Industry profile:
Transportation Network Companies

A **transportation network company** (**TNC**) connects paying passengers with drivers who provide the transportation on their own non-commercial vehicles. All parties connect to the service via website and mobile apps. Examples include Lyft,Uber X, Sidecar, Wingz, Summon, Taxify, Haxi, and Didi Kuaidi.[1][2]

In 2013 California Public Utilities Commission defined for regulation that a transportation network company is a company that uses an online-enabled platform to connect passengers with drivers using their personal, non-commercial,vehicles.[3] These platforms have sometimes been called "ridesharing", but transportation experts prefer the term "ridesourcing" to clarify that drivers do not share a destination with their passengers.[4] (The term means the outsourcing of rides.)

An early definition of a TNC was created by the California Public Utilities Commission in 2013, as a result of a rulemaking process around new and previously unregulated forms of transportation. Prior to the definition, the commission had attempted to group TNC services in the same category as limousines.[5] Taxi industry groups opposed the creation of the new category, arguing that TNCs are taking away their business as illegal taxicab operations.[6]

The commission established regulations for TNC services at the same time as the definition. These included driver background checks, driver training, drug and alcohol policies, minimum insurance coverage of $1 million, and company licensing through the Public Utilities Commission.[7]

Legality

See also: Legal status of Uber's service

Several communities, governments, organizations, and other persons consider Transportation Network Companies to be illegal and unauthorized transportation. TNCs are legally defined as technology companies and not transportation companies. TNCs have been banned in many places.

Business model

Transportation network companies develop a computing platform which creates an online marketplace in which a driver and car owner registered with the company may offer their own labor and car to people who request a ride in the marketplace.[citation needed] The services offered by such companies include the maintenance of the marketplace where fare-paying customers can meet drivers for hire, vetting of drivers to ensure that they meet the standards of the company's own marketplace, and delivery of payment from customer to driver in their own financial transaction.[citation needed]

The services of transportation network companies can be in demand because of the convenience of requesting a ride by amobile app, the satisfaction of being able to have experience monitored by the company as a third party, and because of competitive pricing for services.[8] Taxicabs can provide similar services, but while most cities require companies which provide taxicabs to meet requirements for business, transportation network companies may be exempt from such requirements due to their only providing a marketplace and not actually employing drivers or keeping automobiles.[8]

Firm profile:
UBER

Uber Technologies Inc. is an American multinational online taxi dispatch company headquartered in San Francisco, California. It develops, markets and operates the Uber mobile app, which allows consumers with smartphones to submit a trip request which is then routed to Uber drivers who use their own cars.[1][2] In the United States of America, Uber operates under theTransportation Network Company label. As of May 28, 2015, the service was available in 58 countries and 300 cities worldwide.[3][4] Since Uber's launch, several other companies have copied its business model, a trend that has come to be referred to as "Uberification".[5][6]

Uber was founded as "UberCab" by Travis Kalanick and Garrett Camp in 2009 and the app was released the following June. Beginning in 2012, Uber expanded internationally. In 2014, it experimented with carpooling features and made other updates. Klout ranked the San Francisco-based company as the 48th-most powerful company in America in 2014.[7] By late-2015, Uber was estimated to be worth $62.5 billion.[8]

The legality of Uber has been challenged by governments and taxi companies, who allege that its use of drivers who are not licensed to drive taxicabs is unsafe and illegal.[9]

History

Further information: Timeline of Uber

Early history

Uber was founded by Garrett Camp, the founder of StumbleUpon, and Travis Kalanick in 2009.[10][11] The company received $200,000 in seed funding that same year.[12][*better source needed*] In 2010, Uber raised $1.25 million in additional funding.[12][*better source needed*]

Following a beta launch in the summer of 2010, Uber's services and mobile app officially launched in San Francisco in 2011.[13][14] Initially, Ryan Graves was appointed as CEO, however, Kalanick replaced him in the role later that year.[13][15]Graves stepped down to become the company's COO.[16]

