

Uber

Introduction

Uber is a high-tech company that was founded in 2009. It brilliantly connects the transportation industry with technology via its ride-sharing app. In 2014, it was stated as the highest valued venture-supported company. Uber offered its service in over 200 cities in 53 countries by 2014. Uber is valued at over US \$40 billion. This means, its value is more than the full U.S. taxi and limousine industry.

- Founders: Travis Kalanick and Garrett Camp.
- Company Headquarters: San Francisco, California, United States
- Funding received by Uber: \$8.2 Billion. (as of September 2015).
- Company Valuation: Over \$51 Billion.
- Number of Users: More than 8 Million (as of 2014 end).
- Number of registered drivers: 1,600,000 (as of Jan 2015).
- Number of new driver sign-ups: 50,000 every month.
- Average number of daily Uber Trips: 1 Million (as of Jan 2015).

Change - PESTLE	
Political	<ul style="list-style-type: none"> • Uber typically causes unrest among the traditional cab companies in the regions that they operate in • Government regulation make take place (Singapore) to regulate the competition • France filed charges based on advertising, the Netherlands ruled against Uber for their drivers not having Taxi licenses, cease and desist orders from Portland, with additional ban considerations in Asian countries. • Additionally, there were political discussions about minimum wage laws in the taxi industry, and whether Uber was abiding by these rules. The government requires commercial licenses as well, requiring Uber to provide that documentation.
Economic	<ul style="list-style-type: none"> • Low barriers to entry industry – easily imitable business model
Socioeconomic trends	<ul style="list-style-type: none"> • Increasing competition, such as Grab in Singapore and Malaysia and Lyft in the US, will ultimately decrease prices. This will discourage drivers from joining the start-up in new markets. This will result in loss of customers. Uber's revenues will decline. (threat)
Technological	<ul style="list-style-type: none"> • It is not known what Uber's future is. Google Cars are a big threat to its success. (threat)
Legal	<ul style="list-style-type: none"> • British judges ruled that Uber should pay the drivers the minimum wage, currently 7.20 pounds (\$8.80) for over 21-year olds, and that working hours began the moment most drivers logged into the app. • "This is a monumental victory that will have a hugely positive impact on drivers ... and for thousands more in other industries where bogus self-employment is rife," said Maria Ludkin, legal director at the GMB union which brought the case. • Uber faces lawsuits and California state regulators ruled last year that an Uber driver should be treated as an employee rather than a contractor, although that has yet to be extended to all drivers in the state working on the platform.
Environmental	

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Change

Culture

- Most tech companies tout their “company values” as a defining element of what makes their company culture unique. Uber has 14 of them, which include such vague statements as “always be hustlin’” and that employees should “be themselves.” These maxims mean nothing at best, and at worst leave what is considered appropriate conduct open to potentially poor personal judgment.
- They are empty gestures that widen the gap between executives and employees, as they show a disconnection with what people do every day to keep a company afloat, and how leadership describes their work. This is a common symptom of internal company strife. “It can be really difficult to know, especially at the top, what your culture is,” says Ursula Mead, founder and CEO of HR insights platform InHerSight. It’s even harder to know how it shifts if a leadership team isn’t aware of what’s happening on the front line.
- Descriptions of Uber’s culture in both Fowler’s post and the New York Times report have painted the picture of a Darwinian environment in which individuals viewed their colleagues as competition rather than teammates.

Ethics

There are many reasons why the users love Uber. It allows a more convenient, easier and less costly way to reach a location. However, the firm evokes some contrasting emotions too.

