Uber Business Model and Competitive Analysis

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Executive Summary

I am going to look at the company Uber. Being one of the most recent startups that has gone worldwide and is valued at over 70 billion dollars, it is one of the greatest projects in the world. It, therefore, is a good project to study and analyze to get an insight into how a project should be done. I will look at it from various points of view: the company review, the analysis of the industry at large, the competition, the challenges, the marketing plan and the management team behind it. I will also study the financial plans it had.

Introduction

Uber started in 2009 and was first implemented in San Francisco as UberCab. Over the years, they have endeavoured to expand all over the world to reach as many cities as possible. This is a very ambitious project, and its success is very important since it sets a precedent and a leeway for other companies and industries to expand, setting an example for others to follow. The company looks forward to providing convenient and affordable transport for people throughout the world. The company has created employment for millions of people all over the world, both directly and indirectly. Uber does not own a conventional fleet of more than seven million cars. It operates a technology platform that connects riders with independent drivers, who generally provide their own eligible, registered, and insured vehicles.

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Company Overview

Uber is a taxi-hailing service where a customer can, at the touch of a button on the phone, order a taxi that will come directly to their position based on GPS data. The way it works is that the company allows drivers to bring their fleet of vehicles for inspection by the company, and upon approval, the driver is given access to the Uber database, where he can be requested to transport clients. The customer normally pays the driver at the end of every journey. That is basically how the company works. The revenue of the company is a commission on each ride the driver takes the client on. This may seem like a small amount, but once you imagine that Uber takes more than a million rides a day, the profit is very big. As part of the fleet, Uber has different categories of vehicles, from the smallest car, which would be the cheapest, to the high-end vehicle, which is the Uber Select. Clients can be paired with a vehicle of their choice that is convenient to the wallet. The service has also taken into account the change in demand at different times of the day with a surge pricing technology where prices rise with demand and lower in off-peak hours. Uber was started back in 2009 by the founders Travis Kalanick and Garrett Camp. Started as Uber, it took San Francisco by storm in 2010 and gradually expanded, raising capital of 22.2 billion dollars. It is famous all over the world.

Industry Analysis

Uber was the first player in the industry and by far the largest company. Taxi companies have been in the industry for generations, but Uber and others have incorporated technology in a way that has brought the traditional taxi cabs a run for their money. The main player in the taxi-hailing services is Uber, with a market share of 74 per cent, followed by Lyft, taking 22 per cent of the market share. The rest is shared by the smaller companies. The fraction share of the industry is good because, in any industry, competition ensures that the consumer is protected and gets the best service possible. The drivers that work with the app are happy with the service. They can now work 24 hours a day knowing the app will assign customers from their wide customer base.

Customer Analysis

In terms of customers, the company has done a lot of marketing and has, over the years, gained a large customer base. The customers are pulled towards the service because of the competitive prices that are very affordable and, most of all, the convenience of the app. The customer is able to order a car from the comfort of his living room and is informed the moment the car arrives. This service has solved a problem that many people had for a long time. Getting a cab was hard. Waving at taxis in the middle of the road is dangerous. The mobility is also uncandid; normal taxis would only be available in high-traffic areas; this app allows the user to request a ride from anywhere. The customers vary from young people looking for cheap transportation to executive business people who want a quality form of transportation that is available on the fly. The extra features like the ability to schedule a taxi pick up at a certain time has also been a good feature for the customers.

Competitive Analysis

Since the Uber app became popular, many other applications have come into the industry and tried to disrupt it. The uber dominance has, however, always proven to be strong. The competition is, however, getting tighter by the day. Depending on the city, there are different competitors, but none has been able to reach Uber's stretch. Uber has established itself in more than 633 cities around the world. The numbers are staggering and show Uber's level of commitment as a company. Because of the competitive nature of the industry, the company keeps on advertising, and these advertising costs have had an effect on the overall profits of the company. Normal taxis have been heavily affected by the Uber takeover; in every city around the world, ordinary taxi cars have resorted to joining Uber at the end of the day since customers often opt for the app rather than the traditional methods.

Marketing Plan

Uber has employed many marketing strategies to ensure it has outwitted and outdone the competition. The most obvious strategy is the referral code system, where one user will send a friend a special code that, once used, will offer him a free ride of a certain value. The way the company works with a market segmentation strategy, dividing it according to demography and geography, has helped the company price accordingly. Another technique applied is the differentiation targeting strategy that is used so as t share of wallet customer where they upsell the existing competitors. They simply compare Uber prices to the current pricing in the market and lower their rates to the most economical but profitable rates possible. Positions have been used in such a way that they have benefit-based pricing. They attract various demographics since the travel cost is huge, and positions on an economic basis will have an effect on the mindset of customers. To gain popularity, the company has used local celebrities in different cities to popularize the app. Branding the company in a way that seems more appealing.

Operations Plan

The company, being multinational and that big, needs a well-managed operations plan. The structure of governance has its CEO at the helm, making decisions about the company at the headquarters in San Francisco, California, reporting only to the board of directors. In each city around the world, the company has a head of operations officer who is in charge of the smooth running of activities at that level. They, however, have a set of standards that, as a company, must be maintained to ensure the quality of services. Being a web-based company, most of the operations that take place can be tracked using a computer, and all the rides taken by each driver are easily calculated. This way, the company keeps paying their driver monthly based on the number of trips they have taken.

Management Team

The management structure has the board of directors at the helm and the CEO just below them. The CEO is assisted in operations by five other directors who head different departments. Under them are the different departments in the company, which include the legal team, which ensures that all laws are observed, and the operations department, among others. There are many other directors who work below him to ensure the smooth running of operations. Such a big company would need

Financial Plan

In terms of finances, the company used a very elaborate mechanism. They raised funds not all at once, but in a series of 8 stages, the company expanded. The first series was in 2011, when, after the San Francisco success, it raised 11 million. They then raised another 37 million in Series B in 11 after success in New York City. They went ahead and got another 258 million in 2013 and 600 million in 2014, both raising the capital as it had sunk its roots down, and its potential was now being unleashed. In 2015, they raised a total of 4.9 billion and 2 billion in 2017. By December 2017, they had raised a total of 22.2 billion dollars in funding. The financial funding coincided with expansion plans, and that’s how they have managed to expand to such heights.

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