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Uber Integrated Shopping Assist

INTRODUCTION TO INFORMATION SYSTEMS

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1. Company Analysis

1.1 Competitive Strategy

Transportation network companies (TNC) is a term that has been used to classify companies such as Uber, Lyft, Wingz and many other similar businesses (Pcmag.com, 2019). There are many differences between traditional transportation services and services such as Uber, which is why the need for a separation in classification is necessary, “Uber is not a taxi service, per se. Drivers cannot pick up riders off the street who are hailing cabs. Instead, Uber is a car-for-hire service that relies on smartphone tech to dispatch drivers and manage fees. Also unlike taxi services, Uber drivers do not possess special licenses; rather, they use their personal vehicles to offer discounted-fare rides.” (Gil, 2019).

“Imagine a triangle formed by the following value propositions, ‘cheap,’ ‘fast,’ ‘quality’ (Foxall 2014). Startups and early movers usually chose one or two of them in order to position themselves. At its start, Uber relied on two value propositions, ‘fast’ and ‘cheap.’ It had to be fast in order to attract customers willing to defer from the usual waiting for a cab or standing in line for a taxi and it had to be cheap in order to appeal to the clients’ monetary preferences.” (Schneider, 2017) As Schneider points out, Uber must have some appeal in the market of transportation if they are to compete with the already existing network of Taxicabs, the focus on fast and cheap service allowed Uber to break into the industry of transportation and establish their own network.

One of the components that contributes to the success of Uber is the utilisation of the technological advancements in the last ten years, specifically the development of smart phones and their geo-locating capabilities. Uber has utilised these advancements to provide a service that has gained popularity and competes internationally in the transportation industry (Schneider, 2017). Uber provides a service that allows the customer to have a driver know where they wish to go and where they need to be picked up from all via the Uber app (UberTechnologiesInc, 2019), this showed exactly how technologically insufficient the taxi industry is and how a business such as Uber could capitalise on the refusal of rival companies to keep up technologically.

“In Uber's case both riders and drivers need to be present on the platform in significant numbers. Building this network is costly and also means that small initial advantages can prove impossible to catch-up because if the network effects in the first mover's platform have already kicked in and reached critical mass, this platform is much more attractive for new users and will likely increase the gap to new competitors.” (Zupic, 2017) Ivan Zupic talks about the competitive advantages of having an established network and the barriers to entry that exist for rivals once a network has been established, these factors play a huge role into how Uber has maintained their success over the years since its launch.

A large contribution to the success of Uber’s business model can be attributed to the rating system. The system has been implemented to act as an incentive for drivers to act polite, provide a high quality service, and to promote cleanliness in the vehicle. The rating system allows both the passenger and the driver to rate their experience, and an average of all ratings received is displayed on one’s profile, which allows drivers and passengers with similar ratings to be paired together. (Uber, 2019)

Uber has spent quite a large amount on lobbying in the US to ensure that their company’s interests are represented and can continue to operate in the way that they see fit. “Uber spent $2.3 million on federal lobbying in 2018, up from about $1.8 million a year earlier. In 2013, the first year it lobbied in Washington, Uber spent a mere $50,000, the disclosures show.” (Nix, 2019) These actions are part of Uber’s competitive strategy as they allow Uber to operate with as little limitations as possible, further solidifying their position as the #1 TNC in the market.

1.2 Mintzberg Classification

The organisational form that best represents Uber's business operations is the 'Machine' classification according to Mintzberg's organisational form (Beynon-Davies, 2013). Uber has a very centralised power for decision making, their head offices are in most major cities and they govern how each driver operates in that area. The drivers have highly specialised tasks and perform the same routine in a very formalised procedure and the rules are very strict on what the driver can and can't do. The communication between the drivers, customers, and staff of Uber is done in a formalised manner with certain restrictions on how the drivers can communicate with the customers.

