

UBER PROFITS & ASSEMBLY BILL 5



EXECUTIVE SUMMARY

How can Uber become the first ride share firm to turn profit?

Passing of Assembly Bill 5 and Proposition 22 raises concerns over business model and long term profitability

PROBLEMS

- Political involvement in employment laws
- Profit-wise disconnect from Uber enabled communities
- Disproportionated spending

PHASED SOLUTIONS

- Contractor & Employee Status
- Dynamic pricing & collaborate
- Combining ride share & food delivery
- Avoiding Future M&A

COMPANY & BUSINESS MODEL

Ride share & food delivery composes
95% of Uber's revenue

Main source: 15% - 30% commission
Dynamic pricing & Liquidity Network Effect

Driver's Income Composition
84%: \$0-\$500
2%: \$1500 - \$1999

PROBLEM OVERVIEW

Assembly Bill 5 threatens \$500M
loss/year

California Proposition 22 cost Uber
\$57M



Unprofitable: \$5.2B loss in 2019 Q2

Not profiting from positive externalities; being
held liable for negative ones

Revenue from commission not enough to
compensate spending

PROBLEM 1 | POTENTIAL POLICY THREAT

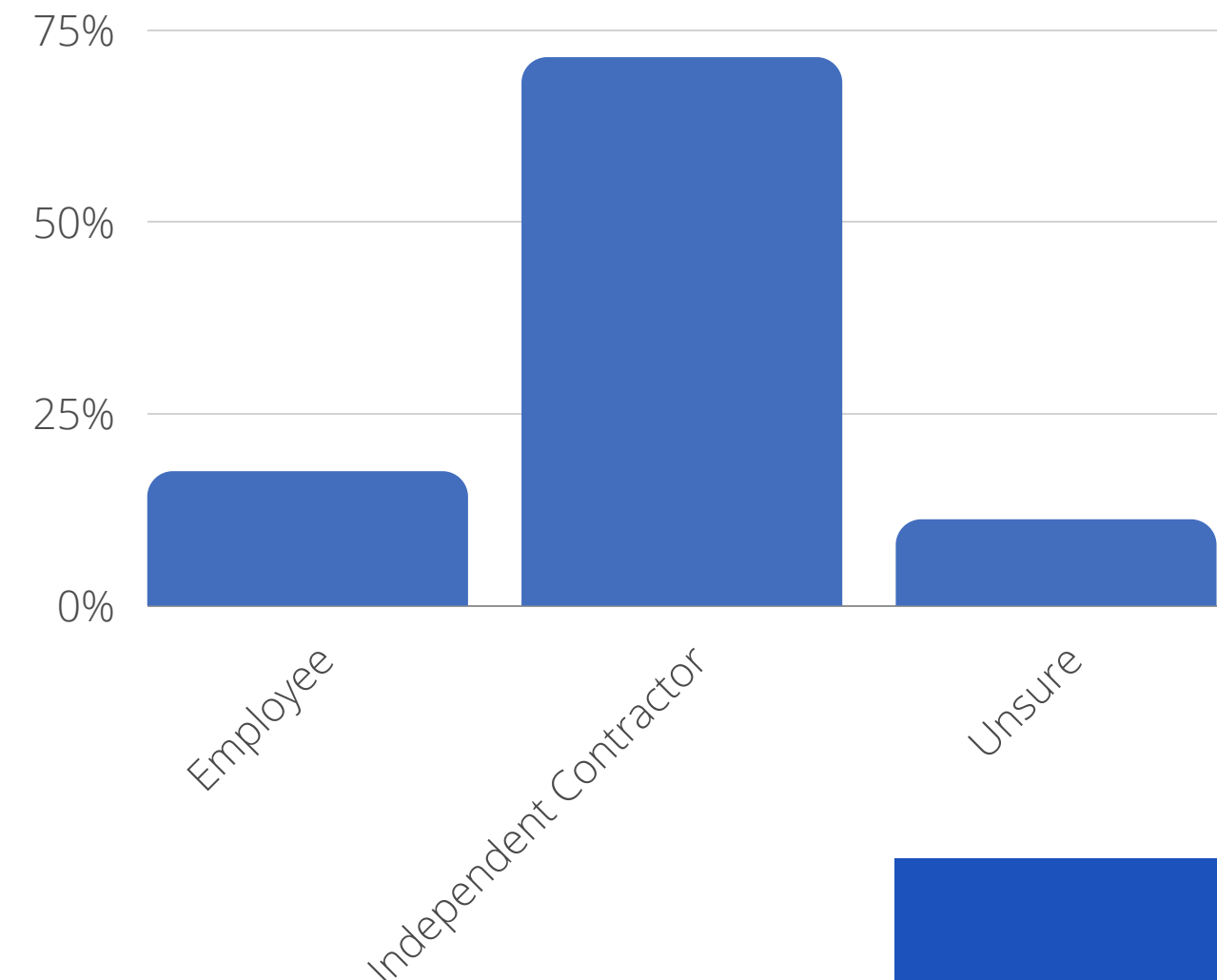
CONTRACTORS vs. EMPLOYEES

- Debated topic of what gig workers should be considered
 - Assembly Bill 5 (2019)
 - Proposition 22 (2020)

SATISFYING DRIVERS

- How can Uber make compromises with unsatisfied drivers to prevent potential bill threats?

