Uber

**Business Process Reengineering
Proposal**

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Situation

Uber has lost money every single year since its founding, with losses totaling at least $8 billion. In the year 2016 alone, Uber lost 2.8 billion dollars, not including its losses in China (Bloomberg). Uber is relying on currently held cash as well as investments from venture capitalists to stay afloat, and the current plan is to hold out long enough for research to develop functional self driving cars. This amounts to a high stakes waiting game, with the company hoping to keep losses down enough while building brand recognition so they can continue on to the final goal of driverless cars. This is not a tenable position, and we believe Uber is on the losing side of this game.

To begin with, driverless cars have four major hurdles to face: ethics, legislation, technology, and safety. Who will determine the morality of driverless cars? Legislatively, states and countries are already beginning to regulate driverless cars. Lobbies are beginning to form advocating the banning of driverless vehicles outright. Technology wise, although driverless cars are progressing at a fast rate, we do not believe that the AI problems currently being faced will be tackled soon enough for Uber to last. Finally, safety is always a concern, and without a driver, Uber will more than likely be responsible for any injury or issue that arises from its driverless cars.

Additionally, Uber has many issues its facing currently that are not likely to disappear soon. The company is already facing political issues, with countries like Italy banning use of the app, and regulations in the states. Third parties are growing, as is the number of them. Lyft continues to be a thorn in Uber's side, and Google, one of the companies developing driverless cars, has announced its own driverless car service Waymo.

Uber loses $1.55 for every $1 it makes currently. This is not a tenable loss for the company to continue on its path. As driverless cars remain a very uncertain gamble, investors are not guaranteed to stay for long. The company needs to focus on making its current processes solvent before it can focus on something that is not even likely to happen in this decade.

Task

The tasks that need to be set forth by Uber in order to remain competitive in their market is to be to manage long enough in their market and survive long enough to be able to achieve their goal of creating driverless Uber cars. Because of the current situation Uber is in, they are at the moment operating at a major loss in their market due to multiple reasons. As a result of this, if things at Uber continue on given current trends, they may eventually be forced into returning money to investors and shutting their business down.

Currently, Uber simply works as a taxi hailing service which uses their own brand apps for smart phones in order to entice customers. This currently has started to become an issue with both how much investment they put into drivers and their training, plus other driver issues with certain drivers causing negative PR with the public on social media. So in order to be able to counter act against their current competitors like Lyft with these issues, Uber will have to gain their own competitive advantage against competition. To achieve this task, Uber will possibly have work on reengineering how they themselves as a company possibly operates right now by establishing first move advantage with driverless cars. Yet, with the current pace of the market's trends, Uber would possibly not be able to survive long enough to see this come to fruition.

Because of all of this, we at Uber have had to contemplate over what methods we could take in order to succeed as a business in our current state. Some plans we thought over was for a simple buyout of the company, another was to continue on but try new angles with the Uber app program. Ultimately though, we had decided a drastic change was necessary for the company and thus would need to have an overhaul of how our business is run. For this, we decided that a new system was to be created to create new demand for the Uber brand of taxi hailing.

