

A Work Project, presented as part of the requirements for the Award of a Master's degree in Impact Entrepreneurship and Innovation from the Nova School of Business and Economics.

## **UBER – EVERYONES PRIVATE DRIVER**

Philipp Holger Langer

Work project carried out under the supervision of:

Rui Silva

Euclides Major

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## **Abstract**

Uber has a responsibility to continue development and targeted execution, as seen by its overwhelming interest in the advancement of its mobile application. The ability to connect drivers and passengers via mobile devices eliminates the need for Uber to have a physical presence in local areas where they expand operations, resulting in a highly scalable system with few barriers to further development.

Uber's historic development has been marked by controversies, technological advancements, protests, and bright new ideas. To assess their journey to the top of the mobility industry, general highlights about financials, historic developments, and the entrepreneurial transition from startup to scaleup will be showcased.

Using the given information as groundwork, the case focuses on Uber's marketing efforts over the years, how they utilized different strategies, why they used them and lastly – what it can teach students.

## **Keywords**

Uber, Case study, Teaching note, Scaling, Growth, Expansion, Business model, Platform business, Gig economy, Regulations, Marketing, Market share, Services, Technology, Autonomous Vehicles, Profitability, IPO

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## **Introduction**

Uber first started as a platform which connects drivers and riders, intending to facilitate mobility. The idea was to request a ride by simply tapping your phone. For the first time, people were able to order a ride from the exact location they were standing in. You just need to go to Uber's app on your phone, specify a location and a destination, and wait for the software to pair you with a driver. As soon as a driver is selected, you receive information about them (their name, ranking based on the other users' feedback, photo, and their vehicle's license plate and description), and the cost of the ride in advance. This was a huge breakthrough when compared to the traditional taxis at the time, in which you wouldn't receive any information regarding the driver, and the fares were based on the path chosen by the driver (many times manipulated to increase the cost) or stop-and-go traffic. In addition to this, Uber's app has the option to share your ride with friends/family/colleagues, which enhances its safety compared to traditional taxis. Considering all these factors, it is no surprise that this innovative idea disrupted the entire private car hire industry.

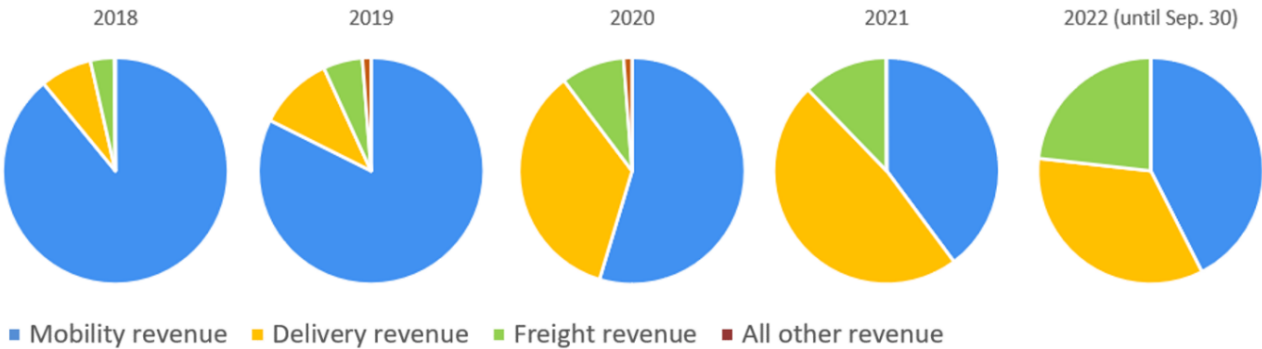
## **Operating Segments and Sources of Revenue**

Even though Uber started as a ride-hailing service, it didn't take long until it expanded into other business units. Currently, Uber has three operating segments and sources of revenue: (i) *Mobility*, its ride-hailing business, previously known as Rides; (ii) *Delivery*, its food and groceries delivery network, previously called Eats; and (iii) *Freight*, its freight transaction services provided to shippers. Nonetheless, the mobility segment continues to represent the primary source of revenue, as shown in **Figure 1** below, apart from 2021, where the global demand for mobility reduced, while the demand for delivery increased, due to the Covid-19 pandemic. In addition to the three operating segments mentioned previously, Uber's other

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source of revenue, stated as “all other revenue” primarily includes its ATG “Advanced Technologies Group” business – a subsidiary focused on the development and commercialization of autonomous vehicle technology, which results from a 3-year collaboration agreement entered in 2019 –, and its New Mobility offerings and products, which provide users access to ride through a variety of modes, including dockless e-bikes and e-scooters. However, after the sale of its ATG business on January 19, 2021, to Aurora – an American self-driving vehicle technology company –, all other revenue values became insignificant.

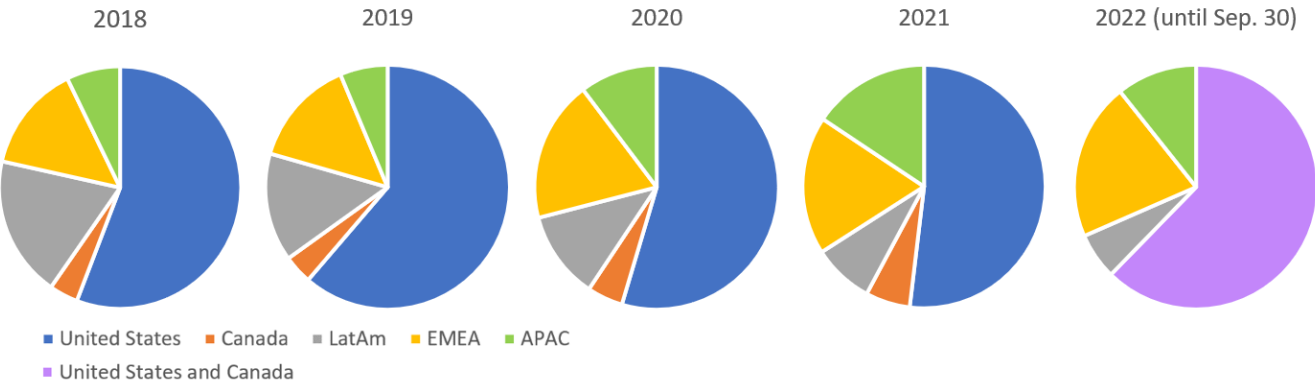
**Figure 1:** Revenue by segments from 2018 until 2022 (September 30).



Source: Uber Technologies Inc., Annual Reports

Currently, Uber operates in 10,500 cities across approximately 70 countries (Uber Technologies, Inc. 2022). The United States is Uber’s main source of revenue, representing more than 50% of all revenue, as shown in **Figure 2** below. LatAm used to come in second until 2019, however it was eventually surpassed by EMEA and APAC, the second place belonging to EMEA.

**Figure 2:** Revenue by geography from 2018 until 2022 (September 30).



Note: In 2022, there's no separate revenue information regarding the United States and Canada.

Source: Uber Technologies Inc., Annual Reports

### Operating Expenses

Uber's operating expenses comprise (i) Cost of revenue – core platform insurance expenses, credit card processing fees, bank fees, data center and networking expenses, chargebacks losses, mobile device, and service costs –, (ii) Operations and support – compensation expenses, including stock-based compensation, for employees that support operations in cities –, (iii) Sales and marketing – compensation costs, including stock-based compensation, to sales and marketing employees, advertising costs, product marketing costs and discounts, loyalty programs, promotions, refunds, and credits provided to end-users who are not customers –, (iv) Research and development – compensation costs, including stock-based compensation, for employees in engineering, design and product development, as well as expenses associated with ongoing improvements and maintenance of existing products and services –, (v) General and administrative – compensation costs, including stock-based compensation, for executive management and administrative employees, allocation of certain corporate costs, occupancy, and general corporate insurance costs –, and finally (vi) Depreciation and amortization – depreciation on buildings, site improvements, computer and network equipment, software, leasehold improvements, furniture and fixtures, and amortization of intangible assets. The three

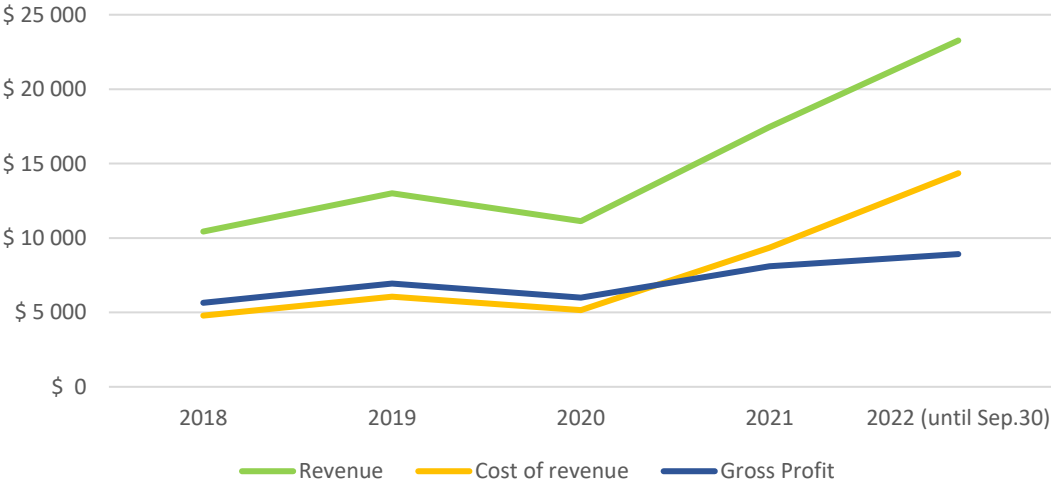
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biggest chunks of operating expenses are the cost of revenues, sales and marketing, and general and administrative, which constitute an average of 39%, 21%, and 14% respectively of the total operating expenses in the last 5 years (**Exhibit 1**).

