

UBER

1) Situation Analysis

a) *Organizational Analysis:*

i) Competition

- (1) Uber faces rather light competition from other companies. But the largest entities with which Uber must compete are Lyft, which is Uber's biggest threat, along with Turo and any still-operating local or regional taxi services. The competition that Uber faces from Lyft is the most substantial, as they operate in similar economic niches; in other words, they are both ride-sharing networks that allow people to be transported at relatively affordable rates through a downloadable app (Ridester, n.pag).
- (2) Turo, on the other hand, allows individuals to rent cars directly from car owners who have elected to register their cars through the app. This enables these users to secure transportation for longer-term periods without having to rent a vehicle from a company like Enterprise or Hertz for much more money (Turo, n.pag). This primarily impacts Uber's attractiveness to customers on vacation, or who are otherwise in new places where a car is needed.
- (3) The competition between Uber and taxi companies is rather self-explanatory but is arguably the most problematic, for two reasons; First, Uber must compete with cities and other areas that have committed time and energy towards regulating and supporting regional or city taxi fleets. These efforts would cause cities to want to see their taxi fleets remain intact. Second, an expansion of Uber usage would cause a decrease in the demand for taxis and would likely result in the termination of an unknown number of taxi drivers (Stenovec, n.pag).

ii) Opposition

- (1) NYC is currently pushing for legislation that would place a limit on the number of ride-hailing drivers allowed to operate in the city limits. The arguments for this legislation have been based on the fact that there are an insufficient number of drivers with wheelchair-accessible vehicles, among other accessibility issues (Dickey, n.pag). Lyft, which would also be affected by the cap, released a statement that admonished the bill, saying that it would "affect wait times, driver earnings and job opportunities... While many are saying that a cap would not diminish service... available drivers for New York City ride-share would shrink significantly within the next year if a cap were imposed, massively undercutting service levels across the board and in particular in outer-borough neighborhoods" (Dickey, n.pag).
- (2) The Seattle City Council has drafted a resolution that proposes the establishment of a base fare for transportation networking companies like Uber, Lyft and taxi companies. The resolution can be boiled down to the fact that the city wants Uber, Lyft and taxi companies to charge the same per-mile rate as the city cab services (Stenovec, n.pag). The Council aims to establish a system in which it is guaranteed that drivers are being compensated fairly for their work, but Uber

argued in an email sent to its users that the price change would “make rideshare unaffordable for many existing riders and reduce the number of trips that thousands of drivers rely on for income” (Romano, n.pag).

- (3) Sarah Lacy has historically been one of Uber’s most vocal critics, particularly where the company’s policies regarding sexual harassment, management and employee rights. She was one of the leading advocates calling for Travis Kalanick’s removal as CEO, after allegations arose that indicated the former executive was involved in various sexual harassment scandals that permeated the company and its culture. She was then made the target of a \$1 million smear campaign, which of course resulted in more bad exposure for Uber (Reese, n.pag). Lacy has remained as vocal with her critical publications about the operations of Uber and has since expanded her scope to include more of the disappointingly numerous companies that have failed at some level to adequately address or even acknowledge the harassment issues that may be occurring in its ranks or behind closed doors.

iii) External Impediments

- (1) As mentioned above, a number of city and state governments have decided to act to regulate the actions of Uber. These regulations have ranged from new or more strict safety standards for Uber-eligible vehicles, to mandating that hiring processes be made transparent and accessible, to requiring all Uber drivers to have insurance that would cover the vehicle in question, and its occupants (RideShareApps, n.pag). Some of these are obstacles to current Uber drivers, to some potential Uber drivers, and all Uber customers, as they directly affect the size of the Uber fleet in a given area.
- (2) In a marketplace that is growing ever more globalized, the large, monolithic company may become much more ubiquitous than they had been in the past. This fact, combined with stagnant wages and other recent economic trends, has resulted in substantial pushback against large companies, as they are typically blamed for those trends. As a result, this has created a society-wide preference for smaller, more localized businesses, which would inherently be more responsive to the needs of the people in that area (Nugent, n.pag). Uber, as a large, international company that grows itself by bringing in new drivers from other fields, is the antithesis of this small, local business ideal. As a company, Uber needs to market itself effectively to advocates and representatives of local businesses if it wants to succeed in as many markets as possible.
- (3) According to many transportation experts, it is generally accepted that Uber has expanded as far as it can into the area of ride-sharing automobiles. To further expand as a business, it must now create new means through which it can be lucrative. This includes bringing in new drivers, but that is, as mentioned above, going to be carried out only if pending legislation fails. Though not all of the following have actually been executed fully or even partially, recent propositions and experiments done by Uber have included launching a range of

scooters, bicycles, electric bicycles and other means of transportation for city residents (Marshall, n.pag).

