

The College of St. Scholastica

**Services Marketing
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Uber Final Research Project

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I. Introduction

Uber began as a simple thought in 2008 on a night when Travis Kalanick and Garrett Camp couldn't find a ride home in Paris. Both men were there for a tech conference said to be "where revolutionaries gather to plot the future" (Blystone, 2021). Following the conference, the men were outside and could not get a cab, where the simple idea of getting a ride from a tap on your phone was born. They had each sold start-ups for large sums of money and went their separate ways after the conference. Initially started as a limo ordering service, Camp brought the idea back to San Francisco where he started to really think on how to make it work.

In 2009, Camp started working on the app and the logistics of the service, by that summer he had reconnected with Kalanick and convinced him to join the UberCab company. In early 2010, they tested the product in New York with only 3 cars available for service, and had the official introduction to the market when they launched in May of the same year. The features of the app included a simplistic design with an easy to follow process with GPS technology to locate riders and drivers, and the cost being shown and charged to the customer's credit card at the point of sale. With the total being shown prior to ordering, they avoid the lack of trust that riders have for taxi cabs, since they may take a longer route to make more money. The Uber brand started growing rapidly and in less than two years, they had gone international with services offered in Paris, the birthplace of the idea. In 2009, Uber had received \$1.25 million dollars for their first major funding from First Round Capital, as well as raising \$11 million in funding using Benchmark. In 2011 they received \$37 million from investments from investors

like Goldman Sachs and Jeff Bezos. In 2015, Uber was valued at \$51 billion, the largest start-up in the world. In 2016 and 2017, Uber went through controversies and a transfer of CEO after a woman outed the company's sexist, and offensive culture. Following these allegations, Kalanick was a large focus with letters being released to the media showing that sexism was present from the top-down, leading to Kalanick resigning in 2017 and Dara Khosrowshahi becoming the CEO (Blystone, 2021). In the following research, we will be looking into specific aspects of Uber's services and marketing strategies.

II. Background of the Objective

With Uber having been the first to create the new rideshare market, they navigated the market and the growth of the company in a successful way that allowed them to make the Uber name synonymous with rideshares. Ever since the start of Uber, technology and the search for simplicity has only grown, with new competitors entering the market as well as using it for food or goods delivery. With the convenience of Uber, customers are able to request a ride, see the total of their purchase and pay before they are even picked up. Avoiding the hassle and inconsistency of taxi cabs, Uber has grown to be the preferred platform for finding a ride, with drivers and riders both being targets in their marketing campaigns. Through Uber's time as a company, they have adapted to new technologies and features that have become the normal surrounding Uber, the most notable being with the introduction of UberEats into the market where they have thrived through partnering with restaurants to transport food from store to consumer. Uber has also done campaigns that targeted potential drivers as well as thanking their current drivers for all they do, highlighting some of the struggles and reasons for driving. By

having a focus on their drivers and showing appreciation, Uber is able to keep a strong connection with the drivers, as well as gaining new drivers from people seeing how much they care about those that help them continue to be the leader in the rideshare company. Uber's business model relies heavily on the drivers that sign up in order to keep the rates low and the availability of rides high.

III. Purpose of the Study

The purpose of this study is to inspect and assess Uber's business model in terms of how they have maneuvered and adapted their service and marketing strategies to best thrive in the rideshare industry. With Uber being such a large company we will be dividing the research into six sections of the company's service marketing mix. Following the research and analysis we will propose three new business ideas that we believe can have a positive impact on Uber's future.

IV. Literature Review

A. Product Service

While Uber is in the transportation industry, it considers itself a technology company. The Uber App is the company's primary service which matches customers looking for rides with independent drivers as well as public transportation, bikes, and scooters. Uber also connects customers to groceries and connects shippers and carriers in the freight industry. UberEats allows customers to shop for food and have it delivered to them. There are many options within the

transportation aspect of the business. Uber Green uses sustainable vehicles, Uber XL can transport up to six passengers, Uber Comfort has vehicles with extra leg room, Uber Black has luxury vehicles, Uber WAV which is wheelchair accessible, and Uber Pool which picks up multiple passengers. The UberPool feature allows costs to be split between riders which creates a less expensive ride. All of the other options cost more than UberX, the standard service.