### Revenue and Gross Profit Margin

Since 2020, Uber’s revenue has been steeply increasing, accompanied by its cost of revenue, as shown in **Figure 3** below (values in **Exhibit 2**). However, its gross profit margin, which was stable from 2018 until 2020, has been gradually decreasing since 2020, as shown in **Figure 4** below (values in **Exhibit 2**). This is a reflection of a higher growth rate of the cost of revenue in comparison with revenue. The revenue’s compound annual growth rate (CAGR) was 22% since 2018, while the cost of revenue’s CAGR was 32%, leading to a gross profit margin CAGR of minus 8% (**Exhibit 3**). This contradicts Uber’s plan that scaling up will lead to economies of scale, and consequently, profitability. However, one must acknowledge the uncertainty in the past years marked by a global pandemic, supply-chain crisis, and the imminent recession (also caused by an inflationary period).

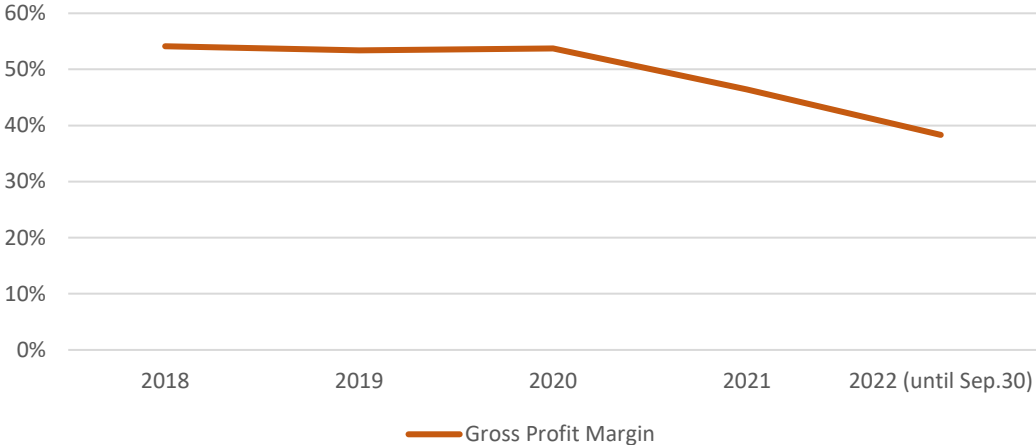
**Figure 3:** Gross profit evolution from 2018 until 2022 (September 30).



Note: All values are in millions.

Source: Uber Technologies, Inc., Annual Reports

**Figure 4:** Gross profit margin evolution from 2018 until 2022 (September 30).



Source: Uber Technologies, Inc., Annual Reports

### Other Income or Expenses

By looking at Uber’s consolidated statements of operation, one can observe the significance of other income in the net loss/income attributable to Uber (**Exhibit 4**). This being said, the analysis of the constitution of the other income seems relevant, as well as the comprehension of the item that had the greatest impact (**Exhibit 5**). In 2018, Uber realized a \$3.2 billion gain with the completion of two divestitures, the disposition with a retained interest of its Russia/CIS operations and the sale of its Southeast Asia operations (Uber Technologies, Inc. 2019). In 2019, the gain on extinguishment of convertible assets and settlement of derivatives increased by \$444 million caused by the conversion of Uber’s 2021 and 2022 convertible notes and the settlement of the related derivative in connection with its IPO. In 2020, the company had a \$1.7 billion impairment of its investment in Didi (Uber Technologies, Inc. 2020). In the first quarter of 2021, Uber realized a \$1.6 billion gain on the sale of its ATG business to Aurora. In addition to this, in 2021, the firm had unrealized gains of \$1.6 billion, \$1.6 billion, and \$991 million on its Grab, Aurora, and Zomato investments respectively, which were partially offset by an unrealized loss of \$3 billion on its Didi investment (Uber Technologies, Inc. 2021). Finally in 2022 (until September 30), Uber recognized \$2.7 billion, \$2.4 billion, and \$1.8 billion net

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losses, and a \$747 million change of fair value on its Aurora, Grab, Didi, and Zomato investments (Uber Technologies, Inc. 2022). Accompanied by a \$106 million net loss on its other investments in securities accounted for under the fair value option.

## **Main Competitors**

One might say Lyft is Uber's biggest competitor. Lyft is based in San Francisco and offers mobility – in the form of ridesharing, electric bikes and scooters, and rental cars – and food delivery services. Following Lyft, DiDi and OLA Cabs represent some of Uber's main competitors. However, there is not any company that offers the same range of services as Uber (**Exhibit 6**), hence it seems opportune to present a competitive landscape by segment. Nonetheless, it sounds reasonable to analyze Uber's main competitors in the mobility and delivery segments, since these are the only segments where Uber is actually fighting for a dominant position in the market.

Starting with mobility, there is an intense level of competition in the ride-sharing industry. Lyft, Uber's main opponent, operates in 644 cities in the United States and 12 cities in Canada (Iqbal, Business of Apps 2022). In addition to Lyft, it is also worth mentioning Didi and Ola Cabs. As of December 31, 2021, DiDi, a Chinese transportation services company, provides its services across over 400 cities in 18 countries, operating mainly in China and with a strong market position in Latin America (DiDi Global Inc. 2021). It is often called the "Uber of China". Ola Cabs, an Indian ridesharing company, conducts its business mainly in India. In 2018, the firm expanded into Australia and New Zealand, and in 2019 it started its operations in the United Kingdom. One might call it the "Uber of India". Even though Lyft is Uber's main competitor, Uber holds most of the ride-hailing market share in the United States (**Exhibit 7**). In May 2022, Lyft had a 28% share of rides in the US, while Uber had a share of 72% (Perri 2022).



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Moving on to the food delivery segment, DoorDash, Uber Eats, Postmates and Grubhub are the top U.S. food delivery players. DoorDash dominates the United States food delivery market, with a market share of 53% in 2021, followed by Uber Eats (which acquired Postmates in 2020), with a combined market share of 31% (Ang 2022). DoorDash is in around 7,000 cities across the United States, Canada, Australia, and Japan (DoorDash s.d.). By looking at **Exhibit 8**, it's evident that DoorDash is "stealing" its competitors' market share. Postmates, Grubhub and others' market shares have been decreasing since 2018, as a result of the massive increase in DoorDash's market share. Regarding Uber, its market share has remained stable since 2018 (26%).

The key takeaway is that even though Uber operates in segments with low barriers to entry, and thus, with a high level of competition, its competitive advantage is its broad geographical presence and strong brand equity. As mentioned earlier, the company operates in 10,500 cities across approximately 70 countries (in **Exhibit 9** there's an illustration of Uber's worldwide presence).

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## **Uber's startup fundament that enabled entering the scaling phase**

### **Journey to the entrepreneurial roots**

Before becoming a scaleup and entering the growth phase, a startup needs to flourish. Decisions at the startup stage manifest the foundation and set the conditions for future scaling activities. At Uber, entrepreneurial execution not only initiated the scaling process but also helped pushing boundaries in the growth phase. Therefore, it is worth investigating which startup characteristics Uber showed. Uber has been **one of the most successful startups** in history according to different metrics (Medium 2021). Since 9<sup>th</sup> May 2019, Uber is a public company listed on the New York Stock Exchange (NYSE). Currently, Uber's market cap revolves around 58 billion USD (as of 14<sup>th</sup> November 2022), and its revenue was 17.4 billion USD in 2021, it serves more than 118 million users worldwide, has around 4 million drivers, employs about 30,000 workers and is backed by highly prominent investors. These include Baidu, Microsoft, Jeff Bezos, Blackrock, big US investment banks, Softbank, Toyota, and PayPal. However, this prestigious market situation, including the unrivalled growth and competitive dominance, had its origins. Many crucial factors paved the way for Uber's triumph. Hard to imagine, but the success story simply started as an idea, like multiple other ventures. In 2015, Travis Kalanick, co-founder of Uber, proudly pointed out: "Man, it's been five years, and we went from [...] four people around a desk to something that is around the world," (Uber Newsroom 2015). So, hop on, fasten your seatbelt, and prepare for a different type of Uber ride.

### **Classification as a Scale-Up**

Scaling a business can be defined as persistent rapid growth to deliver a viable business model (DeSantola und Gulati 2017). Further definitions describe the process of scaling as generating revenue faster than taking on new costs (Lighter Capital 2022) or without a substantial increase in resources (Spendesk 2022). According to the OECD, a company having an average

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annualized return of at least 20% in the past 3 years and had at least 10 employees at the start of the 3-year period can be entitled as **scaleup** (OECD 2007). With respect to Uber's revenues since 2014, the company successfully fulfills the above-mentioned requirements. Uber even increased its revenue in the first years by the factor of three and two. The slowest revenue growth has been reported from 2018 to 2019 with 25%. As one could guess, Uber's revenue declined 21% in 2020 due to the Corona pandemic. Without the Corona restrictions significantly affecting Uber's sales, the company would have had 7 years of continuous revenue growth above 20% annually, from 2014 until 2021. With respect to the revenue reported for the first three quarters of 2022, Uber is probably going to increase its annualized revenue by more than 20% in the year 2022 as well (**Exhibit 10**). Additionally, since passing the early founding days, Uber constantly had over 10 employees. To illustrate the explosive growth of employees, Uber grew from 75 people in 2012 to 300 in 2013 – ever astronomically rising since then.

### **Lessons from the very first Pitch Deck**

An important instrument of startups to secure funding and attract potential partners is the **pitch deck**. It serves as external flagship of the venture and its vision. Plus, it helps to trace back Uber's initial startup aspirations. The very first pitch deck of Uber is public. 25 slides were showing what Uber aimed for, back then in late 2008. It contained essential parts of a slide deck for tech-based entrepreneurial ventures. A catching cover, problem, solution, target group, key differentiators, use cases, user benefits, technology, market opportunity, funding needs, and current progress were included (Camp 2017).

