



**LaSalle College**  
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## **Introduction to e-Business**

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"Uber and His Market Changing Technology"

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## **What is Uber?**

### **Definition and History**

Uber is an American international transportation network company headquartered in San Francisco, California. It develops markets and operates the Uber mobile app, which allows consumers to submit a trip request which is then routed to sharing economy drivers. As of May 28, 2015, the service was available in 58 countries and 300 cities worldwide. Since Uber's launch, several other companies have emulated its business model, a trend that has come to be referred to as "Uberification".

Uber was founded as "UberCab" by Travis Kalanick and Garrett Camp in 2009 and the app was released the following June. It raised \$49 million in venture funds by 2011. Beginning in 2012, Uber expanded internationally. In 2014, it experimented with carpooling features and made other updates. It continuously rose additional funding, reaching \$2.8 billion in total funding by 2015. Many governments and taxi companies have protested against Uber. Protests against Uber allege that its use of unlicensed, crowd-sourced drivers is unsafe and illegal. It is estimated that Uber will generate 10 billion dollars in revenue by the end of 2015. <sup>1</sup>

### **Uber's Technology**

Uber Technologies, Inc. provides a smartphone application that connects drivers with people who need a ride. The company's application enables users to arrange and schedule transportation and/or logistics services with third party providers. Uber Technologies serves customers in North, Central, and South Americas, as well as Europe, the Middle East, Africa, and the Asia Pacific. The company has a strategic partnership with Alexandria Real Estate Equities, Inc. Uber Technologies, Inc. was formerly known as UberCab Inc. and changed its name to Uber Technologies, Inc. in October 2010.<sup>1</sup>

### **Uber's Strategy**

Uber's marketing strategy focuses on word of mouth generated from both customers and drivers. A key part of the strategy leverages the opinions of drivers as a recruiting tool. Uber drivers are the frontline in recruiting new drivers and customers. Uber drivers are the company's marketing department.<sup>2</sup> They are the ones who convince customers to try the Uber experience. Uber understands that its first fans aren't necessarily expensive celebrity "brand ambassadors" or even customers, but its own people. Brand Love starts inside not outside the company.<sup>3</sup>

Mission Statements – Uber - evolving the way the world moves.

Evolving by seamlessly connecting riders to drivers through the app.

### **Advantages**

- ✚ Easy to start (no license);
- ✚ Individual business: Uber drivers are partners, not employees (have full control, schedule included);

- ✚ Uber drivers earn more than taxis (simple cost structure);
- ✚ Uber service is easy to use (through smartphone app);
- ✚ A cheaper ride compared to Taxis: Uber's structure is simpler, therefore generating lower costs which allow them to propose a lower price;
- ✚ Uber doesn't have to pay fees as they are not taxi service operators (they don't belong to any taxi union);
- ✚ Reliable arrival time and fare.

### **Disadvantages**

- ✚ Customers:
  - **“Surge pricing”**: it's a method of pricing in the free market that involves the raising or lowering of prices, or in the case of UBER, cab fares, depending on supply and demand -- which means specifically, for UBER customers, how many cars are available (supply), and how many passengers want to ride in them (demand). Sometimes prices for UBER services, depending on the intensity of demand, are increased by a certain percentage, and at other times they could even be doubled or tripled, and these fare hikes take effect during periods of high demand for cars (e.g. rush hours, dates of concert events, and during rain and snow storms)
  - **Safety concerns** have also emerged in many cities and states where the transportation industry regulations are lax and average citizens can easily enter the E-Hail network as service providers. Although this has a positive effect by increasing the supply of drivers, these drivers might not be as motivated, because of the easy access to the E-Hail network, to reach high standards of professionalism and safety.
- ✚ Drivers: If we think about it, low prices can negatively impact drivers' earnings. Even if the app used by customers is considered as user-friendly, it is important to remember that drivers are the ones providing the service in the name of UBER. Consequently, they bear most of the costs associated with the service (e.g. fuel and repairs). Initially, drivers used to rely on the surge prices to make up for low fares (as compared to those for limousine or car services) and not so often trips (as compared to those of taxis). However, with the continued intake of new drivers by UBER and its competitors, and their price competition, drivers' average earnings are being pushed downward. This means that drivers have to work longer hours to earn an income comparable to what they would have earned a year or two years ago. Unfortunately, while this means that there's a larger supply of drivers, longer hours behind the wheel will jeopardize the safety of both drivers and passengers. These conditions, coupled with customer trip cancellations, which can cause a driver to miss opportunities to make money during the busiest hours, can have a negative impact on drivers' earnings and morale.
- ✚ Industry: Price competition is destructive for any industry, even for one that is already providing an invaluable service and many value-added benefits to the market. UBER promotes the expectation of a first class limousine service for less than taxi prices at the

expense of the drivers. Increasingly, UBER is engaged in an intense battle to provide the cheapest service. Unfortunately, this battle is being fought on the backs of drivers, who bear most of the expenses. Ultimately, this can only add to the stress of drivers (just as it did in the Yellow Cab taxi enterprise), and this, if not corrected, will bring about poor service in the long term. UBER services are directly competing with the existing taxi and limousine or car services for both customers and drivers. This has led to the drop in taxi medallion and black car prices for example, in New York. That is good for drivers, but bad for the traditional taxi and car service groups.