1.3 Porter's Value Chain model

1.3.1 Primary Activities

Inbound Logistics

Given the nature of the type of business that Uber is, inbound logistics must be understood in a less literal sense, such that there is no product or raw materials that are being acquired by the business, but rather information that is gathered and translated into physical actions. The information gathered by Uber that can be related to inbound logistics is the information the customer provides when trying to organise a ride. The customer must enter details such as where they currently are and where they want to go, as well as what vehicle they wish to ride in. This information can be used in the business operations to fulfil the customers' needs resulting in payment to Uber. (Beynon-Davies, 2013)

Operations

The operations relate to how the information gathered from the customer is translated into actions performed by the employees (drivers) of Uber. The details the customer provides to Uber when trying to obtain a ride are translated into directions given to the drivers on where to pick up the customer and where to take them. The driver uses a smartphone to have a map displayed giving directions to the customer's desired location. (Beynon-Davies, 2013)

Outbound Logistics

When the driver arrives at the destination the customer's account gets charged and the driver makes themselves available for the next job. The customer is then able to rate the driver on whether they were pleasant and if their ride was enjoyable. The information given by the customer directly effects how the driver's work is allocated to them as a drop in their rating will reduce the amount of work that they will receive. (Beynon-Davies, 2013)

Marketing and Sales

Uber markets themselves mostly online, they have ads on popular apps such as YouTube and Facebook. Given the fact that Uber is providing a service that competes so strongly with the Taxi industry in price, quality of service and ease of use, it comes to no surprise that a significant portion of Ubers rise in popularity is via word of mouth. The controversy surrounding Uber since its arrival to the transportation industry has plastered the name on most media sites, which results in the business becoming more well known by the public. (Beynon-Davies, 2013)

Service and Support

Uber's support takes form in the application as the ability to communicate with Uber's head office support staff to resolve issues with payment or report issues with a driver who has breached policy or provided a low quality service. The application plays the role of providing the service to the customers as there is no customer service representatives in Uber's business model. It could be argued that the driver plays the role of the customer service representative, but in actual fact the driver is a separate entity as they are not an employee of Uber but rather a contracted service provider. (Beynon-Davies, 2013)

1.3.2 Secondary Activities

Human Resource Management

Uber uses their application to allow potential drivers to apply to be contracted to drive for Uber, a face to face interview is required to screen potential contractors to see whether they are viable to work for Uber. Customers are handled strictly on the application and generally are not required to visit the head offices. In summary the human resource management is handled differently depending on whether you are a driver or a rider, most of the human resource management takes place on the application. (Beynon-Davies, 2013)

Corporate Infrastructure

The corporate infrastructure refers to the offices that Uber establishes in most major cities internationally. Uber generally operates out of a few head offices in each city and all administrative duties are fulfilled within these premises. Uber operates out of a head office located in San Francisco, California to host almost all of the corporate activities, otherwise all other administrative duties such as contractor screening are conducted in the local head office of each city that Uber operates in. (Beynon-Davies, 2013)

Technology Development

The R&D for Uber takes place in their corporate environment and allows for further development of their application and operating business model. The introduction of new sectors of Uber such as UberEATS allows for the fulfilment of different services and allows for increased revenue. (Beynon-Davies, 2013)

Procurement

There is little to be procured with the business model that Uber employs. It can be assumed that they must procure all the office equipment such as desks, chairs, computers etc. but as far as a product being procured there really isn't any. One could potentially refer to the contractual agreement being established with the drivers as a form of procurement, and if so that is done in the head offices following an application being received from a potential contractor (driver). (Beynon-Davies, 2013)

1.4 Porter's Five Competitive Forces Model

Bargaining Power of Customers - Medium

The customers have power in that they have the ability to give a rating to the driver once the service has been completed. The rating system gives incentive to the drivers to provide a service of higher quality to avoid the threat of a low rating. If a driver's rating falls below a certain threshold they will be provided with less customers, and in some cases their rating can fall so low that they will have to report to the head offices to receive disciplinary action. (Beynon-Davies, 2013)

The justification for a 'Medium' rating is that the customer cannot bargain prices or any other aspect of the service, only the rating they can give to the driver upon completion of services.

