TRANSFORMATION OF URBAN TRANSPORTATION - STRATEGIC

PERSPECTIVE A CASE OF UBER TECHNOLOGIES INC

SARIT PRAVA DAS[1], DHAVAL BHATT[2] & SAILAJA RATH[3]

[1]Dean, Academics, ITM Business School, Kharghar, Navi Mumbai India

[2]Research Associate Professor, ITM Business School, Kharghar, Navi Mumbai India

[3]PGDM Marketing Student, ITM Business School, Kharghar, Navi Mumbai India

ABSTRACT

Taxis are instantly recognisable form of transport and are important part of transport system in developed and developing countries around the world. Still the role played by the taxi services vary across city to city and country to country. The taxi industry is complex as it is combination of unregulated local services from unorganized sector and regulated taxi services from organized sectors. Further taxis are part of a functioning community and although the concept of taxis is almost universally recognized very few in the general public actually knows how the taxi industry works. A decade ago, no one have even thought of booking a taxi with a tap on hand held devices. But today, more and more people are going forward to hire Uber, Ola and alike taxis over the traditional taxis often called as "Kaali Pili" in Indian context. This is because of convenience, quality services, transparency and safety offered by Uber and like organisations. Uber have recognized that nowadays people are more inclined toward online transaction and thus created need for a portal for taxi services. Uber's dual business model delivers value to both drivers and passengers alike by catering to each groups' unique incentives in constructing a symbiosis between the two. Connecting drivers with passengers via their smart phones eliminates the need for Uber as well as drivers to establish an office premises in new city in which they expand to cater their services making it highly scalable strategy with a partial barrier to further growth. With the above backdrop the objective of the paper is to highlight the contribution of marketing strategies and usage of information technology by Uber Technologies Inc. for its growth from a modest beginning to soaring success.

KEYWORDS: Urban Transportation, Transformation, Strategic, Business Model, Regulated Taxi Services

INTRODUCTION

Modern Transportation and Taxi Services

In recent years, travelling in the inevitable phenomenon of everyone's day to day life. Humans have number of modes to rapidly and safely move from one location to another. Every mode of transportation has certain limitations. These limitations may be lack of proximity, affordability, availability, etc. But in Urban transportation it is futile to think for other modes of transportation other than Taxis and with the growth of the living standard and the difficulty of parking a car, demand for taxi increases rapidly. A taxicab, commonly known as a taxi or a cab, is a vehicle for hire with a driver, usually preferred by a single passenger or group of passengers. A taxicab carries passengers between locations of their choice. This differs from other modes of public transport where the pick-up and drop-off locations are determined by the service provider, not by the passenger, although demand responsive transport and share taxis provide a hybrid bus/taxi

mode.

About Uber

Uber is an on-demand taxi service which has carried out a revolution in the taxi business across the world. Uber Technologies Inc. is an American Multi-National company headquartered in San Francisco, California. Its business model has made it possible for people to simply tap their smart phone and a cab arrive at their location no time. It is part of a personal transportation network that brings together the available drivers and passengers who need a ride through a lightweight and user-friendly smart phone app. As on Dec. 2016, the Uber app and ride sharing service was operational in 81 countries and across 563 cities worldwide.

Uber was founded as Uber Cap by Travis Kala nick and Garrett Camp in 2009 with a seed funding of $ 2,00,000. As of Dec. 2016, Uber has received $ 10.2 Billion as additional funding. Uber is currently valued at over $ 51 Billion with number of registered user & drivers standing at 8 million & 1,60,000 respectively. It is estimated that approx. 50,000 new drivers & users register for Uber. An average number trip made through Uber are 1 million.
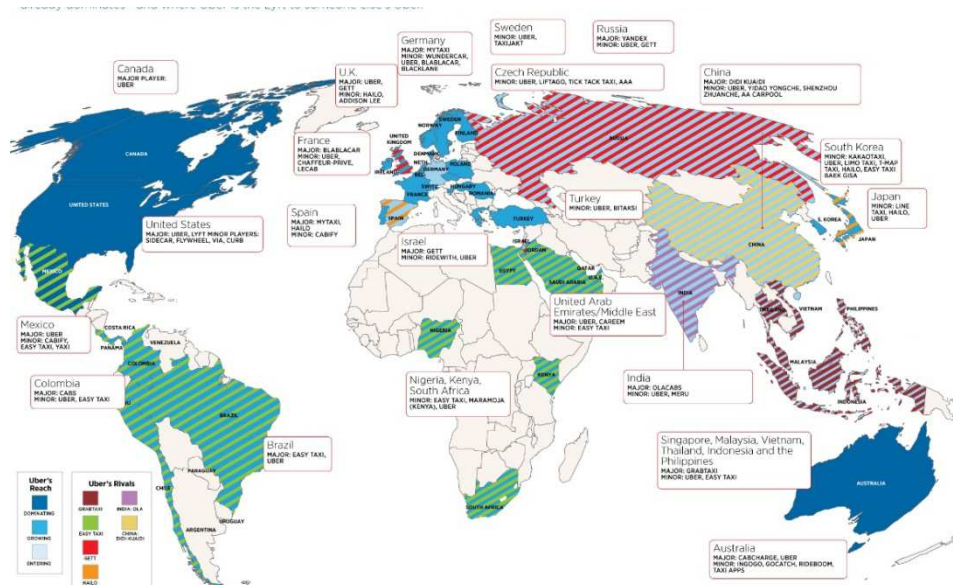