The importance of **trust** was already obvious in Uber's slides and is still the core of their relationship with users. "The best end-user experience possible" was one of its operating principles already in 2017. This has manifested as the key pillar of Uber's massive success among its worldwide growing customer base. The customer and its needs always serve as the

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point of orientation. A general manager of Uber EATS also confirmed that the most dominant factor of choosing a partner for Uber EATS is trust.<sup>1</sup> Can the partner company be trusted and most importantly, is it perceived as trustworthy by the broader audience of end consumers.

According to “The Lean Startup” by Eric Ries, the prevailing startup manual in the last decade, an early-stage company accomplishes an endless loop consisting of building, measuring, and learning – which Uber followed (Beatrice Valente Covino 2013). Learning act as starting point by formulating hypotheses. Depending on the outcomes of the building phase and the subsequent measures, “pivot or persevere” decisions need to be made (Ries 2011). Uber’s journey involved substantial **pivots** and **adaptations**. The intention of the early days was to provide a service for a curated, higher-end clientele, namely “Professionals in American cities”. This customer segment is still served with Uber Black, Uber Comfort, etc. but the users’ personas have been becoming more diverse, comprising many socio-economic levels. Notably, Uber described their service as “NetJets of Cars” in the pitch deck. NetJets is the world’s largest private jet leasing company. The comparison with a private jet charter business emphasized Uber’s initial efforts to become a high-end premium service with high efficiency, comfort, and exclusivity for a well-defined target group. Additionally, their approach was “members only” to further highlight the exclusivity and luxury of their service. This idea faded increasingly since nowadays, after a quick registration, literally everyone can become an Uber user. Also, the cars meant to be luxurious: Mercedes and Lexus. Finally, the “invite only – from an existing member” function mentioned in the pitch deck of 2008 accentuated on the described exclusivity approach. Concluding, Uber performed a so-called customer segment pivot (Ries 2011).

A **vision** and foresight of **future trends** are critical for startups that want to survive. Uber already mentioned Wi-Fi in cars to allow “working while commuting” which would have been

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<sup>1</sup> The Uber manager was interviewed in an event but prefers to stay anonymous, further details can be obtained upon request.

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a major technological and user-oriented improvement. Moreover, Uber's eye on the environment stands out, anticipating the rising advancement of global climate consciousness. The "Environmental Benefits" slide of 2008 speaks of hybrid cars and carpooling which substantially gained in relevance and are well-used today. Furthermore, Uber's whole business model was based on smartphones rising in usage – and they predicted right. Uber also anticipated this technological development and built its service on the back of it. Another concept that would grow tremendously was location-based services and the industry around it. Moreover, Uber used the word "digital hail" to describe their early solution and thus, already seemingly indicated its direction to the upcoming gig economy. Surprisingly, there were only a few hypotheses which failed validation over time. The most outstanding claim which turned out to be unproven was Uber's profitability. On the "Operating Principles" slide, one bullet point mentions "Profitable by design".

Uber also focused on **efficiency**. A typical success factor of business ideas is the identification of inefficiencies in current processes, markets, value chains, or business models. These present opportunities where new companies can begin to gain market share (Forbes 2020). For example, in the slides, Uber emphasized the higher fuel efficiency – driving more miles with the same amount of fuel – of its cars versus taxi cabs. The hike of miles per gallon which describes the fuel efficiency of automobiles in the US turned out to be another advantage of Uber.

**Values** are another relevant aspect of an organizational entity to attract users and essentially, talent. Especially, in the uncertain environment of a startup, manifested common beliefs function as solid anchor. In the old pitch deck, initial values of Uber can be identified. Amazon's 14 leadership principles served as orientation (Amazon 2022). Already in Uber's early days, the significance of safety, user-orientation, and convenience was obvious. These are still being lived up to today. Now, Uber impersonates a value set of eight beliefs. "Stand for safety: safety never stops" is one of the eight core values Uber is representing nowadays. "Trip

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obsessed: make magic in the marketplace” and “Build with heart: we care” embody the other two mentioned beliefs. The three values of today mirror what Uber’s initial qualities embodied.

Another pillar of successful business ideas is **simplicity**. The art of narrowing down a complex issue to a single and tangible problem is a critical entrepreneurial skill. One way of Uber showing its plain straightforwardness is the language used in the pitch deck. “‘Get here now’ costs more than ‘tomorrow at 5 pm’”, and “raise a few million” are illustrative examples of its past wording. Furthermore, Uber concentrated on solving a simple problem. Garrett Camp wanted to “push a button and get a ride” according to Travis Kalanick (Uber Newsroom 2015). To focus on solving the issue, staying humble and focused rather than raising inordinate ambitions was key in the beginning. “We needed to make sure we were surviving, much less thriving,” explained Kalanick, “Uber didn’t begin with any grand ambitions. It began as the answer to that simple question,” (Uber Newsroom 2015).

Furthermore, Uber utilized **scientific** methods to solve specific problems. One is Operations Research to optimize routes or demand forecasting to hover cars in statistically optimized positions. Plus, Uber’s technological advancement is based on multiple data and computer science tools (Singh 2020). For example, it maintains a Machine Learning-as-a-Service platform called Michelangelo. There, AI solutions are being built, deployed, and run. One of these is the estimated time of arrival which users see after they booked a ride. In fact, the iteration cycle of Uber’s AI approach incorporates key elements of the lean startup feedback loop (**Exhibit 11**). Uber also uses spatiotemporal forecasting models to see user demand and driver supply in selected future moments, resulting in a so-called “heat map” for drivers to see where demand agglomerates (**Exhibit 12**). Additionally, leveraging natural language processing, Uber enables standardized answers to select and send via one click for drivers. Like this, they can answer users faster and are less distracted while driving. The science-based approach is also reflected in Uber’s efforts of employing a significant number of PhDs. For

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instance, in 2021, Uber hired a fifth of Harvard University's PhD graduates (The Economist 2022). Thanks to big data analysis and data science being applied, Uber can draw conclusions from the data being collected from rides. It uses every information gathered to improve its services. This enables product development not only close to the market but even together *with* the market which increases the chances of a successful product-market-fit (Blank and Dorf 2020). On top of that, Uber introduced a two-way feedback system. The driver rates the passenger and vice versa. The data-driven feedback culture further advances Uber's services while improving riders' and passengers' satisfaction.

### **Burning 3 Dollar for every 1 Dollar earned: Uber's Cash Burn Problem**

A figure that is used to compare the financial vitality of startups is the **cash burn rate**. In general, cash burn means negative free cash flow (FCF). It is the money raised from investors the company spends that is not or only partly covered by operating income. In sum, Uber burned \$25 billion since 2009. The burn rate of the last six years is displayed in **Exhibit 13**. In the second quarter 2022, Uber's FCF amounted to \$335 million and thus, was positive for the first time. This indicates establishment as financial stable company that can sustain its spendings through revenue. Surprisingly, the FCF more than doubled in the third quarter, by the end of September 2022. The high burn rate is the result of staggering growth to reach critical masses of users and drivers since Uber employs a two-sided market. The rapid global expansion and the entrance of other markets besides the core business (e.g., Uber EATS and Freight) also consumed lots of money. In 2017, a professor at Wharton Business School explained that Uber is losing \$3 for each \$1 they make (Wharton Magazine 2017). The fact that Uber lost money for so many years is not how startups usually mature in later stages. Normally, they seek profits, positive cash flow, and any type of exit. This makes them attractive for investors. Uber's strategy seems to be long term oriented and puts growth over profits which hasn't been seen before to such extent.

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### **The entrepreneurial spirit of the people behind Uber's expansion**

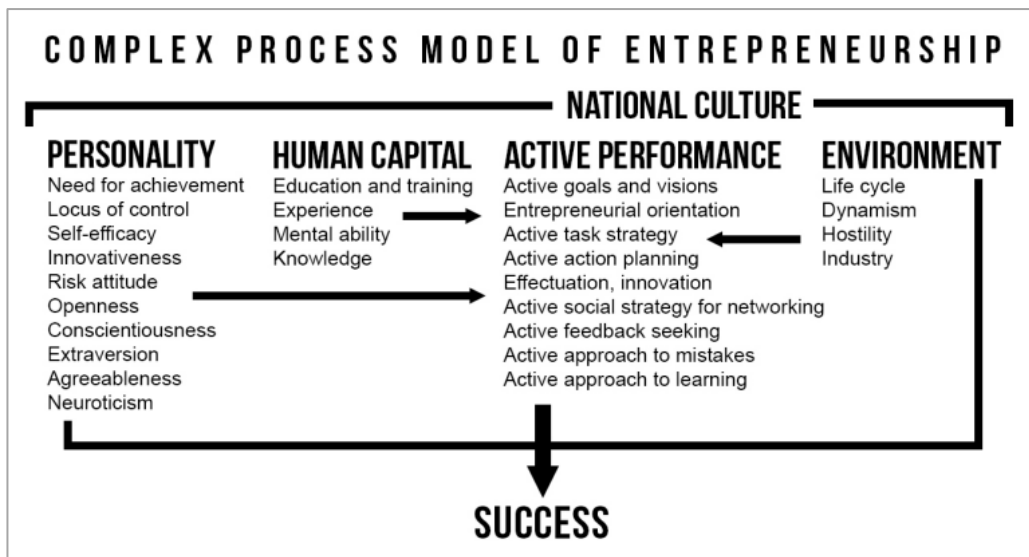
A **low average age of employees** is another typical characteristic for technology-based startups from Silicon Valley. Uber CEO Dara Khosrowshahi mentioned that “the average employee at Uber is barely over 30”, (CNBC 2022). As can be seen in **Exhibit 14**, the talent of other big high-tech corporations globally is also around that age, in median.

