

STRATEGIC MANAGEMENT – BUSINESS STRATEGY

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UBER Mission & Business Model



Uber and Taxi in São Paulo , Brazil
(Núcleo Editorial 2016 / CC BY 2.0)

UBER BACKGROUND

- Founded by Garrett Camp and Travis Kalanik as UberCabs in San Francisco in 2009
- Started as an App-enabled luxury private car service
- Expanded into multiple services [least to most expensive]:
UberPool, UberCab, UberX,
UberXL, UberSelect, UberBlack,
Uber Black SUV, and UberLux ¹



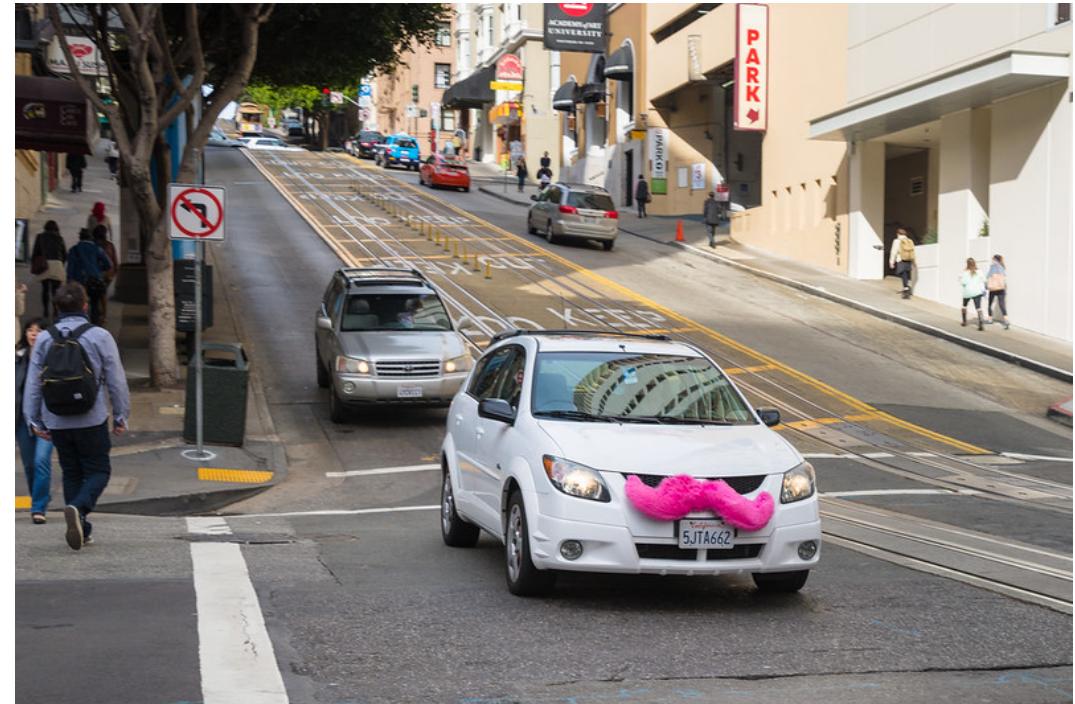
Uber Founder Travis Kalanick
(Heisenberg Media 2013 / CC BY 2.0)

UBER BACKGROUND

- Kalanik [CEO till 2017] became the public face of the company, often leading the campaign to launch Uber in new cities
- Dara Khosrowshahi became CEO in mid-2017 before the company's IPO ²
- May 2019: Uber valued at \$82 Bn ³; in 700 cities & 67 countries ⁴
- 2019 Financials: Approximately \$15.7 Bn in revenue, of which ~\$2.8 Bn is adjusted net revenue ⁵
- Competition from other ride sharing Apps like Lyft, Sidecar, Ola (India), Kuaidi Dache + Didi Dache (China) [in 2016, Uber merged with Didi in China]
- The company has looked to expand beyond ride-hailing, and has acquired a majority stake in the grocery delivery start-up Cornershop for an undisclosed amount. ⁶

UBER BACKGROUND

- 2015 Financials: Approximately \$10 Bn in ridership revenue, of which ~\$2 Bn is Uber's share⁵
- Competition from other ride sharing Apps like Lyft, Sidecar, Ola (India), Kuaidi Dache + Didi Dache (China)



Lyft's Pink Car (Spur 2013 / CC BY 2.0)