Figure 1

Source: 1 (Chen, 2015)

Uber drivers use their own vehicles and are afforded high earning potential with a flexible work schedule. Its adherence to a network orchestrator model—as opposed to the more capital-intensive service provider framework to which traditional transportation companies subscribe—has provided Uber with higher profit margins, continued growth opportunities, and the agility to respond more quickly and effectively to market changes relative to its competitors. Uber's launch has sparked a wave of replicating business model, a trend which is now commonly known as "Uberification".

LITERATURE REVIEW

From the early 70's many studies have been published in relation to the taxi sector.(Salanova, Estrada, Aifadopoulou, & Mitsakis, 2011) While first studies was done around 1970-1990 were related to the profitability of the

sector and the necessity for regulation using aggregated models, later studies 1990-2010 implemented more realistic models in the taxi sector: from the most simple model of Wong developed in 1997 for a little taxi fleet until the most sophisticated model of Wong being able to simulate congestion, elasticity of demand, different user classes, external congestion and nonlinear costs, taking into account different market configurations. Douglas (1972) developed the first taxi model in an aggregated way, using economic relationships from other sectors (goods and services). Many authors (de Vany (1975), Beesley (1973),Beesley and Glaster (1983) and Schroeter (1983)) used the model proposed by Douglas for developing their model sand tested them in the different market configurations. Manski and Wright (1976), Arnott (1996) and Cairns and Liston-Heyes (1996) developed structural models, obtaining more realistic results. Yang and Wong (1997-2010c)developed accurate models, considering the spatial distribution of demand and supply in the city using traffic assignment models. Last models proposed by Wong et al. (2005) and Yang et al. (2010b) assume a bidirectional function taking account the willingness to pay of customers, making it much more realistic. New technologies applied to the taxi market such as GPS, GIS and GPRS were also simulated in the different models, proving their benefits and justifying their use. Many of the models developed have been tested in different cities around the world using data from different sources. Beesley (1973) and Beesley and Gaister (1983) studied the data obtained from questionnaires in different cities in the UK, especially from London.(Beesley & Gaister, 1983) Schroeter (1983) is the first to use data from taximeters in his model, using the data from a taxi company in Minneapolis (EEUU).

Taxi Industry in India

In India, the market size of taxi industry is INR1 14.4 billion in 2011-12, a mere the five-year-old Indian radio cab service industry was predictable to grow at around 30.9 per cent in the next five years. This industry was dominated by four major companies - Meru Cabs, Mega Cabs, Easy Cabs, and TABcab. This new industry offered no palpable or believed business model that could be emulated. This companies by refining their business models through trial and error, careen upon two types of business models - company owned and franchise based. Later, radio cab companies bank on two branch for revenue generation- tariffs and advertisements (also called to as "cabvertising"). (Radio Taxi Industry in India, n.d.)
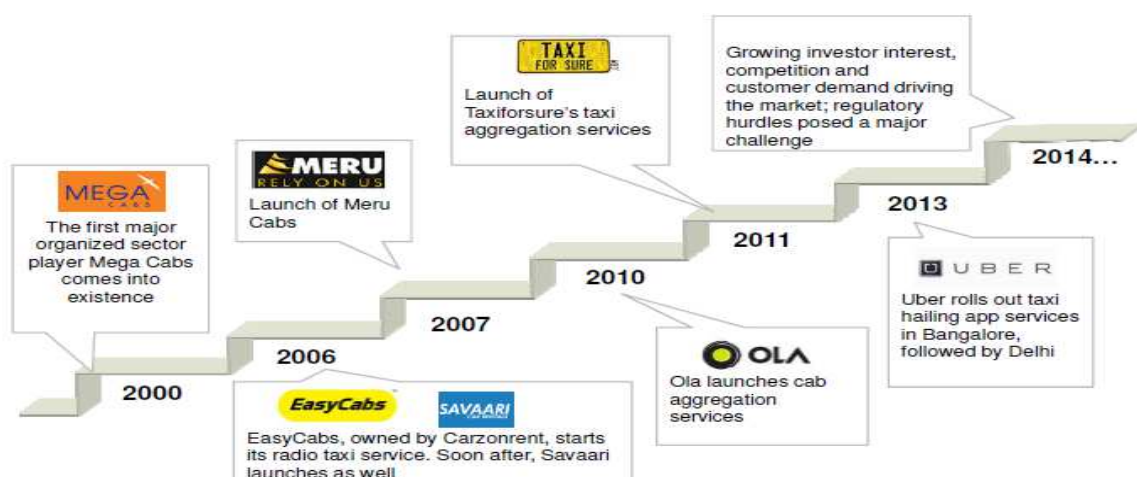