Remarkably, both Uber founders were **serial entrepreneurs**. Uber initially was founded by Garrett Camp and Travis Kalanick. Before Uber, Garrett Camp co-founded StumbleUpon (web discovery platform with personal recommendation engine) in 2002. It was acquired by eBay for \$75 million in 2007. After co-founding and self-funding Uber (speaking of the \$250k seed round), he founded Expa (company builder) in 2013. Travis Kalanick was known for transforming his peer-to-peer (P2P) expertise into successful ventures before the idea for Uber existed. Prior giving birth to Uber, he co-founded Scour (multimedia search engine and P2P filesharing platform) in 1997 and Red Swoosh (P2P content delivery network) in 2001. The latter was acquired for about \$23 million in 2007 and thus, he became a millionaire. Research confirms the increasing likelihood of success if the founder is a serial entrepreneur (Shaw and Sørensen 2017). The prior experience, unique skill set, and exclusive network of the two experienced co-founders largely helped getting UberCab started and scaled.

The building of a global multi-million-dollar corporation requires specially equipped people. Therefore, founders of successful ventures inhabit specific personality traits. A meta review of studies that researched on **personality traits of entrepreneurs** revealed some of these characteristics (Pekkala, Kerr and Xu 2017), see **Figure 5** for an overview.



**Figure 5:** Complex process model of entrepreneurship.



Retrieved from: [https://www.researchgate.net/figure/Prototype-Complex-Process-Model-of-Entrepreneurship-Frese-2009\\_fig1\\_365295237](https://www.researchgate.net/figure/Prototype-Complex-Process-Model-of-Entrepreneurship-Frese-2009_fig1_365295237)

Travis Kalanick co-founded Uber and was positioned as its CEO from 2010 to 2017. It is not for nothing that he is being perceived as the face of Uber’s meteoric rise. Thanks to his high degree of openness, he developed passion for computers and learned to code already in middle school. With 17 years of age, Travis sold knives door-to-door which shows high extraversion (communication skills) and strong conscientiousness (work ethic with 17). At 18, he co-founded the “New Way Academy” – a scholastic aptitude test preparation business to help applicants to increase chances getting accepted by American universities. This emphasized his high agreeableness, openness, and conscientiousness. Furthermore, the passion in coding and the early proactive way of starting own endeavors lead to Travis also exhibiting strong levels of self-efficacy and locus of control. Both describe the degree a person perceives as being in control of his/her life and the environment. Dropping out of the University of California, Los Angeles (UCLA), to start a business was a risky decision with unknown consequences. Co-founding and running Scour, the P2P network, while receiving unemployment aid and getting sued for \$250 billion also accounts to Travis’ increased risk tolerance. Moving back to his parents’ house to save money while running his second firm, Red Swoosh, shows his unrivaled

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seeking for success. Although the initial idea originated from Garrett Camp, he believed in the concept of disrupting the cab industry by utilizing information technology – evidence for innovativeness. Already in 2002, listing Travis as one of the top innovators under 35 where he was at the age of 25 confirms this (MIT Technology Review 2002). It was also him who started the autonomous driving department of Uber in 2015. His unethical practices to win at all costs also underline his need for achievement, but simultaneously resulted in a lot of trouble. Despite being an ambitious entrepreneur, becoming a prudent leader is a subject on which Travis finally failed. He had to resign from Uber due to many controversies and scandals on his behalf. To sum up, “Uber CEO Travis Kalanick is so headstrong, so enthusiastic, and so combative that he is at risk of seeming like a parody of today's tech entrepreneur,” (Inc. 2013).

A “dream big” **mentality** is what makes most successful entrepreneurs and innovators of our time stand out. Steve Jobs, Elon Musk, and Jeff Bezos relentlessly reached for the stars and were ready to sacrifice. Interestingly, the company name “Uber” comes from the German word “über” which means above something (geographically) or above all the rest (in terms of level/hierarchy). This strong attitude was lived by Garrett Camp and especially, Travis Kalanick. Another typical trait of entrepreneurs linked to this mentality is thinking out of the box. In fact, Travis’ way of finding the new CEO and general manager of Uber, Ryan Graves, was a simple and informal tweet in 2010 (**Exhibit 15**).

Today, Uber still lives up to its entrepreneurial genesis. To cultivate a purposeful work culture, Uber boosts the approach of **intra-preneurship**. Decentralization, flat hierarchies, and independent teams working on their own terms made the company grow even bigger (Forbes 2019). In addition, short communication distances foster fast decision-making. This is necessary in such a rapidly changing market environment Uber is operating in. Finally, in 2019, Uber initiated the Uber Incubator that follows an open innovation approach and involves lean startup methodologies (TechCrunch 2019).

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## **Historic Development**

Uber was founded in March 2009 as UberCab in San Francisco by Garrett Camp and Travis Kalanick. Just three months before, they attended the Parisian LeWeb conference, where Kalanick first heard of the idea for Uber from Camp. They both previously sold their companies. Camp sold StumbleUpon to eBay for \$75 million in 2007, and Akamai Technologies bought Red Swoosh from Kalanick for \$19 million (Blystone 2022).

The idea for Uber was born when Garrett Camp told Kalanick how he booked a private driver for New Year's Eve in 2007 for \$800 and was offended by the high price for an evening of fun. He started thinking about a way to split the cost with friends in order to get private hire limos more affordable and, at the same time, solve San Francisco's taxi problem.

Together with Oscar Salazar and Conrad Whelan, two graduate school friends of Camp, they built the prototype of Uber. Kalanick, at the time, was working as "Chief Incubator", his primary role being that of an advisor (Hartmans e Leskin 2019). By January of 2010, UberCab had three cars as part of a test run drive around New York, focusing on the SOHO, Chelsea, and Union Square area (Arrington 2010).

As Garrett was CEO of StumbleUpon again and Kalanick wanted to take some time off after ten years of working in P2P technologies, they had to find someone to run the company. They hired Ryan Graves as a General Manager, who previously worked for General Electric Healthcare (Kosoff 2015). Just three months later, UberCab officially launched in San Francisco on the 31st of May in 2010 (Hartmans e Leskin 2019).

Shortly after the launch, Graves was named CEO of UberCab, and he and the team were looking to secure funding. During the summer, Uber raised a \$1.25 million seed round. Among the investors were First Round Capital, Chris Sacca, and Gary Vaynerchuck (Arrington 2010). UberCab changed its name to Uber in October 2010 to not market itself as a cab service too

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much and risk further tensions with the taxi industry (Kolodny 2010). Uber shocked their investors in December of 2010 when Graves stepped down as CEO and became a General Manager again. Kalanick took on the open position (Arrington, 2010).

Under the leadership of Kalanick, Uber closed their Series A funding in February, securing \$11 million in funding, valuing the company at \$60 million. Benchmark Capital led the financing round, adding Bill Gurley, a partner at Benchmark Capital, to Uber's board of directors (Arrington 2011). The company used the funding to have its first expansion, moving into New York, now one of its biggest markets in the world, shortly after expanding to Chicago (Kosoff 2015).

In December 2011, Uber reached a new milestone as they went live in Paris, marking their first international expansion. The same month, Menlo Ventures led the Series B round, pre-valuing Uber with \$300 million. Together with Jeff Bezos, Goldman Sachs, and more, the startup collected \$37 million (Tsotsis 2011).

The following year was exciting for the startup, as they accelerated their international expansion to Canada (Shore 2012) and London (Dredge 2012), got competition by the newly founded Lyft (Lawler 2012), and announced their new Uber X service. Uber X would be 35% cheaper than a regular Uber, deviating from the black luxury sedans, as drivers were allowed to use Prius and Cadillac Escalades. This marked their evolution as a brand, with Kalanick stating that "Uber is ultimately a cross between lifestyle and logistics" (Tsotsis 2012).

To stay competitive with Lyft and supply the growing demand for drivers, the startup allowed Uber X drivers to use their personal vehicles, starting in April 2013 (Lawler 2013). Uber solidified their international presence by launching its service in Taipei, its first location in Asia, and Johannesburg, its first city in Africa. They subsequently collected \$363 million in a Series C round led by Google Ventures, now called GV, upping their post-money valuation to \$3.76

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billion (Wilhelm e Tsotsis 2013). At the end of the year, the first documents in a case against Uber were filed by attorney Shannon Liss-Riordan, arguing that the 350.000 Uber drivers in California and Massachusetts must be classified as employees rather than contractors. The plaintiffs and Uber came to an agreement outside of court in 2016 (Taylor e Goggin 2019).

UberRush, a package bicycle delivery service, launched in New York City in 2014. The product expansion further strengthened the transition of Uber from a ridesharing company to a logistics company (Ong, Uber announces UberRUSH, a bicycle courier service, launching first in Manhattan 2014). The service was shut down in March 2018 (Morris 2018). April 2014 marked another significant milestone for Uber, as they went live in their 100th city, Beijing. China was a promising market at the time, set to become the most valuable country for Uber. The Series D round, led by Fidelity, valued the company at \$17 billion pre-money, as they raised another \$1.4 billion (Lawler 2014). Two months later, UberPool launched in San Francisco in August, enabling users to save up to 40% on rides. The service allows riders to share their commute with other rides that have a similar route, lowering the cost of the overall ride (Ong 2014).

The end of 2014 was a significant time for Uber. They received \$1.2 billion at a \$40 billion pre-money valuation in a Series E round (Crunchbase s.d.) and another \$600 million from Baidu alone. Baidu is a Chinese search giant and offers map apps, which Uber could use to integrate into their service, a promising outlook for investors (Shu 2014). The enthusiasm was short-lived, as two Chinese taxi apps, Didi Dache and Kuaidi Dache, announced their merger into Didi Kuaidi. Competition in China began growing as the merged company had a market share of 95% and was valued at \$6 billion (Shih 2015). Furthermore, a passenger accused a Uber driver of raping her, resulting in the ban of Uber in the Delhi region. The incident raised safety and screening process concerns regarding the drivers working for Uber (Barry e Raj 2014).