PRODUCT AND SERVICE

- User downloads a smartphone App and sets it up with email and credit card information
- User requests pick up using the App (see Exhibit 1), and receives information about a potential driver nearby (name, location, time to arrive, car model, license plate, driver rating)
- Every driver can decide whether to pick up based on ratings. If rider accepts the pick-up, the driver arrives and takes user to destination
- Real time tracking of driver's smartphone when picking up
- Uber announced adding safety features such as a PIN verification to address safety concerns and previous incidents⁷

PRODUCT AND SERVICE

- Uber App provides an estimate of the trip fare (when booking), and bills actual fare to the stored credit card
- 80% of fare typically paid to driver (Uber keeps 20%), originally no provision for tips to driver (now allowed)
- Uber drivers don't require tips and do not expect them, unlike Taxi drivers. However, you can add them later in the app
- User and driver are able to rate each other after the transaction, and ratings are available to future users/drivers
- Uber has expanded into new services like Uber Eats, Uber Freight, etc., and is launching an Uber Works⁸ app, as well as pursuing autonomous vehicle applications



Uber drivers are signed up as partners

- Driver and vehicle must meet minimum qualifications (varies by market)⁹
- Drivers install and use their version of the Uber App
- Driver responsible for owning, insuring, running and maintaining the vehicle (Uber doesn't own or operate cars)

UBER DRIVERS



Drivers like to drive for Uber because of

- Flexibility in hours of work; ability to work part-time; second job
- Good income due to less time waiting for fares, guaranteed minimum income for new drivers, ability to use own vehicle, and surge pricing
- Ability to prescreen passengers, and assurance of being paid
- No need to lobby or pay off dispatchers to get good fares

UBER DRIVERS

Driver concerns about Uber

- Too many drivers in some markets, not enough riders
- Lowering of Uber rates ¹⁰
- Not treating drivers as employees ¹¹



Uber Driver in Bogota
(Torrenegra 2013 / CC BY 2.0)

KEY OPERATING PRINCIPLES

Uber seeks to facilitate efficient real time matching between riders and drivers by:

- Ensuring adequate supply of drivers
 - Sometimes using aggressive tactics to “steal” drivers from other services ¹²
 - Some drivers simultaneously work with Uber and its competitors and check more than one App to find riders

KEY OPERATING PRINCIPLES

- A complex proprietary algorithm that seeks to dynamically match supply and demand
 - Directs drivers to areas where demand is higher
 - Seeks to minimize customer wait time
 - Surge pricing at times/areas of high demand ¹³
 - Incentivizes drivers to drive, and riders to cancel or delay their ride ¹⁴
 - Controversial, as rates can sometimes jump by as much as 10 times; so some riders feel Uber is price-gouging them ¹⁵

DISRUPTION TO TAXICAB INDUSTRY

Taxicabs and limousines are estimated to be a \$28 Bn industry in the U.S. and over \$50 Bn globally^{16 17}

- Industry is highly fragmented and regulated in most markets
 - Licensing and medallions limit who and how many operators are allowed into many markets
 - Taxis generally required to have a uniform color scheme and appearance (e.g. London taxis)
 - Fares are also often regulated, and in some cases quite attractive (e.g. the secondary market price for a New York taxi medallion was over \$1 Mn before Uber)¹⁸

DISRUPTION TO TAXICAB INDUSTRY

Unlike Uber taxis can be hailed on streets, but dispatching services also often used (originally telephone based but now Apps, too)

Availability and arrival is often unpredictable, and quality of experience is variable (and not tracked)



Uber protest in Portland
(Parecki 2015 / CC BY 2.0)

DISRUPTION TO TAXICAB INDUSTRY

Many payment systems used,
but drivers sometimes push for
cash

Uber is seen as disruptive to
the taxicab in many markets
and it is actively opposed by
taxicab operators (and
sometimes regulators)



Taxicab protesters against Uber
(Parecki 2015 / CC BY 2.0)

SEXISM SCANDAL

- In February 2017, the company went through a 6 month crisis after former engineer Susan Fowler published a blogpost describing Uber as a workplace with sexism and sexual harassment^{20 21}
 - **Uber launched an internal investigation** into the company's workplace culture lead by ex-US attorney general Eric Holder
 - During the Uber board meeting to discuss the findings of the Holder report, board member David Bonderman makes sexist remarks about women and resigns shortly thereafter

TRAVIS KALANICK RESIGNS

Travis Kalanick resigns as CEO (June 2017)