Figure 2

Source: 2Redseer Consulting

Though it was in a burgeon stage, this industry witnessed enormous demand and rapid growth in India. The

number of radio cabs, mainly in four Indian metros was about 15,000 in 2011-12. With demand exceeding supply, the number was expected to increase at a compounding annual growth rate (CAGR) of 25 percent.

The decline in the fleet size of non-radio taxis due to ageing cabs, the significant growth of India's urban population, increase in disposable incomes, high traffic on other forms of public transport, greater perceived comfort compared to driving one's own vehicle official reimbursement of taxi fares, influx of tourists and increased airport trips, were some of the factors that contributed to the soaring demand for radio cabs. However, constraints on the supply side due to the shortage of suitable and educated drivers, high cab maintenance costs and varying government regulations in every state hindered growth. Many drivers who already owned their own cabs or worked for other non-radio cab operators balked at paying the high daily rental fee to the radio cab company. Even though radio cab drivers typically earned 70 per cent more than their non-radio taxi counterparts, many drivers preferred not to join radio cab companies. The fact that it was compulsory for them to pay daily rentals even if they were not driving the cab meant that they had to work every day of the week. Issues such as these reduced the availability of drivers. Further, the radio cab industry was highly regulated and government regulations were state specific. Red tape, the ceiling on the number of permits that could be held by a radio cab operator, stringent criteria for qualifying to become a radio cab driver, restrictions on size of the radio cab and government regulations regarding fares, were some of the negatives of the regulatory environment in which the radio cab industry operated. Factors such as these contributed to the sub-optimal supply of radio cabs, resulting in high rates of denial of service. Given the existing demand scenario, the four big radio cab companies were estimated to have a shortfall of 3,619-5,467 cabs in the major cities in which they operated.

Rajiv Vij, CEO, Easy Cabs, was quoted as saying, "Over the next five years, we expect to see 5-6 big cities, each with a population of about 20,000 radio taxis, with three large operators controlling 80 per cent market share. We also see the rise of 20 Tier II cities, with a population of 5,000-10,000 radio taxis each, with 5-6 players controlling up to 70 per cent market share."[6] For radio cab operators, airport trips were the most preferred service, but point-to-point commuting services were also expected to become increasingly lucrative. Analysts predicted that three to four years post 2011 there would still be huge demand for radio cabs; however, there would be significant competition from online car aggregators[7] and car rental companies. In addition to providing services like radio cab operators, these companies offered inter-city services, which were not offered by radio cab operators. Competition would also come from economy radio cabs, which did not have a sizeable place in metros, but were expected to successfully operate in other Tier I and Tier II cities, [8] where the four major radio cab operators planned to make their foray in the future. (Radio Taxi Industry in India, n.d.)

To meet the existing demand, the major radio cab companies had to scale up their operations. This required greater investment, which the companies managed by infusing equity capital into their businesses. Thus, even after five years in the business, major radio cab companies had not yet become profitable.

Strategy and Strategic Perspective

A business strategy is a documented plan on how an organisation is setting out to achieve their goals. A strategy is an integrated and comprehensive plan of action to reach objectives. It covers all major aspects of the organisation starting from Marketing to Operations, Finance, HR and Information technology. It delineates, how to deal with multiple stakeholder's competitors, customers and examine the long-term growth and sustainability of their organisation.

Strategy is important because it gives business an idea of how they are pre forming, what their capabilities are, and if these capabilities can help them to sustain in the short term and grow in the long term. Strategies look at these future risks and help develop ways in which they can overcome these obstacles.

- A well-defined business strategy clarifies how the business is performing internally and performing against your competition and what you need to stay relevant into the future.