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As the drivers are Uber's most enormous operating cost, they announced a partnership with Carnegie Mellon University in Pittsburgh, where they would research self-driving cars. The prototypes were spotted mapping the streets in May 2015, just three months after the announcement (Gibbs 2015). Just before, Uber Eats launched in LA, Barcelona, Chicago, and New York City as part of an elaborate test run, already planning to expand to other locations (Julia 2015). Traditional taxi drivers protested against Uber in France, as they were operating outside of French law- The protests took a violent turn in Paris, with cars being burned and Uber drivers getting attacked. This was not the first-time traditional taxi drivers voiced their concerns, as the year before, protests were held in London, Milan, and Madrid (Rubin e Scott 2015).

In July, Uber raised \$1 billion at a \$50 billion pre-money valuation in a Series F round. Shortly after, it secured \$100 million in private equity from the Tata Operations Fund to grow its presence in India (Crunchbase s.d.). December was a turbulent month for the company, as Lyft (USA), Didi Kuaidi (China), Ola Cabs (India), and GrabTaxi (South-East Asia) announced a service and technology alliance, as Softbank is their common investor (Purnell 2015). Simultaneously, Uber Eats received its stand-alone app, with the service also coming to Toronto (Hempel 2015). Five and a half years after its launch, with just one day left in 2015, Uber reached 1 billion trips, a massive milestone (Uber s.d.).

Saudi Arabia's Public Investment Fund invested \$3.5 billion in Uber in the first half of 2016, marking the biggest single investment of a foreign country into a venture-backed startup. Yasir Al Rumayyan is the managing director of the Fund. He will join Uber's board of directors (Hartmans 2016). Nevertheless, more than the cash injection was needed to save Uber's operations in China, as Uber reportedly lost \$1 billion every year trying to stay competitive (Carson 2016). Didi Chuxing, formerly Didi Kuaidi, agreed to buy Uber China, valued at \$7 billion. The merger increased Didi's valuation to \$35 billion (Millward 2016).

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Just six months after reaching one billion trips, Uber doubled the number of rides, completing over 2 billion in July (Uber s.d.). In August, Uber deployed around 100 heavily modified Volvo XC90s capable of autonomous driving. The cars will pick up riders in Pittsburgh, with a driver who can take the wheel in an emergency and a co-pilot to take notes. To strengthen its place in the autonomous industry, Uber bought Otto, a self-driving truck startup, and with Volvo formed a \$300 million alliance (Chafkin 2016).

Uber Freight launched in May of 2017, marking its move into the trucking industry. Lior Ron, a co-founder of Otto, leads the company. Still, Uber Freight will rely on actual drivers instead of autonomous vehicles (Balakrishnan 2017). Uber achieved the next milestone of 5 billion trips in the same month (Uber s.d.).

Susan Fowler, a former Uber engineer, published a blog post detailing her experiences at Uber. Her experience at Uber was that of a sexist and toxic company, with her having to endure sexual harassment. Kalanick hired former US attorney Eric Holder, who led the independent investigations into the company (Levin 2017). Shortly after, on Superbowl Sunday, Kalanick got in a heated argument with an Uber driver about the lowered fares. The dashcam video was published online, and Kalanick apologized, stating that he would get leadership help (Carson 2017).

The allegations reached their height in June 2017, as the results were published to the board. 215 claims of discrimination and sexual misconduct from employees resulted in 20 employees being fired (Carson 2017). Kalanick took a leave of absence following the scandals of the last year (Carson 2017). Only two weeks later, he resigned as CEO, as five of his major investors wanted his immediate resignation. Dara Khosrowshahi, the former Expedia CEO, was hired as the CEO of Uber in August (Isaac 2017).

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2018 started with Softbank, an investor in various other ride-hailing apps, taking a 15% stake in Uber, becoming their largest shareholder. Grab, previously GrabTaxi, acquired Uber South-East Asia operations in eight countries, including Uber Eats. Uber will receive a 27.5% stake in the company, while Khosrowshahi will join the board of directors. This was not a surprise, as both companies have Softbank as a mutual investor (Sommerville 2018).

The company also partnered with JUMP, a bike-sharing startup, to launch Uber Bike. The service allowed users to unlock JUMP bikes through the Uber app. Shortly after, Uber bought JUMP to become a one-stop solution for mobility. The amount was not disclosed, sources say the price was close to \$200 million (Seppala 2018).

After Uber's self-driving cars reached the 2-million-mile mark in December 2017, an autonomous car struck and killed a pedestrian in Arizona in March 2018. The first fatal incident involving a self-driving car. This resulted in a halt of Uber's testing program in Arizona. The company soon resumed its research activities in Pennsylvania, limiting driving speeds to 25 mph on a loop around Uber offices (Bort 2018). Unphased by this, Toyota invested \$500 million, valuing Uber at \$72 billion, to accelerate autonomous ridesharing. The researched technology will be implemented in Toyota Sienna minivans, which were planned to hit the roads in 2021 (Bensinger e Dawson 2018).

2019 was an exciting year for Uber, as the company officially filed for an IPO in April. The company was listed on the New York Exchange under the ticker UBER in May, with a share price of \$45, valuing the company at \$75.5 billion, the third largest IPO in America. Shares fell to \$41.57 at the end of the day, accumulating a \$655 million loss (Ungarino e Garber 2019). A month later, the US government ruled that drivers are contractors and not employees, a massive win for Uber. Drivers are, therefore, not allowed to form a union and possess no legal protection when complaining about working conditions (Wiessner e Rana 2019).



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During 2020, the effects of Covid, and thus implemented safety measures, struck Uber. Quarterly taken trips dropped by 1.2 billion to 700 million in Q2, a setback that Uber has to come back from, as quarterly rides rose to 1.8 billion in Q2 of 2022. Monthly active users went down from 111 million to 55 million, while gross bookings fell to \$10 billion, nearly halving. UberEats noted more gross bookings than the ride sector for the first time, which it still has not caught up to again (Iqbal, 2022).

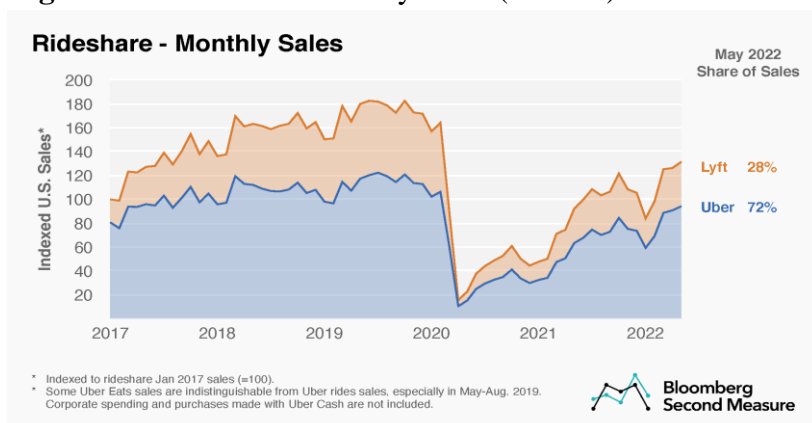
Today, Uber is active in 10,500 cities (Uber 2020) across 69 countries (Salas 2022), has 122 million active monthly users, provides nearly 21 million trips a day. The ride segment has a market share of around 70% in the US, while Uber Eats has 24% (Iqbal, 2022).

### **Transition to Uber's growth and how it scaled so fast and successfully**

Uber Technologies Inc. is their official name because they consider themselves a technology firm rather than a transportation company. The company established a two-sided digital marketplace for drivers and riders and was one of the first to embrace and describe the "sharing economy" concept. Uber's business strategy clings to ease and predictability, two things that the traditional taxis severely lack. Uber definitely offers passengers a transportation system that is more predictable, certain, and transparent as opposed to seeking to locate the contact information of a taxi service or phoning one without assurance of its presence or availability. Uber had one main mission and it was to make transportation an easy access to everyone and without the expenses that other ride hailing services have, without owning their own vehicle fleet, instead each driver would use their own car. Because of its asset-light business model, which has proven to be quite attractive to investors, Uber is very scalable. Their business model and financial backing helped the company to achieve a very strong presence in the market, with 15 million rides per day worldwide and a 72% share of the US rideshare market in 2022 as we can see in **Figure 6** below.

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**Figure 6:** Rideshare – Monthly Sales (June 15).



Source: <https://secondmeasure.com/datapoints/rideshare-industry-overview/>

One year after its debut, Uber had grown to the point that, despite spending almost no money on marketing, it was hiring a new rider for every seven rides. The solution was very simple, Product-market fit. When brands have established and verified the use cases for their products or services with their target customers, they have reached the stage of product-market fit. Startups can evaluate their product or service's capacity to survive in the market with the help of this tool. Additionally, it aids companies in determining how well their offering would satisfy consumer demand. Furthermore, it is one of the biggest tools that helps determine the success or failure of the business.

