



UBER: IS THE PARTY STILL ON? (UNDERSTANDING THE STRATEGIES OF THE TAXI PROVIDER THAT HAS MADE HEADLINES FOR BOTH RIGHT AND WRONG REASONS)

Dr. Vandana Deswal

Assistant Professor, MSI, Janakpuri, New Delhi 110075.

ABSTRACT

Organizations bring forward lot of managerial potentials like initiative and innovation with risk taking abilities. To succeed in any business one needs to ethically optimize these abilities well. Every field is full of various success stories of startups. This case study is an endeavor to find the strategies that a successful company adopts and also the relevance of fair play. The ethical and moral grounds are also tested and questioned to illustrate their essence in business. Uber has come up as one of the fastest growing company in recent times and is also among the ones which are in the media for wrong reasons too. The contradiction it has made in the recent news headlines is a matter of study in itself. Once it is one of the fastest developing names in cab providing services and next its working is questioned after an unfortunate rape case in Delhi by one of its drivers. This paper is expected to bring in lot of discussion on the strategies and the policies of the company that have helped it grow and that it is expecting to take it out from the tide of litigations.

KEYWORDS: Business, Combative stances, Litigations, Strategies, Uber.

Introduction

Uber is an application-based cab providing and transportation company headquartered in San Francisco, California. This company takes requests for rides, forwards it to the drivers and supplies the service using a smartphone application in many countries. As on December 16, 2014, the service had expanded to fifty three nations and was valued at almost US\$40 billion. The success of business model has led to the phenomenon called as "Uberification".

It was in Paris in Dec 2011 that the company opened its first account outside of the U.S. and then in 2012 it went to Canada. The company brought out the Uber Garage initiative, described by as an urban transportation experiments workshop for finding innovative ways. In July 2012, in London, the company brought in a group of about 90 drivers who had Mercedes, BMW, and Jaguar vehicles and in US, it launched "Uber Ice Cream" program for on-demand delivery of an ice cream truck.

In Nov 2012, Uber was officially launched in Australia and in Jan 2013 in Singapore, the Asian tech hub. Next was Seoul with football player Koo Ja – Cheol becoming the first Korean to use the service in the city. The company brought in "UberCHOPPER", the helicopter ride service that it expanded in other countries. The company is now in South Africa and India too. It has another versions of its services like UberPop which allow users to connect with drivers who don't have professional cabs or licenses and UberPool that matches people going in the same directions and offers discounts on its usual services if you don't receive a match to your requirement. Incidentally, Uber calls carpooling as the future of the cab services.

For its promotions, the company brings in celebrities from various fields, gives rides in cars used in movies and collaborates with various groups like Mothers against drunk driving and celebrates various days like National Cat Day to deliver kittens and provides Christmas-tree delivery services. It has also announced its first sports deal.

It is facing lot of problems in various countries it is operating. Seoul, Montreal, Paris, Denmark, Thailand are some of the examples where it has been under the legal scanner though the company's officials are confident about proving it otherwise. For example, it operates economically since all payments are done through the application and it is not mandatory to own a taxi licenses or meter for being a part of it. Many countries have reportedly mentioned the absence of regulatory issues for the application; hence it is facing lot of opposition charges.

Despite all this, company is attracting substantial investments like Qatar Investment Authority, New Enterprise Associates and Lone Pine Capitals etc. It plans to put in this money into Research and Development, further expansion and enhancement of resources.

Findings: How it earns?

The phone app connects users to the cab; it provides navigation and payment information too. But the catch is drivers do not handle the payments, Uber does it exclusively by charging directly from the credit card of the customer at the end of the ride. Drivers miss on the gratuity. The prices are usually similar to other metered cabs, based on distance or time or both. Yet, another marked thing is the "surge pricing" on which it has applied for patent in USA. This is a way

where through an algorithm, prices surge based upon demand and has invited lot of flak as in holidays or bad weather days, prices surge and sometimes outrageously too.

Discussion: Case Study

Travis Kalanick did not build Uber into a global force by playing nice. Mr. Kalanick, the chief executive of Uber, a ride-hailing service, aggressively pushed the start-up into new markets, taking combative stances toward regulators and the powerful taxi industry — and the news media. But Mr. Kalanick and his team have begun to trade the art of Sun Tzu for a full-throated charm offensive. In January, Mr. Kalanick delivered a speech in Munich filled with talk about compromising with regulators he once sparred with, wanting to "make 2015 the year where we establish partnerships with new European cities." The company also released two rosy, data-heavy reports about the service's advantages on cities, drivers and communities. And on Friday, in an uncommon display of humility, Uber pledged to strengthen its user data privacy practices, acknowledging that "we haven't always gotten it right."

The striking reversal in tone comes at a crucial time for Uber, which once somewhat prided itself on its antagonistic attitude. The company is now valued by investors at over \$40 billion after the most recent round of financing, largely on the promise of rapid growth. To build a business worthy of that valuation, though, the company must prove to investors that it can continue its breakneck pace of expansion in markets abroad at the same rate it has domestically. And to reach those targets, the company will almost certainly need better relations with governments around the world.

Some of Uber's Legal Woes

Uber, which is now valued at roughly \$40 billion, has faced series of legal problems around the world, including widespread protests from taxi associations and accusations that the company does not meet national transportation rules.