- A strategy can identify trends and opportunities in the future. It can examine the broader changes in market such as political, social or technological changes, as well as consumer changes, and can develop tactics so your business can modify and develop to suit these future changes.(Why business strategy is important?, 2014).

Effective business strategy begins with focusing on the needs of a target audience. Cooks who wanted a faster way to cook food welcomed the microwave. Busy people on the move wanting a fast, affordable way to communicate with others embraced the cell phone. Businesses which can identifying appropriate target audience and meet their needs better than their competitors will find a clear competitive advantage. Creating and sustaining competitive advantage is possible by delivering high quality service, at a competitive price.(Richards, 2015).

Competitive advantage means just that: being better than the other available alternatives that your target audience has and, in the process, achieving an advantage. It's not enough to be "just as good as" the competition. Successful strategic advantage falls to those who can deliver a product or service that is better in some way and that is more meaningful to the target audience, says Lin Grensing - Pophal, a marketing consultant and the author of "Marketing with the End in Mind." High-quality is defined differently by different people, she says, and encompasses all elements of the marketing mix product, price, place and promotion.(Richards, 2015)

Moreover, being the best at whatever it is the key to achieving competitive advantage for a business. Whether that means the best price, the easiest access, the best quality or the best service, successful companies find a way to differentiate themselves from the masses.

Competitive advantage examines the economics of a firm's business focusing primarily its ability to generate excess returns on capital and links the business strategy with fundamental finance and capital markets, for a longer period.

In the end, it is a firm's competitive advantage that allows it to earn excess returns for its shareholders. Without a competitive advantage, a firm has limited economic reason to exist-- its competitive advantage is its reason of life. Without it, the firm will decline.

Creating a sustainable competitive advantage may be the most important goal of any organisation and may be the most important single attribute on which each firm must place its most focus.

Developing a Winning Strategy

Having a strong, winning strategy for the company should be the backbone of any business plan. Strategies for each kind of company in different sectors vary greatly, but there are some fundamental and generic principles that all businesses can learn from.(Sun, 2016).

Some of the basic areas of learning can be learn from competitor's success and failures, make sure that everyone is in same page and follow specific, achievable and measurable.

While it's human nature to marvel at competitors' products, grow envious, then try to copy them, it is not always the most profitable route, for example, Apple's seminal iPhone and iPad, which revolutionized smart phones and tablet computers, and the slew of imitators that followed. It is more important to learn from their failures.

Who learned from Apple's failure? Google. The world's largest search engine, setting its sights on the throne shared by Microsoft and Apple, launched Android, a freely distributed operating system that was sprinkled all over the fragmented hardware landscape of smart phones and tablets from various vendors. Just as Microsoft did in the 1990s, Google captured a large portion of the smart phone and tablet markets through the combined might of a motley crew of hardware vendors using its operating system.

So, it is advisable to learn from competitors' successes, but also understand their failures. Mapping these out will allow the business to succeed. With no one on the same page, the company took a step back as people no longer saw the Google as an invincible monster, but a chaotic, confused beast.

Irrespective of industry strategy to be Specific, Achievable, Measurable - applies to all winning strategies. Therefore, to survive and prosper firms must answer the many important questions. Some of these are: What is our business? What should it be? What products should we produce, and at what level of quality? Who are our customers, and what types of customers do we want to serve? When the questions are answered, a strategy is formulated.

Organizations that are unable to develop successful strategies fail, because they lack a focus for their efforts.

Since strategy is integrated and comprehensive it covers all major aspects of the organisation be it Marketing, Operations, Human Resources, IT and Finance.(Barnat, 2014).

OBJECTIVE OF THE STUDY

- To conceptualise Business Strategy and its relevance for Business success

- To conceptualise Modern Transportation System with special reference to taxi Services in India

- To delineate the role of winning marketing strategy of UBER technologies for its growth story

Uber Marketing Strategies

- **Early Adopter Advocacy**

One of the effective marketing strategy adopted by Uber is a "Word of Mouth Marketing". Company initially adopted it, which was by looking for movers in and around Silicon Valley and attaining them to advocate for the brand - Uber.

Meanwhile many tech – oriented companies and start-ups are constantly looking for new products and services which can transform the way of day to day activities. Uber's intention to sponsor the events, giving first rides for free and adopting a hyper-local strategy that changes shape with each new city the company enters.