Uber is a regional company with worldwide operations. Since its product is the same everywhere and for everyone, it must be appropriate for diverse, tiny local markets. To make this work, it needs both good local intelligence and powerful technology. The company leverages data to scale, promote product adoption, and provide value to customers. Powerful consumer feedback systems have been developed by Uber. All of the information from a customer's engagement with their products is recorded and fed back into the system to enhance the experience of the subsequent user. Thus, data is the main factor enabling Uber's scalability. The business model innovation doesn't just entail radical industry revolution; digital reforms can also begin modestly, pragmatically, and incrementally. In many respects, that's how

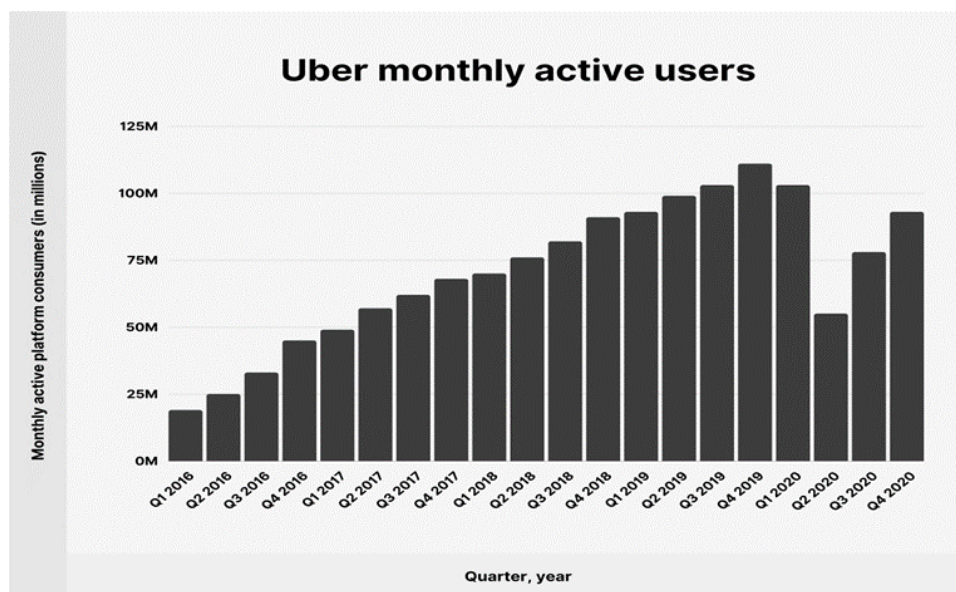
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businesses like Uber got their start; they started out small, honed their customer development strategies, and discovered the right people, technology, and inflection points to scale.

Uber Technologies developed a concept to optimize travel time and improve the experience, revolutionizing the way people travel. The organization developed a solution to give its clients an effective, ideal, and hassle-free traveling experience by focusing on the demands of those who travel frequently. It has grown in popularity over time and is now many people's go-to riding option.

Monthly active users of Uber have been steadily increasing at a rate of 48.74% from 2016 to 2020, as we can see in **Figure 7** below.

**Figure 7:** Uber monthly active users (March 23).



Source: <https://backlinko.com/uber-users>

Uber's growth and the fast scale that the organization faced was crucial to enhance new technologies and to solve real problems. The products and services that are designed specifically to address these problems gain traction quickly and are readily accepted by clients. The company's business strategy was created in a way that makes it simple for it to quickly enter new areas and grow its client base. It has put a strong emphasis on scalability from the start. When it entered a new market, it was adamant about winning and acted with a "warlike

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mentality”. Furthermore, with growing startups, comes discontentment from various parties. Consequently, to create a successful business, the measures must be put in place to be able to deal with crisis and maximize any damaging news that may be directed at the brand. Uber’s growth strategy focused mainly on client convenience, and it adopted a disruptor persona to establish its brand and identity. It began a socioeconomic campaign to change ingrained behaviors in ways that benefited customers. Additionally, they occasionally spent money on increasing brand loyalty, which ultimately aided them in opposing legislation and regulations. The seamless omnichannel aspect of Uber’s growth strategy is its most important component. Nobody could stop the market from adoring the product since it revolutionized how consumers’ lives were plugged into, from smartphone hailing to superior cars, frictionless payments, and driver rating.

Since Uber was the first technological business to offer distinct services in the transportation sector, it was able to capture a sizable portion of the market. Although it had rivals, Uber always had a better reputation as a brand than any of the other companies that were also a ride-sharing service, which leveraged its way up.

Companies should have several aspects in consideration when it comes entering new markets, and fast expansion. Uber was the first of many ride-sharing applications to appear in the market. A corporation should take the competition into account when entering a foreign market. If not in light of its competitive advantages, in order to create a workable strategy to enter that market by changing some strategies. Uber expanded quicker internationally than any other firm. The Uber application revolutionized the way people travel and quickly expanded to several countries, becoming a very practical and cost-effective replacement for taxis and underfunded public transportation. Uber’s popularity is rising due to a variety of factors, including: the convenience of the service in comparison to the traditional taxi companies, which was one of the primary factors in its success; it provides customers with an alternative to the conventional

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corporate service models used by other transportation businesses; customers have the chance to rate their drivers using the service, which makes it simpler for the business to hold drivers accountable and enhance quality control. Due to these factors, Uber has been able to quickly penetrate new markets all over the world. Despite increased competition from rival ride-sharing businesses, the company is anticipated to continue to expand over the coming years.

Every company exists to fulfill a need for its clients. However, the majority of businesses use the same, constrained set of business models, which are, most of the time, not adequate to address all the various problems that customers may encounter. Businesses that offer superior services and stand out from the competition will expand much more swiftly. Uber has proven this by resolving a number of the issues that clients had with conventional taxi services by creating an application, which was all that the consumers needed to have a more facilitated life. For this reason, Uber had the opportunity to scale and grow successfully.

So, what are the most important takeaways from Uber's scaling experience? The *individualized customer experience* - Every business should offer highly personalized consumer experiences through mobile devices, applications, and connected items like Uber does. Every gadget, every social media post has a customer behind it. Making the most of each client interaction by turning discrete moments into customized customer journeys is therefore more crucial than ever. *Simplicity* - Uber is a prime example of elegant simplicity successfully addressing a single issue. It was a straightforward concept predicated on a straightforward desire to disrupt a simple, established business with latent demand and subpar customer service. Uber has survived its legal, political, and ethical storms because, at its core, it is a straightforward, customer-focused service. *Validated learning* - Keep up valid learning, excel at getting better, and acknowledge that improvement never stops. Take extraordinary steps to comprehend why clients purchased from the company. *Right mindset* - The organization needs to have the correct attitude for the current level of growth. Scaleups are particularly prone to errors when things are going

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smoothly. Uber's founders have the appropriate mentality, and it is obvious that a huge idea performed flawlessly is the true motor, finding exactly what people needed and answering to existing problems, which becomes the primary step to start a successful startup.

Repetitive high margin sales are one factor in Uber's success. Many Uber users reportedly spend more than £100 a month on the service, according to reports. Some services adhere naturally to this metric, whereas others are only sometimes used. Convenience is the appeal of on-demand products, which promotes high retention rates and growing to the critical mass.

**Figure 8** below displays gross mobility bookings for Uber since 2017. The data for 2020 show a decrease, highlighting the coronavirus's effects:

**Figure 8:** Uber's gross mobility bookings (March 23).

Quarter, year	Gross bookings
Q1 2017	<b>\$6.5 billion</b>
Q2 2017	<b>\$7.48 billion</b>
Q3 2017	<b>\$8.2 billion</b>
Q4 2017	<b>\$9.19 billion</b>
Q1 2018	<b>\$9.38 billion</b>
Q2 2018	<b>\$10.17 billion</b>
Q3 2018	<b>\$10.49 billion</b>
Q4 2018	<b>\$11.48 billion</b>
Q1 2019	<b>\$11.45 billion</b>
Q2 2019	<b>\$12.19 billion</b>

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Q3 2019	<b>\$12.55 billion</b>
Q4 2019	<b>\$13.51 billion</b>
Q1 2020	<b>\$10.87 billion</b>
Q2 2020	<b>\$3.05 billion</b>
Q3 2020	<b>\$5.9 billion</b>
Q4 2020	<b>\$6.79billion</b>

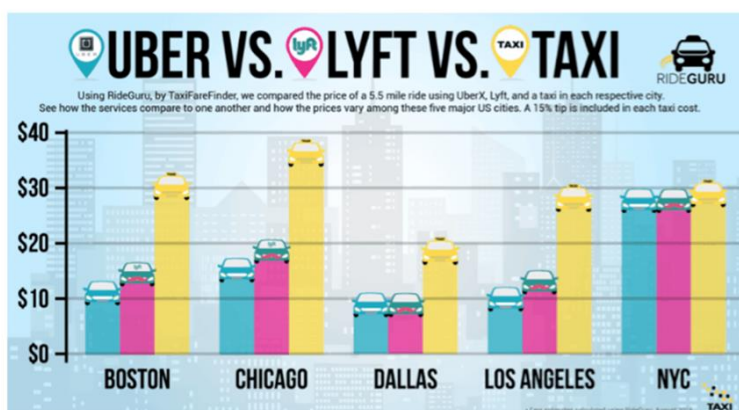
Source: <https://backlinko.com/uber-users>

Scaling entails making sure everything moves in unison. Each function must develop at the same rate as the others while maintaining alignment with equal care and support. In this, Uber has succeeded. The organization was able to redefine “one-size-fits-all” and created a service that made lives easier with a personalized system. This led to a series of positive publicity and recommendations.

Uber offers its users a number of benefits, the most notable of which is the user-friendly interface that enables users to freely order their desired vehicles in a shorter amount of time, hence lowering associated transaction costs. The second, and possibly most well-known benefit, is the pricing of rides, which is far less expensive than that of typical metered taxis. The time and distance parameters that make up Uber's price structure are totally under its control. **Figure 9** below displays the comparison of the prices between Uber, Lyft and taxis services in Boston, Chicago, Dallas, Los Angeles and New York City.

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**Figure 9:** Uber Vs. Lyft VS. Taxi (March 31).



Source: <https://d3.harvard.edu/platform-digit/submission/uber-vs-taxi/>

Thirdly, the software primarily enables electronic payment via credit/debit card services, which lessens the anxiety associated with carrying cash. These can range from having enough money on hand to making sure you are carrying the exact amount you need in case the driver doesn't have change. Finally, the opportunity to review the driver's service using the five-star rating system guarantees that the driver's reputation is upheld and that mandatory quality criterion are met.