Kalanick leadership is questioned after Bloomberg released a video of the executive arguing with Uber driver about Uber's new plans to lower fares

- The resulting investigation called for reviewing and reducing Kalanick's role in the company, and led major stakeholders to demand Kalanick's immediate resignation
- More than 20 staff members were fired as part of the internal investigation



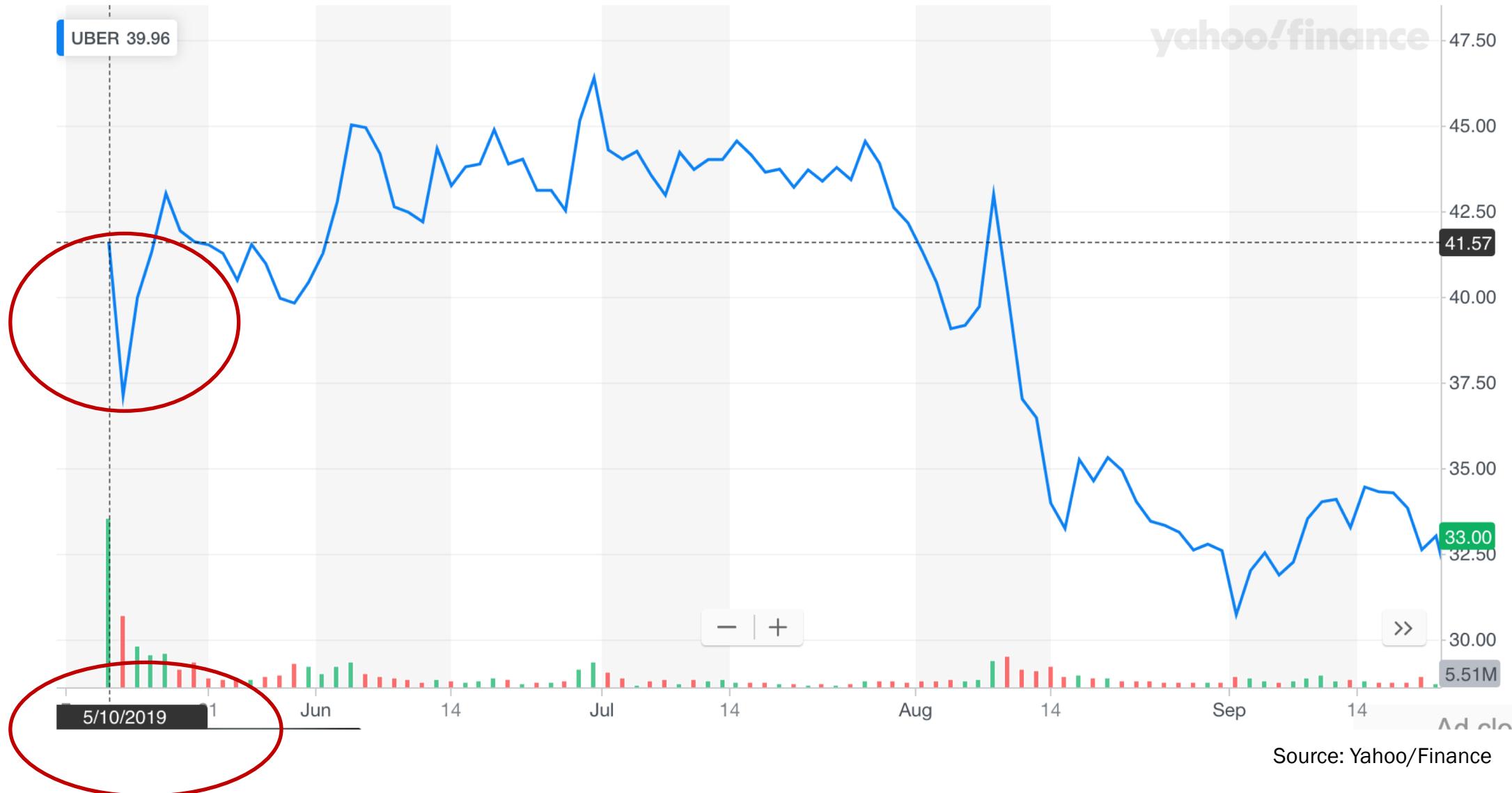
Uber's Cofounder and previous CEO
(TechCrunch 2014 / CC By 2.0)

