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# Uber: Business Model And Business Processes

## Business Description

The sharing economy business we have selected is Uber, an American-founded multinational transportation network company based in San Francisco with operations in more than 785 metropolitan areas globally.

Uber had started in 2009 with the aim of evolving the ground transport services, where the term 'Uber' simply means 'Above' in German. Its founders, Travis Kalanick and Garrett Camp, were both entrepreneurs before they started Uber; Travis co-founded StumbleUpon and Garrett founded Red Swoosh which he later sold at \$19 million.

Its services concern offering vehicles for hire (peer-to-peer ridesharing), delivery (food) and a bicycle sharing system, with its platform being accessed via its website and mobile application. It has grown to be one of the biggest and desired taxi service providers in recent years, due to its convenience in terms of availability and access, as they offer extremely quick service whilst customers get convenient comfort. The application digitalizes the traditional methods of taxi services, where the user can request for a taxi using the app on their smartphone and the system immediately dispatches an available and close driver to the user's location, and finally, dropping them at the desired location.

## Business model and business processes

The business model of a company refers to a conceptual structure explaining how a company operates, makes money, and how it intends to achieve its goals. It should ideally answer who your customer is, what value can create or add for the customer, and how you can establish this at reasonable costs.

Uber follows a ridesharing or carsharing business model and is distinguished to be the single most recognizable player in the sharing economy. The shared economy from an economic perspective, essentially refers to turning unused or underused assets owned by individuals, into productive resources which can generate revenue, such as cars and homes which just lay dormant. Unemployed and underemployed are technically wasted productive assets too, therefore the sharing economy generates value by matching these assets and labour with consumers willing to pay for the possible services they can provide. The lucrative nature of this industry stems from the use of technology to gain business profitability, as it connects consumers to the resources with less cost and time, whilst allowing almost anyone with the right assets to make the service available outside of the original taxi or hotel industry.

Uber has been commended for their impressive business model which cleverly delivers to customer needs whilst maintaining their own goals. and is often compared to a "black-box", where consumers cannot see data about supply or demand, and prices are set dynamically by the application's "surge pricing" algorithm which Uber has patented. Once Uber enters a city, they start working on customer acquisition where they appoint a general manager for the city in the Uber organizational structure to carry out the leadership tasks related to the area. They then

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start gathering the drivers they need for their services, subsequently then spreading their presence via media so that consumers are aware of Uber in their area.

## **The main business model of Uber (carrying out the journey) can be represented as the following:**

- **Step one: Request**

The passenger who has downloaded and registered on the app can open it and request for the desired cab of their choice, to arrive at their current location.

- **Step two: Match**

The drivers in the range of the passenger receives a notification of the passenger's request, and they can either accept or decline the request. If they accept it, the information of the driver is sent to the passenger.

- **Step three: Ride**

The passenger gets to track the route with the application and see the estimated time of arrival. The meter is started once the journey starts, and ends when they reach their desired destination.

- **Step Four: Payment**

When the ride is over, the rider needs to pay the amount billed. Uber's "surge pricing" algorithm holds a key influence in their business model. It sets the taxi fares with the peak hours as the premium fare and the off-peak hours as the flat rate. The passengers pay with their credit cards (not cash) and the fare is based on the car type, distance, and peak hour. It is a secure payment as it is only done through the app.

- **Step Five: Rating**

The customer gets to rate the driver after the journey is over, and this gets added to the profile of the driver.

## **The main users Uber serves:**

- **The Taxi Driver -**

Anyone with a driving license and a car can apply for an Uber driver in any Uber covered cities. They go through screening and then are enlisted in the Uber system and given an Uber iPhone. Uber's business model is one which has low inventory and runs on commission [5], hence Uber needs to ensure that they have enough drivers to feed the constant demand for their service, therefore in order to secure this, whenever Uber enters a city it gathers drivers on contract basis.

- **The Passenger -**

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A passenger is an individual who downloads the Uber app to their phones and orders a taxi with the service. They track the taxi on their phone until they meet, which is extremely convenient to the passengers, as it provides them with a relative low-cost service in comfort. Uber gives priority to its customers, making sure that the drivers are polite and hassle free, strategically promoting the driver-rider relationship through means such as being able to rate the driver, offering information about the riders prior to the ride.

Their business model's customer segment identifies their customers to a relatively wide base:

- People who don't own a car.
- People who can't drive or don't know how to drive.
- Tourists of the city.
- People who don't want to drive to functions themselves.
- Customers who choose luxury travel and VIP treatment.

Furthermore, Uber has focused on niche customers by executing special services:

- Uber for kids: There are parents who don't have their children dropped and picked from school via school bus, hence Uber saw this as a business opportunity and launched this.
- Uber for senior citizens: Uber had learnt that 30% of rides are taken by senior citizens in a city, therefore they decided to launch this catered for them.
- Uber for professionals: A collaboration with companies to provide cab services to the employees of the company.