In conclusion, this potential is the main factor attracting investors' attention to Uber, enabling its scaling approach. The effects on the economy, the environment, and daily life are profound. They are altering how people view utilizing personal transportation, moving away from the idea that everyone living in cities needs to buy a car and toward the idea of renting rides as needed. Because Uber is one of those truly disruptive ideas that entirely redefines an industry and alters how people think about deeply ingrained beliefs and habits, it makes for an interesting scale-up case. Uber demonstrates that creating a pro-consumer product that entirely reimagines the experience can be scaled and result in long-term success. Uber's expansion offers information on what it takes to achieve the scaleup growth that startups seek.



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## **Problems emerged in the scaling process or soon to be faced**

Uber faces many challenges which have and will likely continue to affect its operations. These risks can broadly be categorized in three sections: operational, legal, and financial. The categories are not mutually exclusive as they are intertwined.

### **Operational Risk – Risk of Scalability in highly competitive markets**

The benefit of Uber's business model is that it proved to be scalable quickly on a global basis. However, this is not without downsides as the markets it operates in are highly competed. Uber faces intense competition from existing, and inexpensive alternatives. The competitors already mentioned above tend to be well-funded and compete by offering consumer discounts, promotions or different pricing models that may be more attractive to users than Uber's offering. To stay competitive in these markets Uber has lowered fares and offered driver incentives, these incentives combined can be higher than the gross booking amount it generated on the same trip. Uber's success of its platform business in each geographic market significantly depends on increasing its network scale and liquidity by attracting drivers, consumers, merchants, shippers, and carriers to its platform. If drivers choose not to offer their services through Uber's platform and instead offer them through a competitor's platform, Uber will not only have less transportation capacity but moreover will also face a reduction in service quality. The result will be higher waiting times for riders which further shifts consumer focus to competitive platforms. Uber has experienced and expects driver supply constraints in most geographic markets in which it operates. Consumers tend to shift to the most affordable or qualitative provider, and drivers to the platform with the highest earnings potential. Key to attract customers in these industries is to build a platform that offers the lowest service fees and highest volume of orders. Similarly, if merchants choose to partner with other delivery services or choose to engage exclusively with Uber's competitors like merchant marketing websites, other

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delivery services, Uber may lack a sufficient variety and supply of restaurants. This lack of access to the most popular restaurants will become less appealing to consumers and merchants. Hence, Uber will likely have to continue to offer promotions in markets where Uber does not hold a leading position, which will negatively affect its financial results. Furthermore, the adaptation and change of its pricing models to competitors' changes is crucial to combat driver emigration. To stay competitive, Uber will have to constantly adapt and explore further innovations or different pricing models, which must be refined and can vary geographically.

Some of Uber's competitors have achieved first mover advantages in certain locations like greater brand awareness through having had a longer food hold. Furthermore, these incumbents in international markets tend to have specialized market knowledge and tend to be backed more substantially by local regulatory institutions. This gives incumbents a competitive advantage in responding quickly to local regulatory changes, technologies, and switches in consumer preferences. Also, it is to be expected that new entrants will arise in the future in Uber's existing markets due to low entry barriers in the industry. Many of Uber's competitors are operating on a local basis with a limited service offering. Its competitors also adopt similar product features or copy them, reducing the ability to differentiate the Uber brand.

Uber's number of platform users fluctuate not only as a result of fare prices and ETA times but also because of dissatisfaction with the operation, platform user support, variety of offerings, negative brand association resulting e.g., from safety incidents or driver treatment, perceived geopolitical affiliations or changes in products and offerings. Uber's challenge is to make tradeoffs based on the factors above between the satisfaction of its multiple platform users. One change that one category of user's views as positive will likely be viewed as negative to another category of users for example the reduction of trip fares resonates well with riders but not with drivers. Driver dissatisfaction has in the past resulted in protests by Drivers in various regions,

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including the United Kingdom, which resulted in business interruptions. Hence, future protests also will result in loss of business.

### **Operational Risk – Brand reputation and Marketing**

Another challenge that Uber faces is the regulation of its platform concerning safety incidents. Uber must deal with many cases of incidents that can range from theft by drivers or damage on the cars by riders to murder. Slow or false reactions can have strong influences on Uber's public relations efforts and might result in litigation costs. Uber has not had a successful record regarding incidents in the past which might continue to affect business in the future. Uber manages this by terminating user access to its platforms based on previous reported incidents, imposing required qualifications for drivers and merchant or low ratings received from users. Uber's ability to onboard drivers to its platform may be reduced by changes in driver qualification and background-check requirements, which increase costs. Allegations have been made that its background check process is insufficient or inadequate. Legislators and regulators may pass laws or adopt regulations in the future requiring drivers to undergo a different type of screening, or background check process in comparison to existing ones. Establishing new processes can become costly and time-consuming. Uber relies on a single background check provider in certain jurisdictions. In case this provider fails to provide background checks on a timely basis, Uber may be unable to onboard new drivers or retain existing ones. The likely future regulations could also reduce the number of already existing drivers on its platform based on noncompliance with the new required background checks. This cannot only take form of a driver being terminated based on factual noncompliance but also because of a lack of unavailable data of the driver. These processes will most likely vary in jurisdiction and will increase lead times of acquiring new ones.

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Another crucial challenge will be to maintain and enhance Uber's reputation. This is critical to its success in attracting and retaining drivers and soon employees as well as platform users. Negative media coverage and past cultural issues have damaged its brand, making it difficult to increase product confidence and politically motivated regulatory scrutiny. The successful restoration of Uber's brand will depend on its ability to reduce safety incidents, enhance its compliance programs, maintain a high level of service, and continue its marketing and public relations efforts. Uber has already taken steps to restore its brand and reputation, but these efforts have involved significant costs and may not be successful. Uber's brand and reputation may be harmed by events outside of its control, such as licensing its brand in connection with divestitures and joint ventures, including to Didi in China. (Uber Technologies, Inc. 2022)

### **Operational Risk – Technology investments**

Uber has made investments to develop new products and technologies and plans to continue investing in these areas. Through acquisitions, it has expanded its Delivery offering to include grocery delivery. However, there are risks associated with these initiatives, such as regulatory challenges and the potential for its products to become noncompetitive or obsolete. There is no guarantee that consumer demand for Uber's new initiatives will be sufficient to generate enough revenue to offset the associated costs and liabilities. The company's development efforts could distract management from ongoing challenges by redirecting resources from existing services.

If successful, new products may be subject to increased regulations that could impact its ability to commercialize them. If the expected benefits of its investments do not materialize, it could harm the company's prospects.

One area where Uber has invested in is autonomous vehicle technologies. For example, in 2021, it merged its autonomous technology business with Aurora, including a \$400 million investment and a commercial agreement to collaborate on the launch and commercialization of

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self-driving vehicles on its ridesharing network. Uber believes that autonomous vehicle technologies can impact the industries it competes in and present opportunities. Other companies, such as Waymo, Cruise Automation, Tesla, Apple, Zoox, Aptiv, and Nuro, are also developing autonomous vehicle technology and may compete with Uber in the mobility, delivery, or logistics industries. Waymo has already introduced a commercial ride hailing fleet of autonomous vehicles, which could put pressure on Uber to offer its own autonomous vehicles on its platform. If its competitors bring autonomous vehicles to market before it can offer its own, or if their technology is perceived to be superior, it could adversely impact Uber's financial performance. The use of autonomous vehicles could reduce the cost of providing ridesharing, delivery, or logistics services, allowing competitors to offer services at a lower price than what is available on Uber's platform. This could lead to a significant number of consumers choosing its competitors' offerings over Uber's, impacting its financial performance and prospects.

Autonomous vehicle technologies pose risks in the form of crashes which could be fatal. Failures of the technology offered or crashes involving autonomous vehicles using the technology of its partners could hurt Uber's brand and motivate further regulatory actions. Government regulations on autonomous vehicles are developing, and these regulations could limit Uber's ability to offer autonomous vehicles on its platform. If it or its partners cannot comply with regulations or laws, they could face substantial fines. Furthermore, Uber's autonomous vehicle strategy, could add to driver dissatisfaction as it will reduce the need of drivers.

### **Operational Risk – Cash Management**

Uber accepts cash payments for deliveries and rides in some of its markets like south America or the middle east. In 2021, cash-based trips accounted for approximately 7% of Uber's global Gross Bookings. Given the growth of these regions the percentage could continue to increase,

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particularly in the markets in which Careem Ubers wholly owned subsidiary operates. The use of cash raises regulatory, operational, and safety concerns. Many jurisdictions have specific regulations regarding the use of cash for ridesharing. Failure to comply with these regulations could result in significant fines and could lead to regulators suspending Uber's operations in those jurisdictions. In addition to these regulatory concerns, using cash can increase safety risk for Drivers and riders. If Uber is unable to address safety issues, Ubers reputation and brand will be influenced. (Uber Technologies, Inc. 2022)

Establishing the infrastructure to collect the service fee on cash trips is complex, and Uber may not always be able to collect the entire fee for such trips. Uber has systems for Drivers to collect and deposit cash from these trips and deliveries. However, these systems may not always be effective, or widely adopted by Drivers. Maintaining and improving these systems requires significant effort and resources, and Uber cannot guarantee their effectiveness in collecting amounts due to them. Additionally, operating a business that uses cash raises compliance risks with respect to various rules and regulations, including anti-money laundering laws. If Drivers fail to pay Uber or if their collection systems fail, Uber may be unable to collect amounts due and may incur costs associated with enforcing the terms of their contracts, including litigation. (Uber Technologies, Inc. 2022)

### **Financial Risk – Profitability and Financing**

Since its inception, Uber has incurred significant losses. It incurred operating losses of \$8.6 billion, \$4.9 billion, and \$3.8 billion in the years ended December 31, 2019, 2020, and 2021, respectively, and as of December 31, 2021, it had an accumulated deficit of \$23.6 billion. (Uber Technologies, Inc. 2022) To achieve profitability in many of its largest markets, including the United States, Uber will need to generate and sustain increased revenue and further decrease its cost structure. However, even if it succeeds in doing so, it may not be able to maintain or

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increase profitability. In the near term, Uber may continue to incur losses as it invests in increasing the number of drivers, consumers, merchants, shippers, and carriers on its platform. Market expansion expected increase in marketing and operational structures as well as investments in R&D for new products further add to the cost structure. These efforts have been more costly than anticipated in the past by its management. Many efforts to generate revenue are unproven, and any failure of these projects will prevent Uber from attaining profitability. Additionally, Uber may not realize the operating efficiencies it expected to achieve from its acquisition of companies such as Careem and Postmates. To maintain its competitiveness, Uber may need to raise additional funds to support its business growth and invest in new products and markets. However, this could result in dilution of existing shareholders' equity and the issuance of new securities with superior rights. Additionally, existing debt instruments could make it further difficult for the company to obtain additional financing. If Uber is unable to secure adequate financing mainly through proving its profitability, it will likely fail to sustain growth.