- **Referrals**

Uber encouraged the early adopters to take advantage of referral program to give their friends free ride also earning credits for themselves. This give money - get money program gave early adaptors a more tangible reason to go for

the service. It's been massive success for Uber. Drivers are also entitled to get this referral incentives, thereby making gaining on both the customer and "contractor" sides faster and easier. Till date, referrals are an integral part of Uber's marketing strategy. It's not surprising, as word of mouth is an ages-old marketing technique that works across essentially all industries. When a company implements referral software, suddenly these effective yet opaque communications become visible. They can incentivize advocates and first-time users, scale their marketing, and pinpoint what's working and what isn't.

- **Reviews**

In service Industry, customer feedback is utmost important to survive in a cut-throat competition. One of the massive differentiator between Uber and traditional taxis is that it has rating systems for both drivers and passengers. Either way, the structure promotes confidence on Uber and better behaviour of both driver and passenger.

- **Stunts**

Every time Uber launches a new special offer, groups of millennials around the world cheer. Sometimes the service delivers kittens to offices and other times it lets passengers ride with famous musicians like Diplo or Matt & Kim. These exciting "surprise and delight" tactics work to please loyal customers, generate positive buzz, and give Uber a more fun and friendly image, which is something it often lacks in comparison to its competitor Lyft.

- **A Loyalty Program**

It is unknown to many consumers that Uber's marketing strategy has included a loyalty program for at least about two years now. Uber is providing "Uber VIP" an exclusive offer to those who are loyal – customers and have taken over 100 Uber rides. The main tangible benefit of the program is that VIPs have special access to the highest-rated drivers. However, the program also signifies a commitment to and a gratitude for these returning customers, who surely feel slightly proud of the fact that they're "very important".

- **An Omni-Channel Approach**

The omni-channel tactics are Uber's one of the most effective strategy, under which it has recently ventured with Facebook Messenger to lets user request for a ride with the help of messaging app. In many cities, the company has also set up physical kiosks with breathalyzers, which calls a ride for bar patrons who've had a little too much that night. There's even an Uber mobile game! While Uber extends its presence to other channels, it's also striving to fulfil more consumer needs on its own platform. Uber EATS is the company's rapid food delivery service and standalone app. Uber RUSH, meanwhile, is a business to business delivery service that's already partnered with Shopify, Big commerce, and Clover. Uber HEALTH has begun to deliver flu shots, and Uber EVENTS is working its way into the wedding industry by letting event hosts prearrange and prepay for transport for their guests.

Critical Analysis & Observation

Uber, with its customer-centric approach gives the customers possibility to grab a taxi no matter what current location is, and shows how much money customer need to pay upfront. Additionally, it helps the customer track the entire route and, at the end, allows to make both an offline and online cashless payment via credit card and Paytm.

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. Additionally, the great advantage of Uber is generally lower prices in comparison to regular taxi operators, and, in most cases, a higher quality of cars. Another advantage is the rating system in which people can choose verified and rated drivers before starting the ride.

Uber, with the benefits mentioned above, has efficiently addressed the problem of dissatisfaction with traditional taxi services which often come with high prices and long waiting time.

But, as with every fast-growing company, Uber also has weaknesses that can prevent it from expanding further. Regular taxi services are under an obligation to operate under the constraints of legislation and regulations, and Uber is famous for skirting regulations it deems unwarranted. This attitude has generated a lot of conflicts with local authorities that have already led to several fines being levied against the company. in many countries, such as Germany, France, Netherlands, India, Thailand, United Kingdom.

This situation has shown that the company is vulnerable to restrictions that might arise from new legislation. Uber's negative press is also connected with the company's ethically questionable relationships with drivers, who complain about low earnings compared to the high costs of being a driver and 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.

CONCLUSIONS

This case primarily conceptualised Strategy in general and highlighted marketing strategy of UBER technologies with a strong technology support how plays a vital role in making this organisation growing day by day with a highly competitive market scenario. Best of Marketing Strategy, world class technology and continuous innovation alone cannot lead to sustainable growth of business. There is a testimony to the above fact UBER Car drivers in the country were on strike due to management issues thus giving rise to problem of uninterrupted business activity. So UBER needs design and follow sound Human Resources policies as fleet drivers are the key people to drive 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. 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.

So, for Uber to stay in business, it needs to keep both drivers and clients satisfied. The company has recently presented statistics showing 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, make the service more profitable for drivers. This is a classical win-win situation that favours Uber's position in the market, and one 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.

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, Curb and Sidecar.

Limitations & Scope for Future Study

This case study only focussed on Marketing strategy of UBER and future research work can take care of other aspects of business strategy for the company. Further the research is based on secondary method of data collection only further study can be made via primary method of data collection and comparative study between other competitors and Uber can also be made.

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