As-Is Business Model

In order to successfully switch to the new system, we believe that the customer experience and habits should not change. Therefore, the as-is system flow will not change from a customer perspective. However, before the customer requests a ride he/she will be able to select the preferred cab company and associate price per mile among the ones that are close to his/her location.
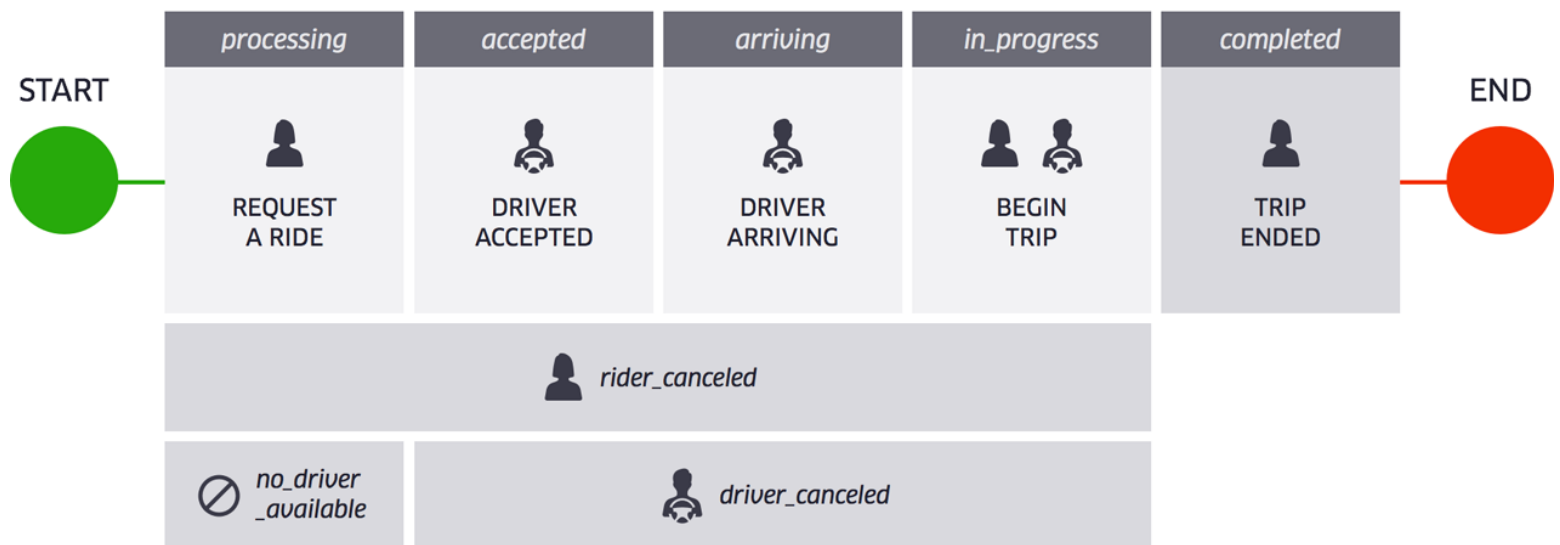
To-Be Business Model

The proposal is to substitute drivers with cab drivers. The new model would function as service between customers and cab drivers. The cab companies would be charged a fee to utilize the application that will allow them to access requests from all the customers already part of Uber eco system.

From a business perspective, the model will look different as the drivers will not be part of the company and cab companies will be able to make individual contracts with Uber to agree on what percentage will go to Uber, depending on the size of the company. To maintain a stable demand and supply we plan to give bigger companies a discount, this will assure that enough cabs will be running at any anytime and meet riders demand. Individual cab drivers will also be able to take advantage of the Uber framework by simply accessing the application and pay a percentage of the fair to Uber for each ride. The price per mile will be set by the cab drivers or cab companies through the application's profile settings so that Uber will be able to calculate an estimate for the rider. By having the price per mile of each cab driver account, the customer will have the ability to filter only cab drivers under or above a certain price. The filter feature and the ability to select a specific cab company or cab driver will give to Uber more transparency as well as giving more choice to riders. To limit price increases from the as-is to and the to-be system we believe that by giving customers full transparency on the pricing we are allowing the market to set its price through fair competition among all cab drivers/companies.

Because of growing costs of individual trips incurred by the company, Uber needs to phase out a majority of independent drivers and use existing cab companies to provide the service infrastructure. Uber spends nearly $1.55 for every $1.00 earned and a big reason for this discrepancy is the costs of paying drivers. Drivers are also giving bonuses and other perks by Uber to keep them from going to their rival, Lyft. Also Uber faces many lawsuits involving drivers concerning employee classification and more (Kolodny).

Uber should keep drivers in key strategic locations like big metropolitan areas and hire them on as regular employees. The other drivers would come from a pool of existing cab companies using Uber's App to connect to customers. The regular drivers employed by Uber will supplement the cab drivers during peak times and they will also be able to serve hard to fill locations.