### **Challenges Involving the Implementation of the Technology**

✚ Legal: Uber Technology is the subject of ongoing protests and legal action from taxi drivers, taxi companies, and governments around the world. Uber is "mostly illegal in most jurisdictions." On January 2014, cab drivers in Paris attacked an Uber driver's car near Charles de Gaulle Airport, protesting competition from the transportation startup. On June 2014, in a concerted action, taxis blocked roads in major European cities in protest against what they perceive as a threat to their livelihoods from companies such as Uber. The cabbies contended that Uber and similar smartphone app-based services have an unfair advantage because they are not subject to the same kinds of fees and regulations placed on taxis. In December 2014, Uber was banned in Spain, Belgium, and in two cities in India. Uber continues to be involved in disputes with several governmental bodies, including local governments in the U.S. and Australia. Also company is involved in at least 173 lawsuits. As of mid-2015, protests had been staged in Germany and the United Kingdom. On July 24, 2015 a thousand taxi drivers in Rio de Janeiro blocked traffic during the morning rush hour protesting Uber's expansion there. (Lawmakers have voted to ban Uber in São Paulo and Brasilia).<sup>4</sup> On August 21, 2015 Uber started operations in Costa Rica. That same day the government asked the taxis for "help" to locate all Uber drivers. This call resulted in traps set by the taxis and even the vandalism of an Uber driver's car. Uber stated that it will help and pay for all the inconvenience caused to their drivers. On 22 March, 2016 thousands of taxi drivers in Jakarta demonstrating against Uber and similar service. Taxi drivers accused that those companies causing them to receive smaller daily income because of reducing users that had more interest to use those applications. They also demanding the government to ban the apps and to issue government decree concerning on this problem. Governments have been largely unable to stop Uber's operations in their jurisdictions because its operations are conducted primarily over the Internet.<sup>1</sup> The only one government who able to deal with Uber is South Korea's. In May, Korea passed legislation banning private car drivers from operating like a taxi, citing concerns over Uber's lack of checks on drivers, their failure to get proper insurance, and mobile phone numbers and credit card numbers possibly being "leaked" by the app. This killed off UberX, but it hasn't hurt the limo-like UberBlack. Uber CEO Travis Kalanick cannot risk

entering the country to begin negotiations as he has been indicted twice by Seoul's police force "on suspicion of conducting an illegal business."<sup>5</sup>

✚ Cultural: Basically Uber has only two cultural challenge – customer's rejection and habit. Client, actually, might not be comfortable with getting in the car to a stranger, while all taxi drives are registered in Taxi Company. As for the habit, a lot of people used to use public transport, instead of pay for cab. To overcome this challenge The Company offers different services. One of the examples is woman driver. To protect woman from sexual assault Uber in collaboration with United Nation Women had planned to create job for 1 million women to encourage them to sign up as Uber drivers. Unfortunately, under the pressure from trade unions and women's rights organizations, executive director of UN Women has publicly cancelled the collaboration.<sup>6</sup> Another example is special app for deaf drivers. Once a driver chooses to turn on the special features by flipping a switch inside the app, a light will flash when a new trip is requested in addition to the existing audio cue. The option for passengers to call the driver will be blocked; riders who want to provide special pickup instructions are given only the ability to text. The app also adds an extra screen for passengers to enter their destination alongside a note that lets them know their driver is deaf or hard-of-hearing. Now this feature has about 40 deaf drivers across the U.S.A.<sup>7</sup>

✚ Technical. To create Uber app and make it work correctly was a challenge in itself. For the company like Uber to create app that would connect a client with a certain car rapidly represents a big algorithmic challenge. It means that the Uber Server should in a seconds match the particular client with the best possible driver. For instance, even if this driver is a little bit farther away, he may be a better choice than a slightly closer driver, because he is better reviewed and would provide better service. This type of logic can quickly become very complicated when dealing with thousands of matches per second. As it becomes really popular, scaling the application to service millions of people also was a challenge. Another challenge that the company faces is related to localization. It means that they have to abide by the specific conditions of every single city they operate in, for example in Beijing in 2014 Uber only allowed customers to pay with international credit card or PayPal; this represented a risk that Beijingers would not be willing to use only these two methods. A really big and hidden challenge for the Company was – Big Data Analysis. As people use the service more and more, Uber starts to receive tons of information. For example, where people use rides, at what time, in what area, and so on. The challenge was to use this information in the most efficient way to optimize the price of the rides, provides a better service and does Uber's target marketing more efficiently by knowing their customers and their habits.