B. Service Ethics

Uber is a company that takes a lot of pride in the ethics within their company. They have put a lot of programs in place to make sure that they are in compliance with the laws and regulations alongside good ethical behavior. Some of these programs consist of anti-corruption, global trade, healthcare, and supply chain compliance. They also have a program in place to make sure drivers are avoiding conflict of interest. Conflict of interest can be very detrimental to business dealings and ruin a company's image. Uber advises their employees to avoid situations that could potentially be a conflict of interest. A potential conflict of interest could be financial interests, outside activities, family and close personal relations, gifts and other favors, as well as corporate opportunities. Financial interests means that employees of Uber should not hold more than 1% of ownership with a competing company. Personnel should not engage in outside activities that affect their time and attention to their job responsibilities. Employees should remain neutral in company-related decisions that may benefit an immediate family member or close personal friend. Gifts or money should not be accepted by employees that may influence business relationships or business decisions. There are limited exceptions for gifts valued below \$150. Employees are not able to turn around and patent an idea they discovered through their

work at the company unless disclosed. Potential conflicts must be disclosed with the Ethics & Compliance team at Uber, then this team will guide the employee on how to move forward. In 2017, a female engineer came forward in a blog post talking about the sexist culture occurring in the company. Uber used this ethical dilemma as fuel to change ownership and improve their ethics to be the ethical company they are today.

C. Service Place

Uber had set the precedent for ride sharing when they changed the market within the transportation service industry when they had rapid growth in 2011. Now instead of having to flag a taxi down and wait for one to be available, you take the reins and are able to call for your own ride and get an estimated time for arrival. Uber is nationwide and currently operates in 85 countries across the world. Uber's current headquarters is located in San Francisco, California. With Uber being one of the first to use self employed workers instead of employees it creates a different type of interaction between the driver and rider that builds a stronger trust than that of what you would have towards an official employee of Uber.

D. Promotion and Budgets

Uber holds two types of promotions for their drivers to make extra money while they are on the road working. They first have their consecutive trips promotion. This promotion is to keep wait times lower for the busiest areas during the busiest times. The way that this promotion works is that a driver could earn an extra \$10 for completing 3 consecutive trips in a row during

a rush hour in a busy area. The next type of promotion that Uber has is called their quest promotion. This promotion is for drivers to earn extra money across multiple days. The way that the quest promotion works is if the driver completes over 30 trips in 3 days they can earn an extra \$100. They can also earn an extra \$150 for completing 45 trips over 4 days. These promotions are determined by a variety of market factors such as driver availability and forecasted ride demand. Uber doesn't offer too many promotions to the riders other than the main promotion they have for first time riders. Uber holds a first ride free promotion for riders. This promotion is for the riders that just signed up to Uber and for them to get their first ride with Uber for free. Uber allotted themselves \$17 billion in 2021 for their annual budget for the year. Of that \$17 billion they held \$990 million for their advertising expenses. This equals roughly 6% of their total budget. DoorDash, one of their biggest competitors, spent only \$163.5 million on advertisements for the year of 2021. This shows that Uber has put more into their advertisements which is shown through their revenue which is later discussed in the study.

E. Customer and Driver Retention

Uber is unique as its business model requires its drivers to act as independent contractors for the company. Because of this, Uber has some degree of difficulty in utilizing the only person involved in the act of service, being the driver, to attract the customer to continue to use Uber. Uber also needs to keep driver retention high as a decrease in their independent contractors would hurt their revenue and market share. Uber is challenged with maintaining both driver turnover and customer retention. To combat the challenge of driver turnover, Uber offers a loyalty program to drivers called Uber Pro. The program has 4 tiers: blue, gold, platinum, and

diamond. Drivers earn points by keeping cancellation rates below 3% and their rating at least 4.7 stars. Uber relies on rewarding their drivers for quality service to keep customers riding with Uber. Drivers who level up can earn rewards such as accident replacement vehicles, priority airport rematch, and diamond drivers receive additional diamond support. Drivers also earn a points multiplier when they drive during the busier hours. This helps Uber keep the supply on pace with demand. Tipping can also be a good way for Uber drivers to make additional money by providing better service which promotes customer retention. One way Uber tries to keep customers coming back is with a referral code. If a customer rides with Uber they can share the code with someone and both the new and old customer receive a \$5.00 voucher (Uber). Uber rewards has a similar program for customers too. Leveling up in the rewards program can earn Uber Cash which can be spent across the Uber ecosystem. There are also tiers just like the driver's rewards program. Rewards include price reductions, priority pickup, and even free meals through Uber Eats.

F. Competitor Environment

Uber is a unique company where it competes in multiple different markets. In the transportation service industry Uber competes with companies such as Lyft, Curb, VIA, and Taxi Services. These are all ride sharing companies that work under the same concept as Uber where you call for a ride with a set destination and get an estimated time for how long it will take for your ride to show up. Lyft is the most competitive of these companies with Uber. Uber is a more trusted company than Lyft due to being in the market longer and developing more relationships with customers. They are also in the third party food delivery service with Uber eats. Their

competitors in this market are Postmates, DoorDash, and Grubhub. These are all very competitive companies with Uber and not one is more competitive than the other. The success of these companies all depends on their location and convenience. Postmates is really big out in the west, but around the midwest DoorDash and Uber eats are more established and used more.