By the end of 2011, Uber had raised $44.5 million in funding.[17][18] That year, the company changed its name from UberCab to Uber.[19]

Expansion

The company expanded into a new city each month starting in May 2011, including New York City, Chicago andWashington, D.C.[17][18] The Uber app's coverage expanded to Paris in December 2011.[17] In May 2012, Uber launched a beta test in Philadelphia, followed by an official launch in the city that June.[20] Uber expanded rapidly into overseas markets in 2012 and 2013.[21]

Paris was the first city outside of the U.S. where Uber's service began operating in December 2011 prior to the internationalLeWeb Internet conference.[22] In 2012 it launched its services in Toronto, Canada,[21] a 90-driver launch in London,[23] aSydney, Australia launch in November 2012,[24] and a soft launch in Singapore in January 2013.[25] Sydney was Uber's first launch in the Asia Pacific region.[26] Consumers in Johannesburg, South Africa, were able to use Uber after it was launched in

September 2013. Uber was then started in [Cape Town](#) on October 10, 2013, after a six-week "testing phase".[27][28]

In August, the company began offering its ride services in [Seoul](#).[29] In June 2014, Uber launched its services in [Tijuana](#),[Mexico](#).[30]

In June 2014, Uber announced that it had raised $1.2 billion in funding,[31] and it publicized an $18.2 billion valuation.[32] In summer 2014, Uber announced it had raised $1.5 billion in venture capital.[33]

Following a soft launch of the Uber app in the [Sanlitun](#) shopping district in March 2014, an official launch was held in Beijing, China, in mid-July 2014. The company's service operates in China's four largest cities.[34] In July 2014 Uber announced a nationwide rollout of UberX in India. In addition to a Bangalore presence, Uber's inaugural Indian location that was publicized in August 2013, drivers in Delhi, Hyderabad, Chennai, Mumbai and Pune made UberX available to users in those cities[35]Although the Metropolitan Government of Seoul stated in mid-2014 that it would seek to ban Uber from operating in its jurisdiction, while also developing its own Uber-like app for registered taxis to be launched in December 2014,[36] Uber introduced its UberX service in the city at the end of August 2014. According to the *Wall Street Journal*, UberX uses a "for-pay rideshare scheme" and "trips cost less than the same journey in an ordinary taxi". At the time of the launch, an Uber representative based in Seoul said that a charge will not apply to rides in Seoul until further notice.[37]

The company launched black car services in [Warsaw](#), [Poland](#)[38] and uberX services in Seoul.[29] Uber also began its services in [Anchorage](#), [Alaska](#) in September, 2014.[39]

Drivers in [Warsaw](#) began using the Uber app on August 18, 2014.[40] The service was launched in [Montreal](#) in October 2014.[41] The service was introduced in [Denmark](#) in November 2014, but only the Uber Black was available in the capital city of [Copenhagen](#), while UberPOP was scheduled to be added at a later stage.[42] On November 28, 2014, Thailand's Department of Land Transport declared Uber's continued operation within Thailand illegal.[43]

Uber unveiled Ice Prince Zamani as the Rider Zero in [Lagos](#), [Nigeria](#) in July 2014, signifying its launch in the largest city in Africa and most populous country in Africa.[44]

Uber launched its service in Nairobi, Kenya, on January 21, 2015. Nairobi was Uber's first city in Kenya and in the East African region.[45] On the same day as the Nairobi launch, Uber raised US$1.6 billion in convertible debt from wealth management clients of Goldman Sachs Group Inc.[46]

On September 2, 2015 Uber launched its service in [Puebla City](#), [Mexico](#).[47]

On 19 November 2015 Uber started operating in [Vilnius](#), [Lithuania](#).[48]

Uber app software and services

The Uber app software requires a [smartphone](#).