IN THE UNITED STATES

OREGON DEC. 18, 2014

The company agreed to temporarily suspend its operations after the city of Portland accused the company of operating an "illegal, unregulated transportation service."

CALIFORNIA DEC. 9, 2014

Two California district attorneys filed a civil suit Tuesday against Uber, charging that the company misled consumers about the methods it uses to screen its drivers.

OTHER COUNTRIES

SPAIN DEC. 30, 2014

The company suspended operations after a judge had ruled that UberPop, the company's low-cost service, did not comply with Spanish laws and potentially amounted to unfair competition for taxi drivers.

SOUTH KOREA DEC. 24, 2014

Authorities indicted Travis Kalanick, Uber's chief executive, in connection with licensing laws that forbid rental car companies from operating taxi services.

INDIA JAN. 29, 2015

A woman who says she was sexually assaulted by an Uber driver last month in New Delhi filed a lawsuit against the company, seeking damages and overhauled safety measures.

NETHERLANDS DEC. 8, 2014

A Dutch court banned Uber's low-cost UberPop service from operating in the Netherlands.

THAILAND DEC. 8, 2014

The head of Thailand's Department of Land Transport ordered Uber to cease operating in the country.

GERMANY SEPT. 3, 2014

A state court issued the first nationwide ban on an Uber service. The ban was lifted in mid-September.

Uber's research team approached Professor Alan B. Krueger, a Princeton economist who previously was Mr. Obama's chief economic adviser, to conduct a joint survey of more than 600 of the company's drivers. "I told Uber that I would take this on as long as I had full discretion over the content of the report," Professor Krueger said. "They agreed." The study found that of the 20 markets surveyed, the average driver wages were higher than taxi and limousine driver wage estimates from the Bureau of Labor Statistics. Uber added close to 40,000 drivers to its ranks in the United States in December, the report said, and nearly 80 percent of its drivers were happy driving for the company. Mr. Plouffe was eager to trumpet the study's claims.

"Uber is growing every month, and is becoming a bigger part of not just cities and transportation systems, but of the whole economy," he said in a recent interview. "We're likely to be one of the biggest job-producing companies for the economy over the coming years." In another joint study, with 'Mothers Against Drunk Driving', an advocacy group otherwise known as MADD, Mr. Plouffe promoted Uber's potential influence on drunken driving in states in which it operates. The study found that about four of five respondents said they were less likely to drive themselves home after a night of drinking because of ride-hailing applications like Uber.

"When David came on, he was very passionate and deep in this issue and wants to dig into this even more," said Amy George, senior vice president for marketing at MADD. She said Mr. Plouffe wanted to examine Uber's impact on rural markets as well, where there are often higher incidences of drunken driving than in urban markets. Inside the company, some employees say, morale was low late last year; after BuzzFeed News reported that a senior Uber executive had suggested that the company commission "opposition research" on reporters. Competitors like Lyft seized on the news, and Uber was left publicly playing defense. As scrutiny intensified, even Capitol Hill piled on. Senator Al Franken, Democrat of Minnesota, questioned Uber's privacy practices after it was reported that an Uber employee had gained access to the ride history of a BuzzFeed journalist. Uber followed up with a privacy audit, conducted by an outside law firm, and a commitment to improve its practices.

Employees inside Uber, and several people with ties to Uber, all of whom spoke only on the condition of anonymity to protect their connection to the company, expressed concern that the negative attention could hurt employee recruiting and retention. "It's not fun for Uber's employees, who are bright and mostly wonderful, to have to keep explaining to their friends why they work for" an organization that would act that way, one person close to the company said.

Some also noted that Uber had partnerships with image-conscious companies like Spotify, United Airlines and Starbucks, and that future partnerships could be at risk if its reputation did not improve. Mr. Kalanick seems to be getting the message. As he indicated in Munich, by working with, instead of against, regulators in Europe and the Asia Pacific region, the company stands a much better chance of sustaining its rapid expansion. "Unless they examine the costs as well as the rewards of this kind of reflexive pugnacious stance, they run the risk of having the carpet pulled out from underneath them, regardless of the quality of their service," Mr. van Bever, the Harvard Business School professor, said.

(A version of this article appears in print on February 2, 2015, on page B1 of the New York edition with the headline: Hard-Charging Uber Tries Olive Branch)

QUESTIONS:

1. What is the reason of troubles of Uber? Is it a case to 'too much too soon'?
2. Discuss the strategies implemented by the company to handle the current situation.
3. To improve its image as an ethically sound company, it is bringing in new talent to the management echelons. Can it be questioned for 'poaching' too?
4. Is 'surge pricing' justified?

REFERENCES

1. http://www.nytimes.com/2015/02/02/business/hard-charging-uber-tries-olive-branch.html?mwrsm+Email&_r=0
2. http://www.nytimes.com/2011/05/15/nyregion/uber-and-weeels-offer-car-services-by-phone-app.html?_r=1
3. <http://techcrunch.com/2011/03/02/a-week-with-uber-and-this-blogger-is-totally-hooked/>
4. <http://www.lockergnome.com/social/2011/10/27/is-uber-really-a-good-alternative-to-taxis/>
5. [http://en.wikipedia.org/wiki/Uber_\(company\)](http://en.wikipedia.org/wiki/Uber_(company))
6. <http://blog.uber.com/uberdata/>
7. <http://www.bizjournals.com/boston/blog/techflash/2014/04/my-1-099-uber-trip-from-boston-to-cambridge.html>