Where lifestyle meets logistics | Vandhanaa Lakshminarayanan
1. Introduction

1.1 Business Problem

Uber is a network orchestrator; it connects passengers with nearby drivers by:

- Managing a network of drivers and passengers with a mobile application
- Providing options and varieties in the transportation service – UberX, UberXL, UberExec, ExecLarge and normal Taxis (local taxi providers)

So it is important for Uber, as a company, to ensure that our drivers are happy and want to work with Uber in order to attract and retain more drivers. As well as ensure that the passengers are satisfied with our services and prefer our services to other competitors.

1.2 Scope

This document highlights the organization’s strengths, weakness, opportunities and threats in detail as of Q2 2016. In the later sections, we will explore various options/recommendations to turn the weakness/threats into an opportunity for Uber.

1.3 Audience

This document is intended to be used by the management board, partners and other stakeholders from various departments including HR, Marketing, Logistics, Business Development and Operations from around the globe to make strategic decisions to strengthen Uber’s Position in the industry.
2. Description

2.1 Uber

Uber, a high-tech startup founded in 2009, connects the transportation industry with technology by its ride-sharing app. It is the highest valued venture-backed company in the world as of today.

Uber’s service is available in 470+ cities in 60+ countries worldwide including India, China, South Africa and Indonesia. Uber is valued at US$ 51 billion, which makes it more valuable than the entire U.S. taxi and limousine industry. It serves around 8 million users worldwide and has around 160,000 drivers in contract. The average number of trips in a daily comes to around 1 million rides.

In spite of the statistics singing success stories, the company evokes a range of contrasting emotions. On the one hand, users love it because it provides a more convenient, easier-to-use, and often less expensive way to get from point A to point B. On the other hand, the traditional taxi drivers, local governments and even some Uber drivers are strongly against the practices that the company engages in.

For these reasons, we have created a SWOT analysis for Uber to check how the opportunities and threats that the company is going to face are connected with the strengths and weaknesses that we already are aware of.
2.2 SWOT Matrix

**Strengths**
- Customer-centric
- Global Player
- Well recognised premium brand
- Less investment due to business model serves as a market place
- Unlimited fleet of vehicles
- Good Marketing and advertising
- Simple use friendly mobile application
- Easy, hassle-free cashless payment system
- Trust and Safety: dual rating system
- Convenient for drivers: flexible hours, part time employment
- Competitive Pricing
- Private investments plenty

**Weakness**
- Lack of Loyalty between Uber and drivers
- Privacy concerns - Uber records where client gets the cab and gets off
- Drivers are the face of the organization - bad PR sometimes
- Low driver earnings in comparison to high cost of operating vehicle
- Business model easy to imitate
- No real connection between Uber and drivers
- Lack of Loyalty between Uber and Customers

**Opportunities**
- Customers dissatisfied with traditional cab
- New untapped markets esp in developing countries
- More uber drivers in the road means shorter waiting time
- Cheaper electric cars can be used
- Additional services - transport old people to hospital, children to school
- Increasing valuation, which can attract more investors and provide more money to operate
- Increasing internet penetration and smart phone users
- Shifting of consumers towards convenience

**Threats**
- Law suits in multiple countries
- Fraud and scandals are also increasing with Uber’s expansion
- Drivers aren’t happy with the low-profit margins.
- Business model is easy to imitate. Growing number of competition
- Uber’s revenues will decline.
- Problem with local government authorities can lead to huge fines and bad PR
- In the distant future: Self-driving cars, e.g. Google Cars, will eliminate the need for Uber.
2.3 Strengths

Uber, with its customer-centric approach gives users the possibility to grab a taxi no matter where they are. Additionally, it lets them track the entire route of the ride, and, in the end, allows them to make a cashless payment with their credit card. What is unique about this approach is that all the activities described above can be conveniently engaged from their smartphone.