Pricing and payments

Uber's pricing is similar to that of [metered taxis](#), although all hiring and payment is handled exclusively through Uber and not with the driver personally. In some cities, if the Uber car is travelling at a speed greater than 11 mph (18 km/h), the price is calculated on a distance basis; otherwise, the price is calculated on a time basis.[64]At the end of a ride, the complete fare is automatically billed to the customer's credit card.[65] Uber has said its prices are the premium that the customers pay for a cab service that is not only reliable, but also punctual and comfortable.[66][67][68]

In May 2015, Uber started testing cash payments in India. The pilot project was started in the Indian city Hyderabad.[69] In September 2015, Uber tied up with Airtel India to allow cab users to pay using Airtel mobile wallet service. It also allows users to use Airtel 4G data at no charges.[70]

Surge pricing

Uber uses an automated algorithm to increase prices to "surge" price levels, responding rapidly to changes of supply and demand in the market, and to attract more drivers during times of increased rider demand, but also to reduce demand.[71][72]Customers receive notice when making an Uber reservation that prices have increased.[71] The company applied for a U.S. patent on surge pricing in 2013,[73][74] but it was rejected for being obvious.

The practice has often caused passengers to become upset and invited criticism when it has happened as a result of holidays, inclement weather, or natural disasters.[75] During New Year's Eve 2011, prices were as high as seven times normal rates, causing outrage.[76] During the 2014 Sydney hostage crisis, Uber implemented surge pricing, resulting in fares of up to four times normal charges; while it defended the surge pricing at first, it later apologized and refunded the surcharges.[77] Uber CEO Travis Kalanick has responded to criticism by saying: "...because this is so new, it's going to take some time for folks to accept it. There's 70 years of conditioning around the fixed price of taxis."[76][78] Uber released a post detailing why surge pricing is in place and how it works.[79] They emphasized that without surge pricing, Uber would not have its trademark service of pushing a button and getting a ride in minutes. This is detailed in a case study around a sold-out-concert at Madison Square Garden when surge pricing took effect. During this event, the number of people who opened the app increased 4x, but the actual ride requests only rose slightly, enabling ride requests to be completed with the usual ETAs.

Rating score

Users of the app may rate drivers; in turn, drivers may rate users. A low rating might diminish the availability and convenience of the service to the user.[80]

Reception

Uber faces competition from lower-cost real-time ridesharing startups such as Lyft, Sidecar (no longer in business),[81] Ola Cabs, Didi Kuaidi, Haxi and Juno. To compete at lower price levels, Uber introduced UberGo on Nov 19, 2014,[82] UberTaxi (partnerships with local taxi commissions) and UberX (non-luxury cars such as Toyota Prius hybrids).[83] This move led to dissatisfaction among existing Uber limo drivers who saw their earnings decrease.[84]

In 2011 Marc Andreessen expressed interest in investing in Uber. He told CNET, "Uber is software eats taxis. [...] It's a killer experience. You watch the car on the map on your phone as it makes its way to you."[85] The same year, the *New York Times* called Uber "clever but costly", noting the cars are "particularly nice by livery standards" and pickup times were slow compared with traditional New York City taxis and black cars.[66]

In 2013 *USA Today* named Uber its tech company of the year.[86]

However, it has also received negative reception. In October 2014, Uber received an "F" rating from the Better Business Bureau (BBB), which cited complaints over unexpectedly high charges.[87][88]

Product expansion

In 2014, the company experimented with online food orders, pilot testing uberFRESH in Santa Monica, California.[103] In April 2014, Uber announced a courier [package delivery](#) service called Uber Rush, with pickup from anywhere in Manhattan.[104] While Rush only offers delivery,[105] the Uber Essentials or Corner Store service, starting testing in Washington D.C. in August 2014, allows online ordering from a list of about 100 items.[106][107] In April 2012, Uber launched the Uber Garage initiative, a project to experiment with other ideas for urban transportation services. The first project from Uber Garage was to give Uber users the option to hire a regular taxi driver, or a crowd-sourced Uber driver.[108]