By reducing the number of contract drivers the company will be able to cut costs and reduce risks that are inherently involved in this business. By agreeing to terms with existing cab companies, Uber will pass the majority of the risks associated with transporting customers to those companies doing the transporting. This business model would also address some of the existing issues that drivers have with the company, namely downtime between trips. The company will have the motive to keep the few of their employed drivers busy since they are on the payroll and these drivers could also be used for other ventures such as the Uber Eats initiative. Having this partnership with the cab companies will provide Uber the opportunity to get rid of "surges" which causes fares to be higher than normal. As Uber's vice president of product commented, "For us, it's better not to surge. If we don't surge, we can produce more rides" (Scheiber).

This recommended course of action necessitates that Uber and existing cab companies agree to financial terms and partnership agreements. We believe that Uber have a strong bargaining position due to their enormous brand recognition. Cab companies will benefit from additional fares because of Uber's popularity and drivers will not have to worry about cash transactions as they will get paid through Uber's App. Passengers will feel more safe being in a cab where the driver has been vetted and have obtained licensure. The additional fares provided by the Uber App will boost the company's bottom line as well because Uber's customers normally would not use these existing cab companies, instead if they didn't use Uber, they would probably take their business to their rival, Lyft.

Result

The action plan for Uber to utilize Cab companies will cause a war of prices among the cab company industry. Cab companies will set prices competitively with each other in order to complete more customer requests than each other, Uber will only be responsible for the regular employees and the determined percentage take from the cab companies, depending on their size. Cab companies have suffered losses in profit from app based driving services such as Uber and Lyft. Cab companies need this partnership with Uber, this results in giving Uber a powerful advantage when negotiating and drafting contracts. This partnership opportunity will enable Cab companies to increase their reach through Uber's brand and reputation, essentially revamping them into the competition. Driver salaries are the largest expense that Uber faces, using Cab companies while decreasing the number of independent drivers will result in more money for Uber and less risk.

The pressure and finances spent on driver retention and background checks will be very limited, allowing Uber to focus more on the development of their application to ease the communication between their existing customers and the partnered cab companies. Uber would no longer be responsible for the risk associated to the drivers nor have to be in a constant price war with competitors like Lyft. Uber can focus on further developing their application and maintaining their customer experience through their As-Is business model. This partnership between Uber and Cab companies will allow Uber to recover from their previous losses and possibly gain profit within the decade. Uber will be able to remain afloat until automated cars becomes a reality for the company, and then they will be able to dissolve all drivers and contracts.

In order to make this process effective and appeal to other companies, Uber needs to truly push efforts into improving their branding and the production and maintenance of a seamless app. Currently, the negative publicity that Uber is facing has affected the numbers of customer demands, so it is deemed important to gain customer loyalty and receive positive publicity. By transferring their

focus onto marketing and perfecting a specific product, it is foreseeable that they would be able to meet their goals of accomplishing a well designed app that would appeal to both the cab companies and customers.

With pushing efforts on providing transparency for the company, drivers, and customers, it is the hopes that it will lead to a decrease in last minute cancellation requests. Last minute cancellation requests are one of the leading causes to loss of revenue and frustration to the cab drivers. Also, last minute cancellation cause issues from customers as well due to being unknowingly charged until the next time payment statements are checked. The current policy for last minute cancellation varies by cities and type of Uber service, so though it might be mentioned, it is not quite transparent that one would be charged until it happens. Though this policy is on their website, it also needs to be more present in the app, since the app is the front-facing tool that customer and drivers have to communicate with one another.

Having a higher transparency on customers will allow them to make decisions more fitted to themselves and their situations and will transfer accountability onto the customers. By having all important information in regards to applicable charges and safety precautions well established into the app, it will to an increase of trust from customers, thus increasing appeal for them to utilize this service more frequently in the future. The overall increase in positive trust and reviews from customers will improve Uber's branding and steer current and prospective customers away from competitors. The action plan for Uber to utilize Cab companies will cause a war of prices among the cab company industry. Uber will only be responsible for the regular employees and the determined percentage take from the cab companies, depending on their size. Cab companies have suffered losses in profit from app based driving services such as Uber. This partnership opportunity will enable Cab companies to increase their reach through Uber's brand and reputation, essentially revamping them into the competition. Driver salaries are the largest expense that Uber faces, using Cab companies

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