Threat of Substitutions – Low

The substitution of taking an Uber would be potentially using a rival service such as Wingz, Ola or Lyft. But as mentioned previously in the competitive strategy of Uber, they possess a very established

network of drivers and the incentives for customers to use a rival service are few because of that. (Beynon-Davies, 2013)

Bargaining Power of Suppliers - Low

In the case for Uber we will refer to the drivers as the 'Suppliers'. The bargaining power for the suppliers basically does not exist, there is no room for negotiation in terms of how much they are paid or how they conduct their services. There are many substitutes for any individual driver so the power they possess is nil. Furthermore, the drivers are not considered employees, so they are not entitled to employee entitlements such as annual/sick leave. (Beynon-Davies, 2013)

Threat of New Entrants – Low

There are many barriers to entry if one was to attempt to compete with the already established networks such as Uber, Wingz, Ola or Lyft. These barriers to entry include large capital investments into marketing and infrastructure to just be able to break into the market, and even then the new entrant would have to compete with an established network that offers a service that will most likely provide a higher quality service than a new entrant would financially be able to provide. Potentially in rural areas that these services do not yet occupy a new network may establish their business, but Uber is ever-expanding into new regions and would most likely over-run these new entrants very quickly.

A company such as Google would be able to compete with Uber if they were to break into the industry of transportation, as they possess the technological and the financial ability to develop a high quality service. (Beynon-Davies, 2013)

Rivalry - Medium

The rivals to Uber include Wingz, Ola, Lyft and many other businesses that vest their interest in transportation. The justification for a 'Medium' rating for rivalry would be to do with the fact that Uber has a highly established network of drivers and riders, other businesses would need to offer a service that competes with the service that Uber provides. Uber also provides services such as food delivery, which only stands to increase the financial gain of the company, which in turn can be reinvested into increasing the quality of their service. To compete with Uber would require some competitive advantage whether that is through price, quality or some aspect to draw focus away from the already incredibly established company that Uber is. (Beynon-Davies, 2013)

2. New Information System

2.1 Identification / Requirements

Uber could incorporate a new service that takes the form of a delivery service, but unlike the already established UberEATS, it would provide the ability for customers to have specific items be purchased and delivered to them within the hour via the application. An example would be if a customer is in the process of cooking a meal, only to realise that they are missing a key ingredient, unable to leave their kitchen due to being in the process of cooking, they could order a driver via the application to visit the grocery store and purchase their missing ingredient, have that ingredient/s delivered to their door and payment be made through the application.

This service would open up a new avenue of profit for Uber, and fulfil a niche that hasn't been broken into yet in the delivery industry. This process would act as a primary activity according to the Porter's value chain as it would directly result in the increase of profits for Uber. The stakeholders of this new system would be almost identical to that of the traditional delivery service UberEATS, but instead of a restaurant it would be the grocery stores that opt in to this service. The stakeholders are as follows:

I. Drivers
    i. The drivers gain to benefit from the increased workload allowing for increased pay.
II. Customers
    i. Customers directly benefit from this system allowing for a new avenue of delivery services available, the ability to have grocery items delivered within the hour is not a market that has been broken into by any major company yet and would greatly increase the quality of life for potential customers.
III. Grocery Stores
    i. Grocery stores that opt-in for this service would receive increased profits along with higher amount of customers, even potentially customers who previously would not purchase from their store due to the inability to have items delivered.
IV. Uber
    i. Uber stands to gain from this by having another avenue of profitability and further increase their status as a household name. The implementation of this system could be the pioneer of this type of delivery service and breaking into the market early could help sustain their position as the #1 service for transportation and delivery.

2.2 Rich Pictures

Appendix Figure 1. (Beynon-Davies, 2013)

2.3 Process Model

Appendix Figure 2. (Beynon-Davies, 2013)

2.4 DeLone-McLean Model

Appendix Figure 3. (Beynon-Davies, 2013)

2.5 Identify Pros and Cons

Pros

I. New service for customers

The implementation of the new system could increase customer satisfaction with Uber and allow for increased traffic on their services.

II. Increased profits for Uber

A new avenue for profits is something that will benefit Uber greatly, opening the possibility for more sales and in turn increased growth in the company.

III. Increased sales for selected grocery stores

The grocery stores that elect to be part of the partnership with Uber would receive higher levels of traffic in their stores, this is both a tangible and intangible benefit for the grocery stores as they will receive increased sales and potentially increased popularity due to the convenience of the new system.

