclusion

The multisided platforms associated with Uber and Cornershop allowed access to third-party goods and/or services through on-demand delivery. These digital platforms, which were becoming very attractive, were growing at a high speed, mainly as a result of the e-commerce boom boosted by changes in consumers’ habits. However, for both Cornershop and Uber Eats, this acquisition posed interesting challenges associated with the post-acquisition organizational structure, the sources of value creation and value capture, the relevance of indirect network effects in a portfolio of multisided platforms, and the expected concentration of the markets involved in this operation.

An important question regarding the post-acquisition organizational structure was whether these two multisided platforms should be managed independently or as a fully joint company. What were the advantages and disadvantages of a separated versus an integrated management? When Uber announced the acquisition of Cornershop, it promised to keep the latter operating as a separated company by permitting the founders to manage the direction of the company. However, it was debatable whether Uber should have paid so much for a small company with a rather limited revenue stream, only to let it be managed independently and not under the Uber’s management.

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Exhibit 1: How Cornershop Worked

**Stage 3**

Cornershop delivered the order to the customer.

**Stage 2**

A Cornershop personal shopper completed the actual shopping for the consumer.

**Stage 1**

The consumer opened the Cornershop app, selected a store, and chose the items to purchase.

Note: App = mobile application.

Source: Created by the case author.

Exhibit 2: Consumers’ main reasons for selecting cornershop for their online purchases

|  |  |
| --- | --- |
| **Reason** | **% of Preferences** |
| Fast delivery time | 80.70 |
| Personalized shopper | 52.63 |
| I can buy from my preferred supermarket | 43.86 |
| I received the products I ask for | 30.99 |
| I am allowed to order in big quantities | 21.64 |
| Wide product variety | 18.13 |
| Prices and promotions | 14.04 |
| It is the only application I know for grocery delivery | 2.99 |
| Other | 14.62 |

Note: Respondents were asked to choose up to three preferences.

Source: Fiscalía Nacional Económica, “Anexo 1: “Encuesta a consumidores finales de Cornershop y Uber Eats,” in *Adquisición de Cornershop por parte de Uber Technologies, Inc., Rol FNE F217-2019*, May 29, 2020, accessed January 28, 2021, www.fne.gob.cl/wp-content/uploads/2020/06/anexo\_F217\_2020.pdf.

Exhibit 3: Market share in CHILE’s supermarket industry, 2019

|  |  |
| --- | --- |
| **Organization** | **Market Share 2019 (%)** |
| Walmart | 41.9 |
| Cencosud | 34.0 |
| SMU | 21.0 |
| Tottus | 4.0 |

Source: Société Générale, “Chilean Market : Distribution,” December 2020, accessed December 20, 2020, https://import-export.societegenerale.fr/en/country/chile/market-distribution?accepter\_cookies=oui.

Exhibit 4: Market share in MEXico’s supermarket industry, 2018

|  |  |
| --- | --- |
| **Organization** | **Market Share 2018 (%)** |
| Walmart | 68 |
| Organización Soriana | 17 |
| Grupo Comercial Chedraui | 13 |
| La Comer | 2 |

Source: J. Mendoza, “Supermarkets in Mexico—Statistics & Facts,” Statista, May 5, 2020, accessed October 15, 2020, www.statista.com/topics/5761/supermarkets-in-mexico/.

Exhibit 5: Uber’s monthly active users and trips, by quarter, 2018–2019

|  |  |  |
| --- | --- | --- |
| **Period** | **Monthly Active Platform Consumers (in millions)** | **Trips (in millions)** |
| Quarter 1, 2018 | 70 | 1,136 |
| Quarter 2, 2018 | 76 | 1,242 |
| Quarter 3, 2018 | 82 | 1,348 |
| Quarter 4, 2018 | 91 | 1,493 |
| Quarter 1, 2019 | 93 | 1,550 |
| Quarter 2, 2019 | 99 | 1,677 |
| Quarter 3, 2019 | 103 | 1,770 |
| Quarter 4, 2019 | 111 | 1,907 |

Note: Trips were defined as the number of completed consumer rides, new mobility rides, or meal deliveries in a given period.

Source: Uber Technologies, Inc., *2019 Annual Report*, 60 – 61, 2020, accessed October 22, 2020, https://s23.q4cdn.com/407969754/files/doc\_financials/2019/ar/Uber-Technologies-Inc-2019-Annual-Report.pdf.

Exhibit 6: Uber’s market share in selected regions

|  |  |
| --- | --- |
| **Region** | **Category Position (market share)** |
| United States and Canada | Greater than 65% |
| Latin America | Greater than 65% |
| Europe | Greater than 65% |
| Australia and New Zealand | Greater than 65% |
| India | Greater than 50% |

Note: Category position referred to Uber’s share of the ridesharing category, not including the wider market of local transport options.

Source: Uber Technologies, Inc., *2020 Investor Presentation*, 15, August 6, 2020, accessed October 15, 2020, https://s23.q4cdn.com/407969754/files/doc\_financials/2020/q2/InvestorPresentation\_2020\_Q2.pdf.