- (4) With the rise of the #MeToo and other social movements that have taken place on social media and elsewhere, the dialogue surrounding sexual assault, discrimination, oppression and gender-based violence has (deservedly) reached such a tenor that companies must respond to any sort of harassment allegations that occur in their hierarchy. Uber has famously failed to do this. One of the initial scandals escalated quickly to the point that one of their founding partners was forced to publicly resign as CEO (Reese, n.pag). Further scandals and repeated failures to handle them successfully have resulted in the company gaining a negative reputation.

iv) Research Program

- (1) The research for the above section was done by searching for recent news articles about Uber, and then by categorizing the articles by content; some of these categories included articles that discussed Uber's corporate functions, Uber's reputation and its attempts at reputation management, and the positive and negative consequences of the actions that have composed that management.

b) *Public Analysis:*

i) Customers

- (1) Uber's customer base is relatively young according to Pew Research studies done in 2016. According to Pew, 28 percent of 18-29-year-olds have used the ride-sharing services, 19 percent of 30-49-year-olds have used the service, and only 12% of all people aged 50 and up have used a ride sharing service. This tells me that Uber has done an adequately successful job of marketing itself to younger people but is largely ignoring a substantial number of potential customers (Smith, n.pag). Additionally, it appears that using Uber is a fairly affluent act; according to the same Pew Research data, 29 percent of college graduates have used ride-sharing services, and just 13% did not know what ride-sharing services are. By contrast, just six percent of those who did not go to college have used Uber, and 51% had never heard of the service before (Smith, n.pag).

ii) Producers

- (1) By being an international company, Uber can label itself as being a fairly diverse employer. This is because, as an international company, it happens to employ a large number of people from varying racial, economic, social and other demographic backgrounds. But Uber can also claim that title domestically, as it has managed to hire a substantial number of workers who identify with various minority groups. Uber has a domestic corporate leadership team that self-identifies as being 65 percent white, 29 percent Asian, three percent Black or African American, and one percent Hispanic or Latino (Uber, n.pag).

iii) Enablers

- (1) Uber's leadership has, despite its reputation, managed to keep the company afloat through relatively difficult financial times. Among others, CEO Dara Khosrowshahi have managed to sustain substantial financial investment from external groups to make up for the company's almost perpetual red-inked bottom lines. In 2017, the company managed to lose approximately \$3.2 billion by the end of the third quarter. But by building connections with advertisers, social media ad campaigns, and potentially taking the company public next year, Uber has managed to generate enough investor faith to make the company sustainable for the immediate future (Sherman 2017, n.pag).
- (2) City and State governments are currently attempting to regulate how Uber is allowed to function within their jurisdictions. Certain cities have attempted to establish *de facto* minimum wages for Uber drivers. Others have attempted to stop Uber from pushing taxi systems out of business to protect their financial and infrastructural investments (Stenovetec, n.pag).

iv) Limiters

- (1) Geography is not kind to Uber. Uber has a substantial problem with establishing itself as a viable option among rural customers. Only nine percent of college graduates have used Uber in rural areas, and only four percent of people aged 18-49 have used it in the same rural areas (Smith, n.pag). This indicates that there is potentially a substantial number of customers that Uber has not accessed, due to its inability to establish a sustainable number of drivers in these areas. These people represent an undetermined amount of unseized revenue.
- (2) Protestors have been a problem for Uber's corporate leadership almost since the company began. Advocates working on behalf of drivers argue that they have been ignored by Uber's leadership. Some of the biggest problems have stemmed from Uber's mistreatment of its drivers. Financially, Uber's critics argue that the company does not pay its drivers a livable wage, despite however much revenue that the driver in particular may be generating for the company. Policies like up-front pricing and UberPool have allowed passengers to decrease the cost of their trips. Critics have argued that Uber has used that reduced revenue to justify paying their drivers less.
- (3) Uber has similarly been hindered by gender-based violence allegations. These have happened in two different circumstances; At the corporate level, Uber has failed to adequately address sexual assault accusations, as has been stated above (Reese, n.pag). Similarly, Uber's critics have argued that the company has failed to protect its drivers from sexual harassment by passengers as well. This April, more than 100 Uber drivers were accused of sexual assaulting a passenger in the last year (O'Brien, n.pag).

v) Research

- (1) The research for the above was done by searching for recent research done about Uber. I then categorized the results by content; sites or journals that

discussed Uber's internal functions, Uber's reputation and its attempts at reputation management, and the positive and negative consequences of that management. Pew Research was by far the most productive source for this section.