Cons

I. Potential system failure due to logistic complications

The system could potentially fail if the logistics is not handled correctly. Examples such as customers not receiving their groceries in the estimated time, incorrect items have been delivered or delivery drivers tampering with items could result in negative feedback and eventually refusal to use the system.

II. Selected grocery stores' reputations may be affected

The implementation could potentially affect the reputation of the grocery stores that elect to partner with Uber due to the fact that two major focuses that most, if not all grocery stores have is presentation and image, if there is a sudden influx of Uber delivery drivers flooding the aisles of said stores, it may cause the desirability from the customers to visit that store to decrease.

III. Potential for unreliable/inconsistent delivery drivers

It has already been reported that in some cases UberEATS drivers have tampered with deliveries and it would be incorrect to think that this problem wouldn't translate to the new system.

2.6 Success in new Information System

Efficiency

The new system could be more efficient at the goal that is trying to be achieved by implementing the system. Specifically, how the application interacts with the driver directly and instructs the driver to fetch the items from the shelf. A more efficient approach would be if the items were gathered by the staff of the grocery store and the driver arrived when the order is ready to be picked up. This change would increase the overall efficiency of the system and would operate much like the pre-existing UberEATS. (Beynon-Davies, 2013)

Efficacy

The new system would deliver items directly to the customer in a time frame of an hour or less, this style of instant delivery shopping has not been broken into by any other transport company as of now and would provide a great service to the customers of Uber. It is questionable whether this system will have a high degree of efficacy as there are a lot of variables that go into how well received it will be by the customers of Uber. There seem to be a potential for a large degree of variable results that could contribute to a negative consensus on the new system. (Beynon-Davies, 2013)

Effectiveness

The proposed system would be a subsystem of Uber's main division (transport). It would be an effective method of delivering groceries to the customers of Uber. Compared to the traditional grocery delivery services, UberGROCER boasts to have the groceries delivered within the hour. This system will be highly effective at delivery groceries to the customer in a short timeframe compared to the traditional services available. (Beynon-Davies, 2013)

2.7 Classification in new Information System

UberGROCER would be considered both a back-end and front-end system as the system deals with the consumer directly as well as the contractors who fulfil the delivery duties. The front-end aspect deals with the consumers and allows them to place orders and enter their details such as their address and their card details to make payment. The back-end aspect is the part of the system where the information supplied by the consumer is processed and translated into a job for the contracted delivery driver to fulfil. (Beynon-Davies, 2013)

3. Conclusion

In summary, we have found that the current system that Uber has implemented shows a high level of success, but we anticipate that the new proposed system would build upon the success and provide a more comprehensive service to the consumer. Uber's competitive strategy relies upon building a service that offers a competitive price, but remains at a high level of quality (Schneider, 2017), the incorporation of the proposed system would be aligned with that ideology and would offer services that have not been fulfilled by any other major transportation service as of now. The analysis of the competitive forces show that Uber has a lot of power over their customers, and over their rivals, market dominance can be achieved if the correct approach is taken. Reaching into other demographics would further increase Uber's profits and allow for increased overall system quality. As we have discussed, Uber lacks in the area of service and support, unfortunately the new proposed system does not resolve this issue. To ensure that Uber does not lose the share of the market it would be advisable to incorporate better service and support teams in the future.

4. Recommendations

To ensure that the proposed system is implemented with a high chance of success we advise Uber to take the correct approach in researching how the system can be aligned with the needs of their customers. We also recommend that Uber spends more resources into the support and service teams as the consensus is that Uber is lacking in these areas, many reports of the inability to receive refunds on items that weren't delivered is resulting in Ubers market share decreasing. The proposed system could recapture a lot of the market share that is being lost due to the endless stream of rivals entering the market. Uber has solidified their position with the implementation of UberEATS and are constantly developing new avenues of service to stay relevant in the market so the implementation of this system would fit perfectly in the business strategy that Uber has used previously.