Uber and Lyft Driver Preference
on W2 vs. IC Classification



SOLUTION 1 | MULTIPLE EMPLOYMENT TYPES

Provide freedom for drivers to choose their classification

DECISION-MAKING FREEDOM

- Choice between independent contractor or employee
- A means to alleviate political tensions
 - Uber contributed \$57 million on Prop 22

EMPLOYEE CRITERIA

- Employee status requirements:
 - 30 hrs/week
 - Weekly quota of \$1200

PROBLEM 2 | DISCONNECT FROM COMMUNITY

NIGHTLIFE BUSINESSES AND LACK OF SUPPORT

- Night life greatly benefits from Uber providing safe trips
- Uber doesn't receive support and incentives from nightclubs despite providing them more business

GOVERNMENT REGULATIONS AND TRAFFIC

- City officials disgruntled with traffic congestion
- How can Uber resolve traffic tensions while maintaining a symbiotic relationship with institutions that indirectly profit from their services?

SOLUTION 2 | PARTNERSHIPS & SUBSCRIPTIONS

Promoting these services to all riders will increase profit and decrease traffic

UBER PLUS

- Has been tested in some US cities as a part of a new program
- Riders pay \$20 dollars for a month of up to 20 trips at a flat rate

SUBSCRIPTION

- \$20 subscription for a month of up to 20 flat rate trips to and from specified locations

PARTNERSHIPS

- Partnerships with fine dining restaurants and nightlife locations in hotspot cities

PROBLEM 3 | DISPROPORTIONATE SPENDING

REVENUE < EXPENSES

- Revenue purely comes from trip commission
- Expenditure to stock, driver reward and tech development disproportionately high compared to earnings

DEMAND < SUPPLY

- More drivers than riders from Uber and food orders from UberEats
- How will Uber make good use of their Postmates acquisition and achieve a positive net profit in the future?

SOLUTION 3 | RIDE SHARE & FOOD DELIVERY

Combining ride share & food delivery will allow Uber to take bigger commission cut

ALL IN ONE DATABASE

- DISCO Supply Side and Demand Side
- Geolocation, number of seats, ETA

NEW INTERFACE

- “Multiple Select” model
- Estimated 15% increase in sales
- Customers pay less, drivers paid more, and Uber takes a bigger commission

NEW PROCEDURES

- Drivers must pick up food before riders
- Food must be stored in the trunk to prevent cross contamination

PRO TIP: AVOID FUTURE M&A

Avoiding future M&A will prevent future lawsuit costs

ANTITRUST LAWSUITS

- Violating Clayton Act:
acquiring Postmates put 37%
of food delivery sales in hands
of Uber
- Monopolization through price
fixing

WORKER MISTREATMENT

- Mergers give Uber more leverage
against its workers
 - If workers are labeled as
independent contractors,
Uber is less likely to
guarantee workers minimum
salary and benefits

STRATEGY I SHORT TERM

CONTRACTORS AND EMPLOYEE STATUS

- Drivers that meet drive time and quota requirements can apply for employee status
 - Benefit workers, promote driver loyalty
 - Ease political tension

MORE RIGOROUS DYNAMIC PRICING

- Max surge pricing during peak hours

TARGET NIGHTLIFE COMMUNITIES

- Maintain user loyalty with a rewards program
- Uber chaperone service
- Decreases time waiting for Uber = more efficient to address crowding issue

STRATEGY I LONG TERM

COMBINE RIDE SHARE & FOOD DELIVERY

- Integration
 - More efficient delivery and better commission cut
 - New interface & procedures can streamline efficient process
- Backend focused
 - Prevent turning customers away due to software adaptation
 - Combining 2 apps takes time

AVOID M&A FOR PROFIT & POLITICAL LEVERAGE

- Postmate acquisition
 - Beneficial due to revenue composition
- Further acquisition
 - Financial stress
 - Anti-trust & monopoly concerns

TIMELINE

PHASE 1: EMPLOYMENT TYPES

- Provide options for Uber drivers to pick employee or independent contractor status, and give priority to long-term, loyal Uber drivers

PHASE 3: INTEGRATE ACQUISITIONS

- Merge food delivery services with ride sharing to increase commission cuts and streamline rides

PHASE 2: DYNAMIC PRICING & PARTNERSHIPS

- Utilize steeper surge pricing and short-term rewards and coupon codes
- Partner with high-end restaurants and nightlife locations to provide driving services alongside their dining and clubbing experiences

SOURCES

- Prop 22 passed: Moving forward with New Driver Benefits
- Why Uber Drivers Are Fighting For Their Data
- Pros and Cons of Prop 22
- Uber Business Model
- Uber System Design
- Uber and Lyft Driver Preferences
- Reference for Uber Quota
- Gridwise: Uber just bought Postmates
- CPI: Antitrust Suit Against Uber Likely To Advance
- California Lawyer's Association: Sidecar's Monopolization Lawsuit Against Uber

THANK YOU.