### **Comparison of the 'Before' and 'After'**

While Uber is revolutionizing our idea of an ideal taxi service and winning new fans every day, taxi drivers are furious because they are losing the power. As listed below, the comparison

between the service before and after Uber is huge, and the concern taxi drivers are totally understandable:

✚ Before:

- Passenger waists time calling the taxi company or trying to get a taxi on the street.
- Passenger doesn't know how much the ride will cost.
- Passenger has to pay at the end of the ride, usually by cash.
- Lower quality of service.
- Passenger doesn't know who will be the driver or the car.
- The taxi company knows only the name and the phone number of the passenger.

✚ After:

- Passenger can use the app to order the ride.
- Before Uber arrives the passenger is informed about the approximate cost of the ride.
- The payment is automatic you do not need to have money on yourself; the passenger doesn't need to give the money or any other information to the driver.
- High quality of service: driver's well-dressed new cars, comfort, music, water, etc.
- Discounts for new users.
- Professionalism and organization.
- Uber knows who the passenger is and how to find him.
- No tipping by the customer.

**Added Value Offered by the Technology**

Actually, Uber value is estimated around \$51 billion dollars, and all of this only with the technology, without owning any cab. Uber has also added intangible values that are making a huge difference in the transports world. Some of the added values are:

✚ Added value to the customers: Uber wants to add value for everyone who wants to go from a place to another with quality and good cost benefit. Uber is useful for customer that wants a simple ride, a luxury ride, to share the ride to reduce costs (UberPool), or even to travel with a group (UberXL).

✚ Quality: Starting from the point that Uber offers luxury cars, the customers also receives an excellent service. Also, the service is very quick, the customer do not need to call for the company or waists time trying to get a taxi on the street, he can do it from a smartphone and just wait a few minutes. Another point that increases the quality and adds value is the payment method, the payment is easy and quickly made by the card, avoiding embarrassed situations.

✚ Costs: Uber costs are lower to the driver and to the customer. For the driver, the cost is low because he does not need to spend time driving and looking for new customers on the street, they have more flexibility of working hours, and they do not need to by a special vehicular equipment. For the customer, the cost benefit of the service is great because usually Uber has a lower cost than a regular taxi. Another reason is that the

app shows to the customer a preview of how much the ride is going to cost. Also, the system allows the customer to pay for it by credit card or PayPal, and more than that, the payment is automatically done by the app when the customer arrives at the destiny location.<sup>8</sup>

### **How it Influenced the Business Model**

Besides all qualities and advantages presented by Uber, this technology is changing the transport industry and the business model. This new business model has the idea that to be happy is necessary to keep the balance between work and life, and that is one of the reasons that companies and customers are so interested in technology services. Technology services are the future of an easy way to solve problems, eliminating wasted time. Companies are aware of these market changes and are gradually adapting to the new business model. As example, the company's bellows are already following the Uber's model for new kinds of services:

- ✚ Wag!: It is a dog walking app. Through this app you can easily book some professional to walk with your dog. You can choose the professional in a map, see his picture and references, and better than that you can also follow your dog by GPS and at the end you receive a full update about everything that happened during the walk.
- ✚ Handy: it is a cleaning app that works basically the same way as all others that follow the Uber's model. When you need some cleaning service you have just to book it through the app and the contractor goes to your place to do the job.
- ✚ Move Hair: it is a beauty app that you can choose if you want to go to the beauty Centre or if you want to the professional to come to you place. Everything is done by one click.<sup>9</sup>

### **Conclusion**

To conclude, Uber Technology appeared suddenly. Before Uber, people used to think that the only option they have for a ride is taxi. Uber changed a market rule by ending taxi's monopoly and becoming strong competitors.

The biggest lesson Uber Company teaches, is no matter how saturated market is, there is always a niche for a new business.

In spite of all advantages, there is one huge and significant disadvantage – Uber is not a registered company, they do not pay any taxes including insurance. This could become a big issue in case of an accident. The drivers who represent Uber Company do not have a license, so the customer can not be sure of the driver's experience.

To prevent the entire dispute between Taxi Company and Uber, we recommend them to negotiate and find common ground that can brings benefit to both sides including customers.

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