The startup announced a new carpooling service called UberPool at the start of August 2014, after a beta testing phase in the San Francisco Bay Area. UberPool matches riders with another rider who is traveling in the same direction—the app will share the first name of the other rider and who is getting picked up first. If a match cannot be found, riders are offered a discount on a regular Uber trip.[109][110] In December 2014, Uber expanded the UberPool concept to New York City. The Uber blog announcement offered riders the possibility of reducing their journey costs by 20 to 50 percent, explaining: "On any given day, the vast majority of UberX trips in NYC have a 'lookalike' trip—a trip that starts near, ends near, and is happening around the same time as another trip".[111]

In June 2015, in [Istanbul](#), Uber launched a water-taxi service called UberBOAT, allowing users to travel by [Beneteau](#) boats across the city's central [Bosporus](#) strait.[112]

In November 2015 Uber signed a global partnership deal with Dutch satellite navigation company TomTom to provide maps and traffic data for the Uber driver app across 300 cities.[113]

Marketing

Uber, led by [David Plouffe](#), an experienced political operative, expands its operations though commencing operation, then engaging in a political campaign which mobilizes public support for the service. If, as is usually the case, its mode of doing business does not conform to local regulations, Uber, supported by a small army of lobbyists, mounts a campaign to change them.[115] Customers and potential customers are mobilized through social media including using the Uber app itself.[116][Bradley Tusk](#), a former campaign manager for [Michael Bloomberg](#), has played a significant role in advising Uber with respect to cities.[117]

In July 2012, in honor of [National Ice Cream Month](#), Uber launched an "Uber Ice Cream" program in the U.S. so that users in seven cities could summon an [ice cream truck](#) for on-demand delivery, while purchases were billed to users' accounts.[118]

In July 2014, Uber partnered with [Blade](#) to offer "UberCHOPPER" helicopter rides from New York City to the [Hamptons](#) for US$3,000,[119][120] including availability during the [July 4](#) holiday weekend.[121]

Short-term promotions in the second half of 2013 included: the September hire of ice-cream trucks to deliver ice cream;[122] rides in the [DeLorean DMC-12](#) car from the *[Back to the Future](#)* film franchise, that were also launched in September;[123] an October [National Cat Day](#) promotion for which Uber drivers delivered kittens;[124]and a Christmas-tree delivery service.[125]

In March 2015, Uber offered luxury car-rental service in collaboration with Dream Drive in Singapore until 20 May 2015.[126]

In November 2015, Uber offered [Hot air balloon](#) rides to customers in [Hyderabad, India](#) for [INR](#) 1,000 in collaboration with [GrabOn](#).[127]

On September 4, 2013, Uber announced its first sports deal. The company held a promotion with the [NFL Players Association](#) to promote safe rides for [NFL](#) players.[128]

In January 2015, Uber announced a marketing program Kalanick called "principled confrontation" that included reaching compromises with local municipalities to compromise on new tax regulations. Since implementing this program, Uber has seen 17 new cities pass pro-Uber ordinances.[129] Uber had worked out an arrangement with the city of Boston to share quarterly data on the duration, locations, and times of day in which riders used the app to travel in or out of the city. This information was first delivered to the city in February 2015, and the report kept all individual user data private.[130]

On March 10, 2015, Travis Kalanick, Uber's founder and chief executive announced a partnership between Uber and the [UN Women](#). They had intended to invest in local communities where the UN Women's group was located hoping to create 1,000,000 jobs for women globally by 2020. However, after pressure from trade unions and women's rights organizations, UN Women declined to participate, citing Uber's legal status, safety, and privacy concerns.[131]

Benefits

Uber gives consumers a choice between regulated taxi cab companies and other forms of transportation and can potentially provide drivers with "flexible and independent jobs".[132] Users can track the car picking them up on their smartphone, which allows them to know when it will arrive. A receipt will be automatically sent to their email.[133]

As Uber does not require cars to be hailed, this means that it can more easily pick up customers in less built up neighbourhoods. For this reason, Bloomberg Review said that Uber helps the poor by making it easier for them to get a taxi.[134] It also helps reduce congestion as "because Ubers can't accept street hails, they do much less unnecessary driving-around than either yellow cabs (who are cruising for hails) or individuals (who are looking for a parking spot)." This assumes that there is no extra traffic created by people who would otherwise have used public transport or walked.[135] One study showed that having Uber in a city reduced drunk driving rates.[136]