Company Name	Total Sale	Market Share	Net Sale
Uber	\$5.78 billion	69%	\$892 million
Lyft	\$3.2 billion	30%	\$1 billion (loss)
DoorDash	\$4.89 billion	59%	\$468 million (loss)

V. New Alternative Plan

A. Expansion for Uber Eats division

Uber being one of the most well known for its services, could still be expanded upon, especially in the Uber-Eats division. Expanding upon the Uber-Eats division would have many benefits for Uber, they would effectively diversify their service adding more value to their business. Uber announced that they will be expanding their grocery delivery service to over four hundred major cities across the U.S in July of this year. They are looking to expand this grocery service nationwide. The only problem that they will encounter is that they will have to compete with Amazon and Instacart. We can see Instacart being more of an issue because they are specifically only a grocery delivery service. Additionally, with the expansion of uber-eats, we would like to

see Uber add more restaurants and options for grocery shopping in the future. This would effectively increase their market share and help them stay ahead of their competition.

B. Uber daycare/school pick up & drop off

The majority of Americans work the typical 9-5 work schedule but an average school day for children ends at around 3 p.m. Normally, Uber doesn't allow anyone under the age of 18 to be allowed into the car but we think that could be a potential market share growth opportunity for their business. Children in elementary school and middle school need to be driven everywhere they go leaving parents with a bit of a scheduling problem when it comes to pick up and drop off if the bus is not available for their child(s). This has actually been solved in the past by a group of mothers in California under the company name of Kango. This company was established in 2016 and is growing exponentially in the San Diego, California area. We believe Uber should copy the Kango Services and utilize it for themselves. Now, to add on to that there are a lot of issues that arise with these services such as the safety concerns for the children. Parents can rest easy knowing that these drivers have to pass multiple safety checks. These safety checks consist of prior childcare experience, driving history, background checks, vehicle background checks, and should incorporate a fingerprinting system like TrustLine in California, to verify childcare providers. Another safety feature for the parents is that they will be able to track the location of the driver and can stay in constant communication with them via text message. This service would be more expensive to afford than the regular Uber but for parents that have to leave their job early to pick up their children, it is definitely worth it knowing they have a safe ride home.

C. Limousine Services

When Uber was initially created and thought about in terms of creating a company, the first idea was to make it a limo service, able to use an app to request a limo for any occasion. Now that Uber has grown to be the large, international company they are today, they could now recover the limousine idea and take advantage of an industry that is rarely seen by the public unless they are searching for it. If we were to ask random people what they thought was the price to rent a limousine for a night, a large majority would not have any idea, unless they had prior experience with ordering and renting a limousine.

The section for limousines would be in a part of the app, similar to their current rental car options where you can book a car. The main difference with this would be Uber would also provide the limos themselves, not through another provider like the rental cars do. Having limousines in the largest cities in America, able for people to rent and be chauffeured around in, can be a large market, especially for those who want to be over the top and extra fancy for their occasion. Uber has already challenged the taxi cab companies when it came to be, now they could look into the limo services by keeping their same quality standards, or even raising them for this service. Whether kids want a limo for prom, or you need a limo for wedding events, Uber could be able to offer services faster, and of higher quality if they had this function. Instead of going through a traditional limousine service, people can use the app they most likely already have. The foundation that Uber has already would be mightily beneficial if they were to start this additional service because it would revolve around the same concepts as a normal ride.

VI. Findings

After analyzing many aspects of Uber's services, we have been able to identify why they are a very successful company. An aspect of Uber that makes it a unique service is that it is an ethically responsible company. This is demonstrated through the use of Uber Green and Uber WAV. Uber Green meaning they use eco-friendly vehicles and Uber WAV being wheelchair acceptable. They also offer other services that are adaptable to get exactly the kind of car they want to ride in. Additionally, with Uber not only being a transportation service but a food delivery service is another reason Uber has the majority of the market share compared to competitors. This is especially true if they intend to expand their UberEats division into a grocery service as well. Furthermore, their efforts to give incentives to make their drivers want to drive is another reason they are staying ahead of competitors and offering flight packages with their new rental car service is a great addition to their business model.