UBER'S IPO (2019) DISAPPOINTS

Uber disappoints after shares fell below IPO price, valuing the company at significantly less than the \$100bn it had hoped ²²

- The 9th worst IPO debut in history in terms of share price drop: prices fell more than 15% within the first few days of trading, reflecting concerns around Uber's profitability ²³
- Uber stock price has struggled further since its IPO, with shares down roughly 35% at the end of 2019 ²⁴

UBER'S IPO DISAPPOINTS



NEW SERVICES

- Although the app is known for its ride hailing business, **its most profitable business is UberEats** which generated \$1.5B in revenue in 2018²⁵
- The company has looked to expand beyond ride-hailing, and has acquired a majority stake in the grocery delivery start-up Cornershop
- Other services: **Uber Freight** and **Uber for Business**



Uber Eats

Source: Uber/ <http://tinyurl.com/sbwyko2>

NEW SERVICES

- Uber Launches new app in Chicago to connect workers to temporary shifts: **Uber Works**

"We believe a new, technology-first approach can provide faster and easier means for people to get to work, while offering greater insight into the many opportunities for work what are out there – improving the experience for workers and businesses alike," the company said.⁸



Uber CEO Dara Khosrowshahi
(TechCrunch 2018 / CC BY 2.0)

UBER'S FAILURE IN THE CHINESE MARKET

- Uber failed to enter the Chinese market^{26 27}
 - Uber was late to the market, where Chinese rival **Didi Chuxin** already had more than 80% market share in China's ride-hailing business
 - Didi's advantage laid in its solid knowledge of the Chinese market
 - In order to gain market share, Uber subsidized its riders heavily, losing \$1 billion a year deciding to compete on price
 - After two years in the market, Uber chose to leave due to mounting losses

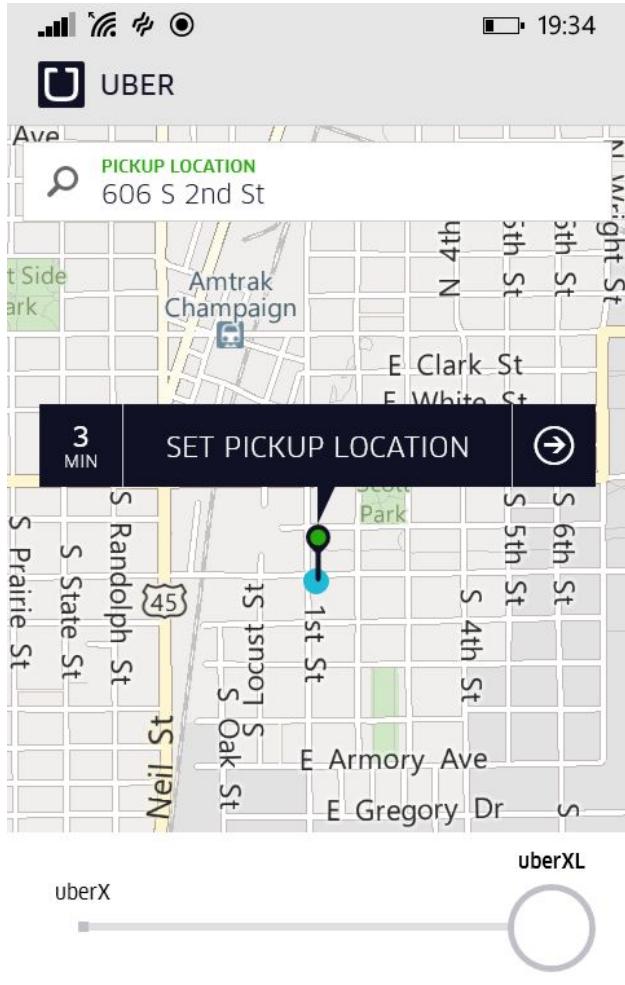
STRONG COMPETITION AND OTHER CHALLENGES



- Uber faces strong competition with Lyft, second in the ride-hailing industry
 - Uber is struggling to keep drivers. Lyft had \$1.9M drivers in the US, compared to Uber's \$1M²⁸
 - Drivers favor Lyft after pay cut protests because of Lyft's industry led initiatives towards better working conditions such as in-app tipping, same-day payments, and other benefits (no-fee bank account and debit card for drivers, discounted car-repair services and expanded car rentals)
- Uber's independent contractor-based business model faces new challenges after new California law passed in September 2019 ⁸