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6. Appendix

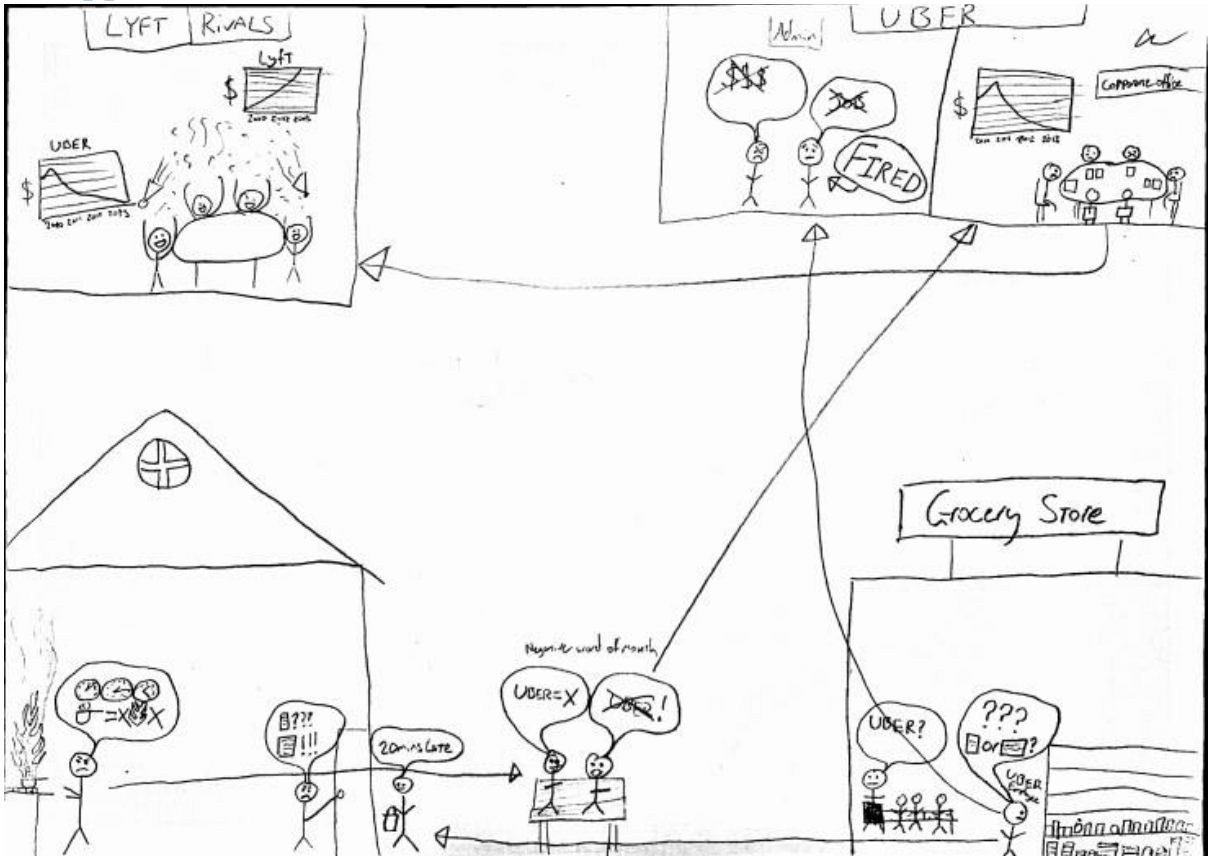

Figure 1 – Rich Picture showing the dysfunction of the system resulting in lower profits for Uber and increased profits for the rival company Lyft.