2) SWOT Analysis:

a) *Strengths:*

- i) Few brands have the same visibility or recognition as Uber, because few companies have been able to compete with Uber, or even Lyft, for market share. This dominance of the market has resulted in the company achieving one of the levels of recognition reserved for very, very few brands; verb status. Xerox, Photoshop, FedEx, and Google are just a few to reach this level of acclaim (Nagy, n.pag). This level of recognition is a valuable asset, and one that assures the company some level of influence.
- ii) Many young adults are unable to afford the expense of having a car in urban environments; whether it is the elevated gas prices, the cost of parking the vehicle, or paying for insurance, many are going without. Instead, many are relying on public transportation, self-powered transportation like bicycles, and Uber. Those shifts, combined with the undependable nature of taxi systems, are benefitting Uber (Stenovec, n.pag). As costs of living escalate, there will be only an increase in the demand for services like those Uber provides.
- iii) Another strength that Uber has is that the majority of their users are young and educated (Smith, n.pag), meaning that they will be alive and independent enough to use the offered services for longer, and will likely have more money with which to do so. Having a long-term customer base is important to any business that hopes to establish itself as lucrative.
- iv) Despite the company's reputation issues, the company is still viewed fairly positively, as it saves users time and stress, is good for people with limited mobility, can supplement income, is typically less expensive and more reliable than a taxi, and will typically visit neighborhoods into which taxis will not go (Smith, n.pag). This Facebook-like immunity to bad reputation is not insignificant, as it means that the convenience and dependability matters more to the majority of current and prospective customers than the company's reputation.

b) *Weaknesses:*

- i) Though they may not have a significant effect on the company's success right now, Uber has developed a reputation for not handling sexual harassment or assault allegations well. Nor have they demonstrated to the public that their internal regulatory mechanisms can be trusted, as it took a great deal of public pressure from the media and from customers to make Uber take any public action to address their sexual harassment issues (Reese, n.pag).
- ii) Despite the advertised potential earnings of working for Uber, it is not financially worthwhile to join Uber as a driver if one will be operating in anything other than an

- urban or suburban area (Smith, n.pag). Because the number of potential customers is decreased, the amount of potential revenue decreases as well.
- iii) An additional weakness in Uber's system is transparency, and in no situation is this more applicable than with surge pricing. Surge pricing algorithms often increase the price of Uber fares two or threefold. While this policy is loosely based on the principles of supply and demand dynamics, the lack of transparency into how these elevated rates are calculated leaves customers with the suspicion that the company is taking advantage of them (Dholakia, n.pag).
 - iv) Uber is evidently unable to keep drivers working for them. Uber's yearly turnover rates are as high as 96 percent, with most explanations being that the pay was not sufficient for the time, energy and resources that the drivers were committing to the company (McGee, n.pag). The company must address the lack of dedication to corporate success, the first step of which is to ensure that their employees are invested enough in the company (Lieu, n.pag).
- c) *Opportunities:*
- i) Despite incredibly high levels of turnover (McGee, n.pag), it is a relatively easy challenge for Uber to replace the employees that leave the company. This is because they hold relatively lax requirements for new drivers; these are that they be old enough to drive, licensed, have a four-door vehicle, insurance and proof of residency in a city and state (Uber, n.pag). In other words, if the government will let you drive, you can drive for Uber.
 - ii) Despite having some success as a ride-sharing app with cars, Uber is examining potential new markets to pursue; bicycles, scooters and other ways to ostensibly help people get to where they need to go (Marshall, n.pag). As more people grow more environmentally conscientious of their transportation choices, these could be an extremely lucrative market into which Uber could expand.
 - iii) Though to what extent is currently up for debate, Uber can potentially market itself as an excellent way to supplement one's income while they are not at their full-time job (Sherman 2018, n.pag). This is even more true when one considers the fact that many Americans are resorting to working multiple jobs. If drivers commit to working a number of hours a night, they can make more than minimum wage.
 - iv) Uber is a system that does not depend on any production of physical goods; as a business, they are not building anything to sell. They are, instead, selling a service, which puts the costs of operation on the owner of the vehicles that participate. This should in theory allow them to expand as far as the market will allow, given that their production costs are relatively little.
- d) *Threats:*
- i) As has been discussed above, numerous cities and states are considering legislation that would handicap Uber's and other companies' abilities to function in those areas. The loss of that marketplace could have severe consequences to Uber's bottom lines (Sherman 2018, n.pag).

- ii) Though the company is currently financially independent, Uber is, because of its corporate structure, permanently in danger of losing its advertisers. This is a huge problem, because these investors are currently the predominant source of company revenue (Sherman 2017, n.pag). However, this is a threat that may possibly be addressed by the company's decision whether or not to go public next year. Doing so could provide a large influx of money to the company.
- iii) Lyft and other competitors are eager to capitalize on a potential future Uber implosion. Such a collapse would leave a vast part of the market open for new or established competitors. As a result, Uber as a company must be extremely careful not to do anything that would imperil its status any more than it has already done.
- iv) It has been discussed that Uber and other ride-sharing systems like Lyft are being targeted by legislation from city councils other governing bodies for treating their employees poorly. Whether or not that legislation is passed, the company must still suffer whatever financial consequences are inflicted against it by the social movements that have risen in recent times to address sexual assault, harassment, and gender equality. What these may be is yet to be determined, but Uber must remember that its reputation may unfortunately precede it.

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