EXHIBIT 1

I



Uber

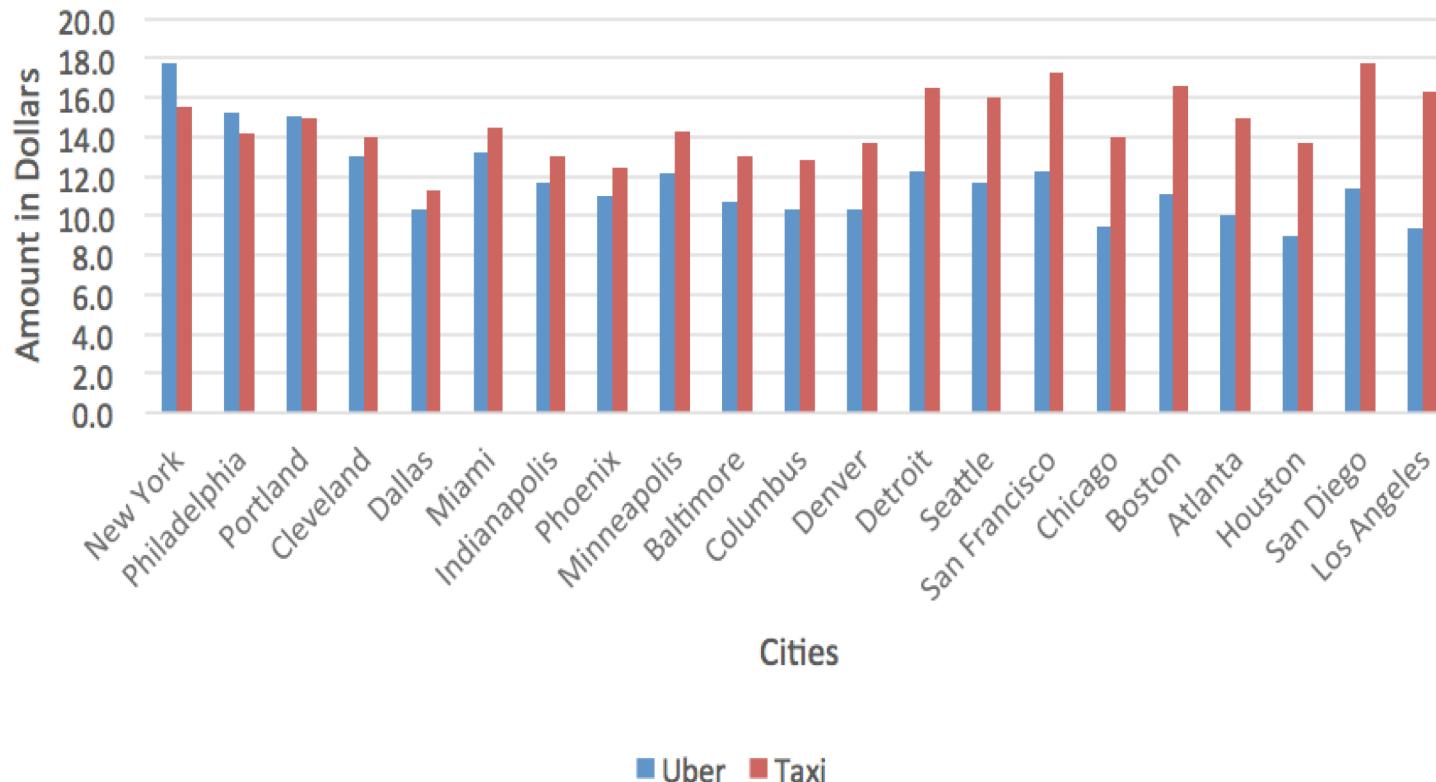
Uber's Application in a Smartphone

Screenshot of the Uber smartphone application interface. Customer is choosing a pickup location in Champaign, Illinois.

EXHIBIT 2

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Uber vs Taxi Fares in Major US Cities



Uber Fares Compared to a Standard Taxi

A comparison of Uber and Taxi fare for a sample trip of 5 miles with no idling.

Source: Uber, Taxifarefinder.com

EXHIBIT 3

I



Uber Fares Compared to a Standard Taxi with 20% Tip

A comparison of Uber and Taxi fare (including a 20% tip) for a sample trip of 5 miles with no idling.

Source: Uber, Taxifarefinder.com

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