Competitive effects

Uber and other ride-sharing companies have brought a new element of [competition](#) to the taxi industry. One result has been a decline in the value of the limited-issue taxi licenses that have traditionally restricted the number of authorized taxis in a given locale. According to the [Wall Street Journal](#), [taxi medallion](#) prices are plunging in some U.S. cities. For example, in[New York](#) medallions valued at more than US$1.3 million in 2013 have decreased in value to US$700,000 to 800,000 in 2015, and in [Chicago](#) prices of more than US$360,000 in 2013 have decreased to US$240,000 in 2015.[137]

Knock-on effects to the competition by ride-sharing companies include adverse changes to the [financial position](#) of [lenders](#)who have made taxi medallion loans that are too large a part of the total loan portfolio of the financial institution. Historically, some lenders have loaned up to 90 percent of a medallion's value. U.S. companies [Signature Bank](#), [Progressive Credit Union](#) (85% of the total US$625 million loan portfolio was dedicated to taxi medallions in 2015), and [Melrose Credit Union](#)(which in 2015 has US$2 billion connected to taxi medallions) are all coming under [solvency pressure](#). In addition, [CitiGroup](#)has initiated [foreclosure proceedings](#) on 46 taxi medallions.[137]

Firm profile:

Lyft is a privately held American [transportation network company](#) (TNC) based in [San Francisco, CA](#). Launched in June 2012 by Logan Green and John Zimmer, the company's mobile-phone application facilitates [peer-to-peer ridesharing](#) by connecting passengers who need a ride with drivers who have a car.[1][2][3] Lyft now operates in over 200 U.S. cities, including San Francisco,[Los Angeles](#), and [New York City](#), and is valued at $2.5 billion.

As of January 2016, Lyft had raised more than $2 billion from investors[General Motors](#) ($500M), [Alibaba](#), [Andreessen Horowitz](#), Coatue Management, [Didi Kuaidi](#), fbFund, [Floodgate,](#) Fontinalis Group, Fortress,[Founders Fund](#), GSV Capital, [Icahn Enterprises](#), Janus Capital Management, K9 Ventures, [Mayfield Fund](#), Prince Alwaleed's Kingdom Holdings Company,[Rakuten](#), [Tencent](#), and Third Point Ventures.[4][5][6]

History

Establishment

Lyft was launched in the summer of 2012 by [Logan Green](#) and [John Zimmer](#) as a service of [Zimride](#), a ridesharing company the two founded in 2007.[7] Zimride focused on [ridesharing](#) for longer trips, often between cities,[8] and linked drivers and passengers through the [Facebook Connect](#) application.[9] Zimride eventually became the largest rideshare program in the [United States](#) (U.S.).[10][11]

Lyft launched as an on-demand ridesharing network for shorter trips within cities. Similar to Zimride, the app connects drivers with cars to passengers that need rides. Drivers and passengers rate each other on a five-star scale after each ride,[12] and the ratings establish the reputations of both drivers and passengers within the network.[12]

Due to regulatory hurdles in [New York City](#), the company eventually decided to significantly alter its business model to establish Lyft on the [East Coast](#). Lyft's launch in New York City occurred on the evening of July 25, 2014 and, in accordance with the [Taxi and Limousine Commission](#) (TLC) and the approval of the [Manhattan](#) Supreme Court, only drivers registered with the TLC were permitted to drive Lyft-branded vehicles in New York City. Instead of Lyft's signature pink mustaches, Lyft drivers in New York City sported a smaller pink mustache on their dashboards, which eventually evolved into the "glowstache," the company's current icon on its cars.[13][14]

Funding

In May 2013, Lyft completed a US $60 million Series C venture financing round led by [Andreessen Horowitz](#); the other investors were [Founders Fund](#), [Mayfield Fund](#), K9 Ventures, and