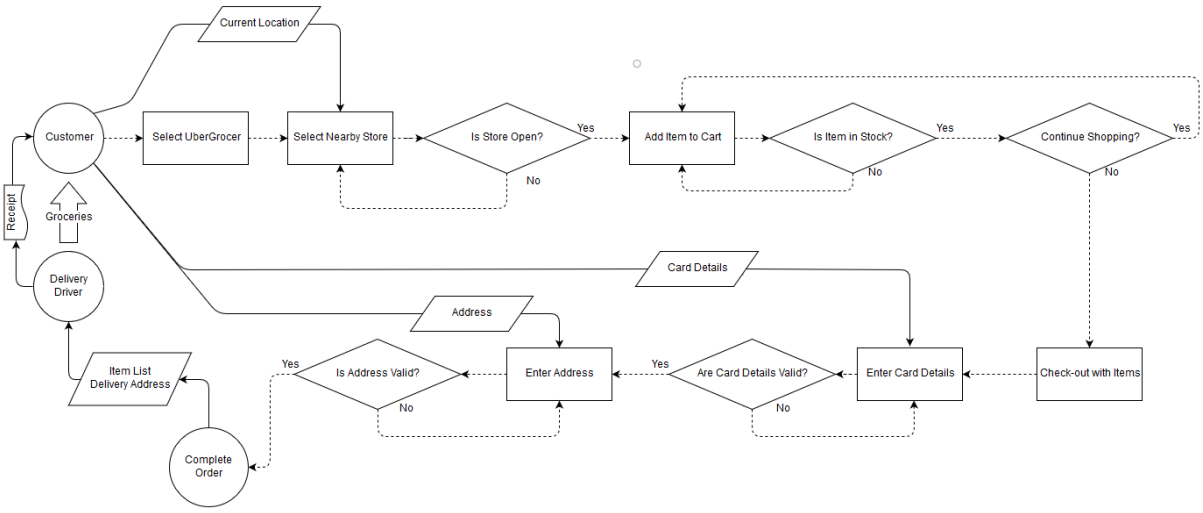

Figure 2 – UberGROCER BPMn

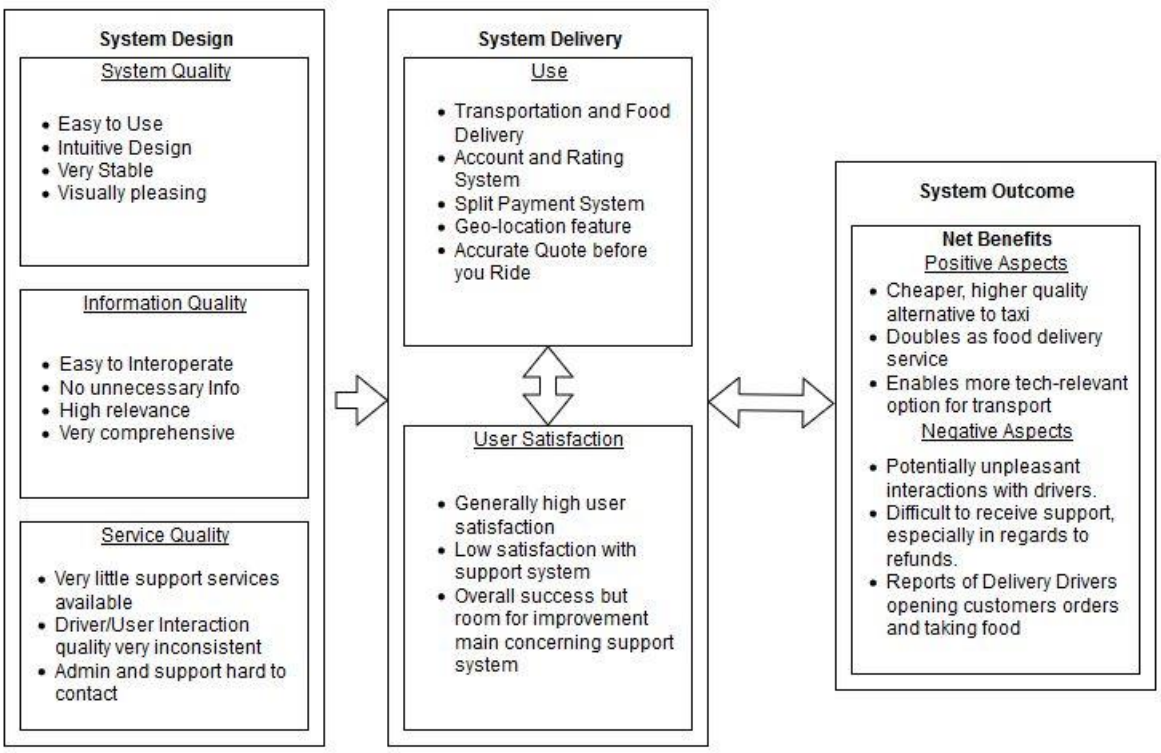

Figure 3 - DeLone McLean model for Uber's existing system