The service is based on direct client-to-driver interaction, so there is no need for a dispatcher or, even worse, standing on the sidewalk and waving, hoping that you can hail a taxi. This reduces the operational cost for Uber. Additionally, the greatest advantage of Uber is generally lower prices in comparison to regular taxi operators, and, in most cases, a higher quality of cars. Another benefit is the mutual rating system in which customers can choose verified and rated drivers before starting the ride and drivers can choose passengers with good rating. This rating system also enables Uber to keep track of the quality of drivers employed in the company.

Uber, with its strengths mentioned above, has efficiently addressed the problem of dissatisfaction with traditional taxi services. It has shown that this approach can work in almost every country. As a result, Uber’s approach to taxi services has quickly spread around the globe as the taxi markets exist almost everywhere.

This is why Gold Man Sachs, Microsoft, and many others have invested over $12 billion in the company. This vast amount of invested money has given Uber the strengths and possibilities to wisely take advantage of their idea and therefore, has created a snowball effect that is now hard to stop.
2.4 Weaknesses

As with every fast-growing company, Uber also has weaknesses that can prevent it from expanding further. At the core of these weaknesses is the issue of loyalty. With the growing competition, especially from national players, there is nothing stopping the drivers/customers from joining the competition or using other services. In some countries, the drivers and customers commonly use multiple applications while looking for cabs.

One example of this is from Singapore. The drivers/customers commonly use “GrabTaxi” App and “Uber” App together. They look for cabs in one app and switch to the other in case of any delay/surge pricing. Some drivers wait for the request to come in Grab as GrabTaxi pays them in 2 days, while Uber takes 3 days for processing the payment.

Uber is recently getting a lot of negative press due to the company’s ethically questionable relationships with drivers, who are considered “contractors” rather than “full time employees” by the company, and hence do not enjoy the benefits of minimum wage, overtime or health insurance. Drivers also complain about low earnings compared to the high costs of being a driver, and also that the application doesn’t allow tipping. Driver dissatisfaction has already been demonstrated in cities such as New York, San Francisco and Los Angeles, and has attracted much attention from the news media.

Uber’s negative press is also connected to the fact that it has no real connection with the customers/drivers. Drivers are the face of the organization. And when drivers misbehave with the customers (rape case in India), this results in bad PR for the company.
2.5 Opportunities

The biggest and the most important opportunity for Uber has been the dissatisfaction of customers with the traditional cab services due to high prices or long waiting time. It can exploit new and big markets that are current unexplored, especially in developing countries, where taxi services are inconvenient or expensive. This will be the main target for expansion for Uber in the foreseeable future. Another option for Uber is to tap into suburban areas where there are no taxi services. But this option comes with a lot of risks of its own and plenty of analysis needs to go in before this can be achieved. Increasing valuation and satisfying the investor interests is the key for the future expansion of Uber.

Recent statistics show that the growing number of Uber drivers will cause a reduction in the ETA (Estimated Time of Arrival), and thereby make Uber service more utilized and, because of the shorter amount of time when a taxi is vacant, the service will be more profitable for drivers as well. This is a classical win-win situation that favors Uber’s position in the market, and one that needs to be carefully maintained by the company. Nevertheless, Uber still needs to look for other ways to keep and build new advantages over their competitors.

Diversifying into other logistics services like transportation of older clients to the hospital or picking up children from schools are other services that customers might be interested in. Uber Eats, Uber Ice Cream and other services can increase the loyal customer base for Uber.

2.6 Threats

The idea, on which Uber was built, despite its innovative design, can be easily copied. The vast amount of money which has been invested in Uber has demonstrated to the market that there
is a demand for these types of services, and many copycats have appeared in the form of Lyft (US), GrabTaxi (Singapore), Ola (India) and Sidecar (US).