Floodgate.[8][15] In July 2013, Lyft sold Zimride to Enterprise Holdings, the parent company of Enterprise Rent-A-Car, to enable the company to focus exclusively on the growth of Lyft.[16]

In April 2014, Lyft completed a $250 million Series D financing round led by Coatue, Alibaba, and Andreesen Horowitz, bringing its total amount raised to $332.5 million.[4] A $530 million investment led by Japanese online retailer Rakuten Inc. in March 2015 and an additional $150 million led by a $100 million investment from Carl Ichan in May 2015 brought the total raised to over $1 billion and the valuation to $2.5 billion.[17][18]

On January 4, 2016, Lyft announced a partnership with U.S. automaker General Motors, who invested $500 million as part of a $1 Billion fundraising effort. The partnership is designed to help both companies accelerate in the ride-sharing market, as well as the autonomous car arena.[19]

Safety

One tenet of Lyft's platform is establishing trust among its users.[12] All drivers undergo the following screening processes:

- Department of Motor Vehicle, national sex offender registries, and personnel-type criminal background checks. The criminal background check goes back seven years and includes national and county-level databases, as well as national sex offender registries.[20]
- In-person interviews with current Lyft drivers.[21]
- Drivers must be 21 years or older and have had a driver's license for more than 1 year.[20]
- Zero-tolerance drug and alcohol policy.[20]

Although Lyft drivers are classified as independent contractors, Lyft also insures each driver with a $1 million commercial liability policy that is primary to a driver's personal policy. Any driver averaging a low rating by users is dropped from the service.[20] Additional coverage includes:[22]

- Contingent comprehensive and collision coverage up to $50,000 with a $2,500 deductible. (Applies from the time a driver accepts a ride request until the time the ride is ended in the app.)
- Contingent liability coverage up to $50,000 per person/$100,000 per accident/$25,000 property damage. (Applies from the time when a driver flips into driver mode until the driver accepts a ride request.)
- Uninsured/underinsured motorist coverage up to $1 million. (Applies from the time a driver accepts a ride request in the app until the time the ride is ended in the app.)

Mobile app

Riders must download the Lyft app to their iOS or Android-based phone, sign up, enter a valid phone number, and enter a valid form of payment (either a credit card, or link to a Google Wallet or PayPal account).[23] When a passenger wants a ride, he or she opens the app and requests a ride from a nearby driver. Once confirmed, the app shows the driver's name, their ratings by past passengers, and photos of the driver and their car.[24] In March 2015, Lyft announced the ability for drivers and passengers to add personal information to their profiles about their hometown, music preferences and other details to encourage drivers and passengers to connect during the ride.[25]

Lyft offers three types of rides within the app:

- For a discounted price, Lyft Line (currently available in cities such as Atlanta, Austin, Boston, Chicago, Los Angeles, New York, San Francisco, and Washington D.C.) will match passengers with other riders if they are going in the same direction.[26]
- Lyft is the original offering that matches passengers with nearby drivers.
- Lyft Plus will match passengers with a six-seater car.[27]

Results

In 2014, the company said it had grown ride numbers and revenue by five times.[41]

Lyft faces competition from Uber, Haxi and other car-service startups.

Reception

In 2013, San Francisco Mayor Ed Lee proclaimed July 13 as Lyft Day.[42]

Beyond its fundraising and user adoption numbers, Lyft has received acclaim for creating a community that makes transportation a more welcoming, uplifting and fun experience. Scott Weiss of Andreessen Horowitz said the venture capital firm ultimately decided to invest in Lyft because of its strong community and transparency. He wrote in his blog, "Lyft is a real community—with both the drivers and riders being inherently social—making real friendships and saving money."[43]

Drew Olanoff of TechCrunch wrote, "You feel like you're in the car with a friend, and that's no mistake...Whether it's bringing someone a sandwich for the ride or letting them choose the music in the car, Lyft drivers have their own budding community growing."[44] Jessica Gelt wrote in the Los Angeles Times, "Lyft's marketing strategy, which is geared toward the young and technologically savvy, draws a relaxed and friendly demographic."[45]