- The local government, traditional taxi drivers, and a small group of Uber drivers are against the practices that the start-up engages in.
- Drivers aren’t happy with the low-profit margins. This might lead to bad publicity. This can in turn discourage the new drivers from joining Uber.
- The relationship between Uber and the drivers is ethically questionable. It lacks the real connection. So, it is expected that loyalty between Uber and its drivers is quite low.
- Costs of operating vehicles are very high. But, the drivers do not earn so much.
- Trust and Safety Issues: There have been cases where Uber drivers have acted rude to passengers. Some cases where Uber drivers have outraged the modesty of female passengers have come to the limelight. This is a big challenge for Uber. Although the company takes all steps such as police verification of drivers and their ID details but still such cases cannot be ruled out completely.
- Uber Competes Unfairly: Last year, the company reportedly lost an astounding \$3 billion. This is possible because the company is flush with venture capital money, which it uses to heavily subsidize fares in an attempt to destroy the competition. Given that other ride-hailing apps are also on a similar trajectory, some analysts point out that this “price war” can only last so long, before prices for consumers spike.
- Uber’s practices not only distort markets, but it also make it incredibly difficult for local taxi companies and cooperatives ride-sharing services to compete.
- Uber Doesn’t Take Safety Seriously: When Austin, Texas, passed a regulation requiring drivers working for ride-hailing companies like Uber and Lyft to undergo a fingerprinting background check, Uber left the city in protest.

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- Data obtained by BuzzFeed revealed that there were more than 5,000 sexual assault complaints on the company's customer service system.
- Uber Exploits Drivers: Of course, one of victims of Uber's practices are its drivers. They are promised ample work and wages – even claiming they could make \$90,000 a year in New York. The reality appears to be the opposite, as some drivers barely make minimum wage and often find they have to work long shifts to make ends meet. Adding to their vulnerability is the fact that Uber considers all drivers as "self-employed" contractors.
 - Recently, the company agreed to settle a worker misclassification lawsuit for \$100 million, which a federal judge in California said wasn't enough, The Washington Post reported. "[T]he Court concludes that the Settlement as a whole is not fair, adequate, and reasonable," US District Judge Edward Chen wrote.
 - This means that Uber more or less admitted that in this case, it expected workers to behave like full-time employees, but treated them like temporary, self-employed contractors who didn't receive benefits.

Growth

- Some new legal regulations in countries like Germany will ban Uber from operating.
- High valuation of Uber. Many people are ready to invest on it.

Innovation

- As cashless payment system is used, Uber can track and choose highly rated drivers. It has many other features like getting a car easily and having record of the spending.
- Surge Pricing Technology
 - Variation in cab fares according to situation is an important aspect of Uber's business model. Whenever the demand increases, per mile prices are automatically increased. The new price depends on the number of available drivers and the number of requests made by people who want to travel. Uber has applied for a price surge technology patent in the US.
- Has an unlimited fleet of vehicles. Regular Taxi service regulations are not applicable for Uber.

Strategy

- Uber employs penetration pricing as a strategy to win customers over from the traditional taxi model
 - Penetration pricing is to set their prices lower than the cost of production to gain market share
 - However this is illegal in many countries and this has led to ethical considerations for the drivers
- In Singapore, general manager Warren Tseng said the company decided to lower fares and cash payment option because its data supported the hypothesis that the move would convert new riders over from other modes of transport like traditional taxis. The more riders try new ride-hailing apps, the more they're likely to continually opt for it eventually if they form the habit.
- Uber's lowered fares and cash strategy is designed to help the company reach a broader base of riders outside the city centre.

- Different cab models to cater to everyone
 - Uber has not limited itself to a particular segment of cars or to a particular segment of people. There is Uber X, Uber Black for those who love to travel in a black car, Uber Taxi for those looking for cost-efficient solutions and Uber SUV for those who want luxury.
- No full-time drivers, Uber does not have any responsibility towards drivers

Diversification

Five year after launching its ride-hailing app, Uber is launching a second app targeting customers who want to order takeaway food.

- UberEATS, a food delivery app, will initially be available in 10 cities. New York, Los Angeles, London and Chicago are among the cities that will benefit from the full scale UberEATS app, which has been test marketed in Toronto. The app lets users to order food from local restaurants for delivery by Uber drivers.
- The launch of UberEATS positions Uber in direct competition with Deliveroo which has grown rapidly with its model of paying drivers small sums to collect food from restaurants that do not have a delivery service.
- The launch of UberEATS is a good example of related diversification.
- The app is a new product for Uber (takeaway food ordering is different from ride-hailing) and you can argue that the market is different too.
- However, you can argue that the move is less risky for Uber because of its existing experience at developing and promoting app-based consumer services.