
Case-Uber

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Consider the case of Uber

- **History**

- Founded in 2009 by Garrett Camp and Travis Kalanick as “UberCab”
- Met at LeWeb in Paris, France in 2008, Camp wanted to solve the Taxi problem in San Francisco
- Original pitch split the cost of a driver, Mercedes S Class, and a parking spot with an iPhone app
- January 2010, service was first tested in New York
- Service launched in July 2010 in San Francisco
- From May 2011 to February 2012 Uber expanded into Seattle, Boston, New York, Chicago, and Washington D.C.
- First international expansion in Paris, France in December 2011

Founders

- **Garrett Camp**

- Graduate from University of Calgary, Bachelors in Electrical Engineering and Masters in Software Engineering
- Founder of StumbleUpon, a web-discovery engine which he sold to eBay for \$75 million in 2007
- Also founded Expa in 2013, A startup studio that works to develop and launch new products



- **Travis Kalanick**

- Dropped out of UCLA in 1998, founded Scour Inc. with some classmates
- Founder of Scour and Red Swoosh, peer-to-peer file-sharing companies
- Scour filed for bankruptcy in 2000 to protect itself from a major lawsuit
- Serves as the current CEO at Uber



Investors

- Lowercase Capital
- First Round
- Menlo
- Benchmark
- Goldman Sachs
- Google Ventures

The Business Model

- Uber acts as a middleman between drivers and their clients
 - Uber takes 20 percent of each driver's earnings
 - Controls rate and can raise or lower as they please
 - Drivers are responsible for gas and repairs
 - Until March 2014 they were also responsible for insurance, but now Uber does that.
- Clients rate the drivers
 - Ratings encourage competition between drivers
 - Better ratings = more clients = more money
- Drivers also rate the clients
 - Which has led to unfriendly clients being shunned
- Uber's presence has resulted in protests and unionization by drivers in many cities
- Uber does not require drivers to have a commercial license

Early Partnerships

- AT&T
 - Uber app is built into the new AT&T android phones
 - AT&T users will also get discounts
- NFL Players Association
 - Players get \$200 worth of credits
 - The NFL markets Uber as a safe alternative to driving home
- GM and Toyota
 - Financing and leasing deals for Uber drivers
- American Red Cross
 - 20% of total fare will go to Red Cross Disaster Relief Fund

Challenges

- Uber has faced scrutiny over taxi regulation worldwide
 - (AUS, BEL, CAN, GER, POL, ROK, UK, USA, and IND)
 - Taxi service is a highly regulated industry that usually requires licenses and inspections for the cars as well as for the drivers.
 - They also often require special insurance, which Uber originally did not, but now does carry.
- Taxi commissions, drivers, and owners, in many cities have protested
 - Many states and municipalities have sent Uber cease-and-desist letters
 - Including Massachusetts, Virginia, and San Francisco
 - They accuse Uber of using unauthorized measurement methods to charge fares as well as other violations of the Taxi regulations.
 - San Francisco and Massachusetts have since reversed those actions, as national standards were changing and public pressure was put upon officials by Uber users and operators as well as by other entrepreneurial leaders who saw this as an attempt to stifle innovation.
- Uber has also suffered from some adverse public relations
 - Drivers with criminal records
 - Drivers denying service to the disabled
 - Car accidents including those involving pedestrians

Some have criticized Uber's Ethics

- Used fake code, Greyball, to trick municipalities like NYC that wanted to regulate Uber to hide drivers identities and locations.
- Used social media to create political pressure on regulators.
- Violated Apple's rules by "tagging" iPhones to be able to identify them –even after the Uber App was deleted and the iPhone wiped.
- Was accused of maintaining a climate of sexual harassment at headquarters.

"Uber is grappling with the fallout. For the last few months, the company has been reeling from allegations of a machismo-fueled workplace where managers routinely overstepped verbally, physically and sometimes sexually with employees. Mr. Kalanick compounded that image by engaging in a shouting match with an Uber driver in February, an incident recorded by the driver and then leaked online. (Mr. Kalanick now has a private driver.)"

"The damage has been extensive. Uber's detractors have started a grass-roots campaign with the hashtag #deleteUber. Executives have streamed out. Some Uber investors have openly criticized the company."

"Mr. Kalanick's leadership is at a precarious point. While Uber is financed by a who's who of investors including Goldman Sachs and Saudi Arabia's Public Investment Fund, Mr. Kalanick controls the majority of the company's voting shares with a small handful of other close friends, and has stacked Uber's board of directors with many who are invested in his success. Yet board members have concluded that he must change his management style, and are pressuring him to do so."

New York Times; April 23, 2017

<https://www.nytimes.com/2017/04/23/technology/travis-kalanick-pushes-uber-and-himself-to-the-precipice.html>

How is it going?

- Uber has expanded rapidly over seven years
 - Currently in over 100 cities and 70 countries
 - Market Cap of \$70 billion in the spring of 2017.
 - Constantly looking to expand (Ex: Las Vegas, Daytona, Jakarta, etc.)
 - Due to this growth, competition has grown
 - Uber does not have patents protecting their service
 - Lyft and Sidecar are almost identical services, just with different apps and prices
- Because Uber is a strong and well established brand they seem to maintain a solid competitive advantage over other entrants into the industry.
- They have been accused of unfair competition against its competitors.
- Expansion in China failed and they eventually sold to DidiChuxing
- They lost \$2.8 Billion in 2016 exclusive of the loss in China.
 - <https://www.nytimes.com/2017/04/14/technology/amid-questions-over-its-culture-uber-discloses-robust-financial-figures.html>

Business Model Comparison

Uber

- Company not licensed as taxi company
- Drivers do not need commercial license
- Drivers own cars
- Drivers provide gas and maintenance
- Company provides insurance –since 2014
- Rates are unregulated
- Drivers can refuse clients
- Clients rate drivers online
- Drivers rate clients online

Taxis

- Company licensed by government
- Drivers specially licensed by government
- Company owns cabs
- Company provides gas and maintenance
- Company provides insurance
- Rates are government regulated
- Drivers cannot (legally) refuse clients
- Nobody rates anybody