IST 755: Current Event Assignment

UBER USING SELF-DRIVING CARS

Introduction

Recently, Uber created a history by introducing self-driving cars in Pittsburg. This was a result after a year and half after Uber invested in research in collaboration with Carnegie Mellon University's robotic center. As an everyday Uber rider, it would be exciting for me for a driverless car arriving for picking me up, but at the same time it is a concern for me that who will be responsible in case of an accident. Self- driving cars are introduced in the market with an aim of making our roads safer and better. But recently after a crash of an autonomous Tesla vehicle; concerns over these kind of vehicles have voice over all over United States.

As we already know, automobile companies have already started working on self-driving cars realizing that in next 5-10 years the era of autonomous vehicles is going to revolutionize the automobile industry. Analysts believe that if self-driving cars are introduced in market it could be a bigger disruption than inception of Uber itself.

Talking from an information strategy triangle, Uber has always created a balance between its business, organizational and Information Strategy. It's a company which was based on an innovative business idea backed by innovation and technology. But in order to stay competitive in this ever changing market, Uber is left with no choice but to innovate, therefore they collaborated with researchers at Carnegie Mellon University to make Uber rides completely safe.

As 2016, Uber's 75% of revenue earned is taken by Uber drivers. But once cars go driverless Uber will be able to reduce the ridesharing rates and keep their revenues high. Uber's overall organizational strategy is to grow till a point where ridesharing is the cheapest option even when compared to car ownership. A study by Columbia University (Burns, 2013) calculates that with a fleet of just 9,000 autonomous cars, Uber could replace every taxicab in New York City – with a passenger wait time of 36 seconds and a cost of $.50 per mile.

Issues

Issue with this business strategy for Uber is the law governing for self-driving cars. Designing rules and regulations for the self-driving cars is a complex task for the authorities. As machines can take only take decisions based on a logic, but when it comes to decision based on ethics: machines cannot be relied. Moreover, Uber is already facing issues from the Taxi Unions all across United States as ridesharing apps do not insure their drivers, which reduces costs for Uber compared to taxi unions. Moreover, experts at MIT (Letzter R, 2016). believe that the step

taken by Uber to remove ownership of cars by introducing driverless cars is ambitious for now. Introducing driverless cars around the city would increase traffic congestion in the cities.

Currently, Uber has no doubt contributed greatly to the increasing transportation options for city dwellers, but data is still lacking to demonstrate that it has had a positive, if not negative, impact on congestion

Not only this, I believe that once self-driving cars are available to personal use there would be lesser need of ride-sharing services. For example: Studies show that in big cities like New York and Miami need of rideshare services go up on weekend nights: reason, people being aware of Driving Under Influence offence. Once self-driving cars are there: why would anyone care to use on the ridesharing services.

For Uber it's going to be more challenging as already organizations like Google, Tesla, GM are major players in autonomous cars.

Major Stakeholders

Uber has majorly five stakeholders: Competitors, Investors, Government, Riders and Employees. We will be looking at what's in there for each stakeholder with Uber going with self-driving cars.

For investors, it's a huge risk: if Uber's strategy works out well: Uber will be one of the most dominating organizations in transport industry world-wide. From strategic point of view, investors should step in from time to time in order to keep a check on Information Strategy triangle. Upper management has a huge responsibility right now to take appropriate steps in order to stay competitive.

Government: They have to come with new rules and regulations which caters the need of public as well which protects other competitors. For Uber, it has always been a challenging to deal with ever-changing governmental policies and compliances.

Competitors: Lift, who is Uber's most competitive rival has already partnered with GM and asked for funding of $500 MN for self-driving cars. Though Uber has already started with its Pilot program in Pittsburg, therefore; it has a competitive edge over its competitors and it would be interesting to see further how Uber is able to differentiate itself amongst its competitors.

Riders: They have always loved the ridesharing app. Uber has created so much of value for its customers, which is commendable. Uber has reduced the commute costs by 75% for commuters in some of the states in United States. The company has been running pilot programs with the riders to understand and cater them better.

Employees: As mentioned above, Uber is currently spending its 75% revenue just on the salaries. Though most of the Uber drivers are part-time employees, Uber is trying to reduce the expenditures so that profitability is maximum for the organization.

Final Thoughts and Personal Reflections

As an Uber rider, I believe Uber is doing a great work by innovating and trying to differentiate itself as it did few years ago which disrupted the entire cab-industry. Moreover, I would like to suggest that along with strengthening their core business they should also look for alternative business models based which would generate additional revenues for the organization. Uber did invest in Uber Eats, but lack of marketing did not make it as popular as it could have been.

As a rider, I feel that Uber should start carpooling concepts in smaller cities too, this will lead to more adaptation of Uber's technology to the people. Not only this, if Uber starts to combine its Passenger data along with machine learning to give appropriate offers on routes the customer travel, it would lead to more customer spending. As far as concept of self-driving technology is concerned, it is still 5-10 years of time where cars will be fully driverless; meanwhile, Uber should strengthen its employee relationships. Though I feel, if Uber partner with the car manufacturing companies at this time itself it could significantly reduce the risk of car manufacturing company directly entering into ride sharing business. For Example: If hypothetically, Tesla plans to come into ride-sharing business then there would be no need of Uber at all. Instead if Uber partners with Tesla; it would be beneficial for both the companies.

On a final note, Uber is doing great by challenging itself and by constantly innovating. It would be interesting to see how this risky but yet calculated investment turns out for the company.

References:

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2. Letzter, R. (2016). Why Uber's self-driving cars won't last, according to an expert at MIT. Retrieved September 25, 2016, from http://www.businessinsider.com/uber-self-driving-mit-2016-9