VII. Data Collection

We compiled a list of materials from several academic and professional databases to find respected sources that we used for our research. We used our services marketing book along with other marketing texts. For online resources we accessed SOLAR through the schools library and found articles that were specific to Uber and their competitors like DoorDash and Lyft to compare and contrast the companies. We were also able to find key information on the homepages of Uber and their competitors that gave company objectives and goals as well as earnings.

VIII. Conclusion

Making the decision to begin analyzing Uber, we thought we knew most of what the company was all about but, in fact, there were a lot of aspects that surprised us in many ways. We knew that they are a well known transportation and food delivery service but we weren't sure how the innerworkings and logistics work. Their UberX, Uber Green, Uber WAV, Uber Pool, Uber Black, and Uber XL are great examples of their ability to be adaptive to their customers' needs. Additionally, their incentives and promotions to their drivers and customers has been shown through their consecutive rides promotion, quest promotion, and additional money in rider pickup hotspots for their drivers. For their riders, they offer a first time ride for free promotion. Furthermore, Uber has shown to be an ethically sound company through their programs that consist of anti-corruption, global trade, healthcare, and supply chain compliance. Our alternative plan to add an expansion to the Uber eats division, add a childcare pickup/dropoff feature, and add a limousine service will only encourage growth in their already majority market share of 69%. In conclusion we predict the future of Uber to be a success.

IX. Summary Table

Concept	Service Line Expansions	Market Segment Expansion	Promotion Strategy	Outcomes
Product Service	The addition of UberEats for food and groceries as well as different options for rides, such as UberXL, Uber Green, and Uber Wav.	UberEats has created a whole new separate market for Uber to compete in. Uber Wav being wheelchair friendly brings new customers and Uber Green attracts the eco friendly market.	UberEats has been a large focus for the company especially through the pandemic when people were not going places so a strong push in UberEats advertising was used during COVID.	UberEats has been the most prominent of the expansions with UberEats and Doordash being the main competitors in that industry. The additions to the types of rides allow riders an array of choices to fit their needs.
Service Ethics	Programs and policies have been put into place in compliance with laws and regulations, as well as publicly addressing the allegations of company culture	Having strong ethical policies is crucial for attracting and retaining customers, the new CEO was a fresh start after the controversy.	Promoting ethical behavior from their drivers and riders through the announcements and agreements they sign on the app.	Following the transfer of power, Uber has been trying to be more ethical but there are still instances that trouble them that need improving.
Service Place	By expanding to 85 countries Uber has had their service place grow	With Uber growing nationally and internationally, they have gained	Uber has always had strong promotions of their service since the basic	Since creating the rideshare market in 2010, Uber has thrived in adapting and

	exponentially as well as establishing a new type of market when they began services in 2010.	millions of customers as well as provide service to tourists who may not have a car with them.	idea of Uber is ingenious in simplicity and convenience. Announcing presence and features in new locations and surrounding their app.	improving the features of their services through more options for rides as well as food delivery choices.
Promotion and Budgets	Promotions for the drivers allows them to make more money depending on the amount they work, the advertising budget is high, leading to Uber having a strong presence in commercials as well as in social media.	With strong and expensive marketing campaigns, Uber is able to gain many consumers by seeing the quality and ease of using the service.	Through commercials and advertisements, they are able to gain attention from those who may not use it, most notably, their recent Super Bowl commercials gained a lot of attention surrounding UberEats.	With Uber using so much money for advertising, it gives them freedom to go bigger in their campaigns and continues to see a rise in customers and revenue.
Customer and Driver Retention	Uber using a tier system for drivers creates a sense of loyalty as well as keeps the quality of service high since it relies on their ratings and cancellation rates. Keeping drivers	With drivers being paid promoted rates during busy times and for consecutive rides, they gain new people that want to drive for them as well as keep the same customers who	The promoted rates and bonuses for the drivers are announced on the app before they decide to work so they can see and be encouraged to work more based on the	By creating a loyalty program and rewarding better drivers, the retention of customers is in direct correlation. Higher pay means higher quality which leads to

	motivated also retains customers.	enjoy the quality of service.	increase in pay.	customer retention and satisfaction.
Competitor Environment	With the growth of Lyft, Uber has seen a direct competitor but in terms of UberEats, it came to be when they decided they wanted to enter that market with DoorDash and Grubhub.	The expansion of UberEats to the market was a huge gain for Uber in terms of new customers that didn't need rides but would order food, they entered the market a little late but quickly became a main competitor.	With there being multiple rideshare and food delivery apps out today, Uber has been able to separate from the competitors through ad campaigns and ongoing adapting to the market.	The outcome of the competition has made Uber into the stand alone top dog in the industry, making more money, and advertising on a national stage more than any competitor, in turn, Uber has become synonymous with rideshare.

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