Growing competition can cause prices to decrease, which may discourage drivers from joining Uber in new markets. This will cause the loss of customers to the competition and eventually dilute the company’s revenues. Moreover, the competition has already revealed one of Uber’s weak spots, which is its inability to deal with problematic issues in the public arena. Lyft, Uber’s biggest competitor, has made an accusation that 177 Uber employees have ordered and then cancelled about 5,560 rides ordered through Lyft October last year, thereby cutting into Lyft’s profits and driver availability. This was not the first time that the public image of Uber has been tarnished, and it has intensified critiques of Uber’s practices.

Regular taxi services are under an obligation to operate under the constraints of legislation and regulations, but as Uber is not strictly a transportation company, there are decisions to take around if or not the regulations should be applied to Uber. This approach has generated a lot of conflicts with local authorities that have already led to a number of fines being levied against the company (e.g. in Germany, France, Netherlands, India, Thailand, United Kingdom).

This situation has shown that the company is vulnerable to restrictions that might arise from new legislation, and this could be a serious threat to its continued operation, especially due to the fact that these face-offs with officials have already caused a lot of bad publicity for the company and resulted in huge settlement costs.
3. Discussion

This SWOT analysis provokes an open minded discussion about the business strategy followed by Uber.

Uber has a lot of strengths and more importantly these strengths are strongly connected with opportunities existing in its external environment. In order to achieve better performance, Uber should take advantage of its strengths and solve the significant threats that will put the company out of business.

At the core of Uber’s business philosophy is to always charge less than the traditional competitors. From the beginning it has encouraged people to try the new app and to continue to use it in place of traditional taxi services which they are dissatisfied with. But, in fact, the relationship between the company and drivers, as well as between the company and clients is relatively weak and can be easily replaced by the competition, which is increasing. So, for Uber to stay in business, it needs to keep both drivers and clients satisfied. Addressing this can be one of the biggest challenges for Uber in the upcoming quarters.

In the next section we will list down some of the recommendation for addressing this.
4. Recommendations

4.1 Attracting and Retaining Customers

Uber usually gives promo codes and discounts to first time riders or to those who introduce their friends to Uber. On one hand, this attracts a lot of people to sign up with Uber. But in order to cope up with regional competition like GrabTaxi, they need to start giving out other promotions as well throughout the year.

For this Uber can partner with local agencies – bars/restaurants/event venues. On one hand, this will help the local agencies in advertising; and for Uber, this will be a new way to attract the outdoorsy people looking for things to do. So events happening around the city and promotions for drop-off/pick-up at these venues could bring in more passengers and result in more revenue for Uber.

For this to work, we need strategic marketing and procurement teams in place in various locations to make deals with the local agencies. Uber should set up new offices at hubs.

One other way to win the loyalty of the customer is by adding them to a credit-based loyalty Programme. Much like credit card reward system, which attracts a number of faithful customers to continue using credit cards, Uber could introduce rebates or rewards for their loyal customers.

4.2 Attracting and Retaining Drivers

Drivers are very important for the growth of Uber. More the number of drivers, lesser is the waiting time and greater is the customer satisfaction. Uber has a contract based relationship with the drivers, which gives the drivers flexibility to choose their working hours, work part
time with Uber and guarantees minimum wages. More strategic incentives should be put in place to attract the drivers and keep them in the road longer.

Opening offices at hub locations could also add a personal touch for interaction with the drivers. And this could potentially reduce the number of incidents related to background checks of the drivers as well. This type of personal touch with a physical presence in the location is important for keeping up with the national competition.

One last thing is, if more customers are loyal to the company and use Uber regularly, this will in turn bring in more loyal drivers as this will solve the problem of drivers not earning enough. If we get in more loyal drivers, this will reduce the ETA for customers and more customers will be willing to use Uber frequently.

5. Conclusion

Uber is one of the hottest and fast growing startups in the world, there is no questioning that. The number of contrasting strengths and weaknesses, opportunities and threats is truly incredible. On one hand, its strengths give them a lot of power to fully take advantage of numerous opportunities, but on the other hand their weaknesses and threats can cause a lot of problem for the future of the company.

Hopefully the analysis and recommendations presented here can help Uber make the right decision to strengthen its place in the future market.