Exhibit 7: gross bookings for UBER Rides and uber Eats, by quarter, 2019–2019

(IN US$ MILLION)

|  |  |  |
| --- | --- | --- |
| **Period** | **Uber Rides** | **Uber Eats** |
| Quarter 1, 2018 | 9,380 | 1,473 |
| Quarter 2, 2018 | 10,166 | 1,774 |
| Quarter 3, 2018 | 10,488 | 2,111 |
| Quarter 4, 2018 | 11,479 | 2,561 |
| Quarter 1, 2019 | 11,446 | 3,071 |
| Quarter 2, 2019 | 12,188 | 3,386 |
| Quarter 3, 2019 | 12,554 | 3,658 |
| Quarter 4, 2019 | 13,512 | 4,374 |

Note: Uber Technologies, Inc. defines gross bookings as the total dollar value, including any applicable taxes, tolls, and fees.

Source: Uber Technologies, Inc., *2019 Annual Report*, 61, 2020, accessed October 22, 2020, https://s23.q4cdn.com/407969754/files/doc\_financials/2019/ar/Uber-Technologies-Inc-2019-Annual-Report.pdf.

Exhibit 8: consumers’ main reasons for selecting uBER EATS for RESTAURANT DELIVERIES

|  |  |
| --- | --- |
| **Reason** | **% of Preferences** |
| App is easy to use | 56.06 |
| Wide variety of restaurants | 55.30 |
| The restaurant of my preference is there | 46.21 |
| Fast delivery time | 46.21 |
| Prices and promotions | 35.61 |
| Good quality service | 30.30 |
| It is the only one I know of | 3.79 |
| Other | 9.85 |

Note: Respondents were asked to choose up to three preferences.

Source: Fiscalía Nacional Económica, “Anexo II: Encuesta a consumidores finales de Cornershop y Uber Eats,” in *Adquisición de Cornershop por parte de Uber Technologies, Inc., Rol FNE F217-2019*, May 29, 2020, accessed, January 28, 2021, www.fne.gob.cl/wp-content/uploads/2020/06/anexo\_F217\_2020.pdf.

Exhibit 9: Basic economics of multisided platform

The economic literature on technology platformsa highlighted two key interrelated features: (1) typically, technology platforms were multisided markets and (2) multisided markets generated network effects.

Multisided platform markets generated links between their different components and sides. Traditional examples of multisided platforms were Facebook (whose main sides were end-users, advertisers, developers, and stores); Google (whose main sides were searchers and advertisers); marketplaces such as Amazon (whose main sides were sellers and buyers); credit cards (whose main sides were banks, consumers, and merchants); recruiting services such as the TheLadders (whose main sides were companies seeking employees and people seeking work); and sharing platforms such as Airbnb (whose main sides were the providers of accommodations and the people who needed accommodation). Important features of multisided platforms were that they allowed the collection of information from different types of customers and the repetition of contacts with those customers.

Network effects were generated from the value that consumers perceived from the use of the platform and depended on the number of participants who used the platform. Direct network effects occurred when the user’s value of participating in one side of the platform depended on how many users were also on that same side, while indirect network effects occurred when the value of the platform for the users on one side of the platform depended on how many users were on the other side. Network effects could be positive or negative. An example of a platform with positive direct network effects was WhatsApp, whereas an example of a a platform with a positive indirect network effect was an online marketplace, in which a greater number of sellers was better news for buyers and a greater number of buyers was better news for sellers. The existence of indirect network effects for the different groups or sides of a platform affected the willingness to pay and to participate in the platform and might drive competitive advantage.

An important feature of multisided platforms was multihoming—the fact that, in some circumstances, consumers could participate (consume) from different competing platforms. For example, it was common that many credit card holders owned more than one credit card and that a high number of merchants accepted more than one credit card. Similarly, although consumers might have a favourite shopping centre, they were willing to visit other shopping centres. Moreover, consumers could purchase products from different online marketplaces when seeking specific products or services. However, other markets, such as mobile telephony, had a low level of multihoming since the vast majority of consumers preferred to be subscribed to a single mobile phone provider. Multihoming could affect the competition level and the industry structure.

Note: a See, for example, Thomas Eisenmann, Geoffrey Parker, and Marshall Van Alstyne, “Platform envelopment,” *Strategic Management Journal* 32, no. 12 (2011): 1270–1285; and David S. Evans, “Some Empirical Aspects of Multi-Sided Platform Industries,” *Review of Network Economics* 2, no. 3 (2003).

Source: Xiao Jia, Michael A. Cosumano, and Jin Chen, *An Analysis of Multi-Sided Platform Research Over the Past Three Decades: Framework and Discussion* (draft working paper, July 2019), accessed March 6, 2021, http://questromworld.bu.edu/platformstrategy/files/2019/07/Platform-Review-Article-and-supplemental-material-2019-07-15-BU-Conference.pdf.

ENDNOTES

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Uber, Cornershop, or any of their employees. [↑](#endnote-ref-1)
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