### **Legal Risk –Taxi services lobbying efforts**

Due mostly to regulations and severe regulatory constraints in several countries, such as those in Germany and Spain, the Uber ridesharing business model has been restricted, capped, or suspended, or Uber has been forced to adapt its business model. Uber has sought and been granted licenses or permissions in some cases, and they are required to uphold the conditions of the licenses or risk having them revoked. Uber might also be unable to keep any such licenses or permits current or renew them. Traditional taxicab and car service providers continue to press lawmakers and regulators in several jurisdictions to prohibit the use of uber services or to have uber submit to the same insurance, licensing, and other regulations that apply to taxi services.

Group part

### **Legal Risk - Driver Reclassification**

One of the ongoing challenges Uber faces is the potential reclassification of Uber drivers from independent contractors to employees of the company. This reclassification is currently being pursued by legislators in the United States and abroad. According to Uber, its drivers are independent contractors who are free to choose when and where to work on the Uber platform and can also work for other ride-hailing companies. If a reclassification in a market cannot be avoided, it is estimated that this could lead to cost increases of up to 30% and damage Uber's growth potential. The European market is especially in jeopardy based on a negative sentiment and past passed regulations against Big Tech in the EU like the Digital Markets Act in Q1 2022. Most prominently the Supreme Court of the U.K. ruled in 2021 that Uber drivers are to be reclassified as workers, forcing Uber to entitle 70,000 of its drivers to a minimum wage, holiday pay, and eligible drivers to a pension plan. Bank of America estimated that this decision could cost the firm more than 500 million dollars. (Browne 2021)

Additionally, reclassification of Drivers as employees poses the threat of unionization or the establishment of similar organizations. This threat became reality when Uber officially recognized a UK driver union. Uber states that further unionization across other markets and collective bargaining efforts deviating from the current business model could materially affect Uber's operating results. Furthermore, reputational harm could be followed in case of strong labor disputes. Uber already warned investors in its 2021 annual report that the company may not be successful in defending the classification efforts in some or all jurisdictions, and the costs associated with defending, settling, or resolving related legal issues have been and may continue to be significant for the company. Additionally, future competitors may share the benefit of any regulatory or governmental approvals and litigation victories that Uber may achieve, without having to incur the costs that Uber has incurred to obtain such benefits.



## Group part

Uber's meteoric rise was not without challenges, the aggressive practices deployed by Travis Kalanick to succeed in the ride-hailing business came under scrutiny from different stakeholders. First, this case will exemplify the difficulties of competing in the global gig economy by elaborating on Uber's competitive landscape in China. Second, Uber's legal basis of its operations is challenged by the existing taxi industry and threatens the companies' established markets as well as the further acquisition of new ones. Third, Uber's marketing efforts have become key to scaling and attracting new users. Fourth, Uber is exploring vertically integrating and offering different services to further scale but not without challenges. Finally, Uber's profitability has been challenging previous valuation assumptions and questions the sustainability of its business model.

# Marketing: Grab for market share

## Uber Origins

When Uber started as UberCab, it positioned itself as a luxury cab service, targeting Silicon Valley and San Francisco executives. It was better than hailing a taxi or scheduling a private car service in advance for executives with a tight and busy schedule. Therefore, being able to order a cab whenever needed from the palm of your hand instantly struck a chord with the target customers. Kalanick quickly realized the idea's potential when expanding Uber's customer base from high-income individuals to the general public. Over the next ten years, Uber would use an assortment of marketing strategies to expand their offerings in different parts of the globe.

Influential individuals started talking about Uber early, kickstarting the word-of-mouth snowball. Chris Sacca, an American Investor, tweeted about Uber in August of 2010, just a few months after offering their first ride, stating: "Rolling in an @ubercab. Eat your heart out Robin Leach" (Chris Sacca 2010). A few months later, Kalanick stated that Uber might spend on marketing in the future, but they do not see the need as they have a "blessed" loop of seven, which means that for every seven rides, they acquire a new customer (Sinanian 2011). Word of mouth is a powerful marketing tool, as 88% of people trust the recommendation of friends and family more than any other advertisement (Hayes 2022).

To sustain its loop of seven, Uber had to scale both their offerings and the markets it would offer its service. During their expansion, Uber focused on similarities between cities they were already present in and those they wanted to operate in. It ensured that Uber's product was well received, and customers spread their positive experiences (Aaron 2020). Therefore it is less surprising that an international expansion was the third step the start-up would undertake. For the next six months, the company expanded into Canada (Shore 2012) and the United Kingdom without a single change to its core product: Black cars at the touch of a button (Dredge 2012).

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After establishing their premium service in the newly expanded cities, Kalanick and the rest of the team, decided to broaden their offered services. In July of 2012 Uber X launched, which gave drivers the option to not only use typical limousines, but also Toyota Prius Hybrids and several SUVs. The service was 35% cheaper than Uber Black, opening to a new wave of customers, which haven't been able to afford a ride with the app before (Tsotsis 2012).

Until 2013, Uber partnered with third-party taxi and limo services that had the necessary licenses to operate in the markets they were in. As competition from Lyft and SideCar was building up, Uber decided to shift into the ridesharing market. In cities where competitors were operating for 30 days without a fine, Uber will start to onboard new drivers for their Uber X service, further cutting the cost for customers. Again, the user was at the heart of Uber's activities, as Kalanick clarified in a phone call with Tech Crunch: "If we don't give the consumer choice, the consumer is going to go elsewhere" (Lawler 2013). Bill Gurley, a general Partner at the VC Benchmark Capital, said that Uber was one of the fastest-growing companies they had ever worked with, surpassing eBay (Dillet 2013).

New challenges appeared as their core business expanded, from offering high-quality rides with licensed drivers to a ridesharing platform. Kalanick now had to attract more riders and drivers that could meet the growing demand. Their earliest effort to recruit drivers was directly targeting Lyft drivers, giving them \$50 in gas and no commissions until the end of 2013. Drivers could earn another \$500 if they completed more than 20 rides before January 1st, 2014 (Panzarino 2013).

Uber carried out several unusual promotions, that took place in different cities around the world. Events included helicopter rides to the Hamptons from New York, cuddling with kittens for 15 minutes or ordering an ice cream truck (Uber s.d.).

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## Expansion in the UK

When Uber launched in the UK in 2012, the company was still beginning its journey. Richard Howard was there from the beginning, as the first employee for Uber London. Howard joined Uber when the company only offered the premium Uber Black service, which includes professional drivers, luxury cars, and a black paint job.

In order to convince licensed drivers to work for Uber, he offered them a free iPhone and an hourly wage of £25, independent of if they completed any rides or not. In the middle of 2012, Howard managed to attract 50 drivers who completed 30 trips every 24 hours. The drivers were positively surprised with the app. They did not have to handle cash anymore; receiving a customer was solely based on the algorithm instead of the dispatcher, and the drivers appreciated Uber's rating system of both the driver and the rider (Knight 2016).

In the spring of 2013, Uber X also launched in London, giving everyone with a private hire license the option to drive for Uber. Uber started handing out pamphlets in areas where private hire drivers usually spend their time between jobs. In the first six months after Uber X was available in London, over four thousand drivers registered on the platform (Knight 2016), an astonishing number compared to the 23,000 licensed cab drivers in London, a service that has been around since the 17th century (James 2020). Word of mouth quickly spread among UK drivers, and in 2015 two, third of the drivers in London had been referred by a friend, surpassing the number of black cab drivers by around 2,000.

Many of the first customers were American tourists who checked if Uber was up and running in the city they visited. The app gained initial traction in the London nightclub scene in West End, which Howard and the rest of his team used to their advantage. They gave out hundreds of free rides and provided Ubers for certain parties in West End (Knight 2016).

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On June 11th, 2014, cab drivers protested against Uber in several European cities, including London, as they feared for their livelihood due to the unregulated nature of the start-up. What looked like a threat to Uber's future in London turned out to be accelerating the number of new downloads for the app.

Two factors are responsible for the increase. First, as cab drivers halted working for the duration of the protests, people in need of transportation looked for alternatives to getting around London. Ultimately, some of them opted to go with Uber. The other reason was the increased publicity Uber received. For the first two years of operations, the company struggled convincing journalists to write about the app. Jo Bertram, who at the time was head of Uber London, held over 15 interviews on the day of the protests creating massive publicity, which ultimately led to downloads of the Uber app spike by 850%. As Uber published no absolute numbers, it is still being determined how many new signups the start-up registered (Knight 2016).

Shortly after the protests, Uber's ice cream promotion hit the streets of London, delivering ice cream to users around the city. In 2015, lucky riders could find limited edition prints of UK artists in selected cars. In July 2016, Uber repeated the ice cream promotion in collaboration with Magnum (Instagram s.d.).

## Evolution of Marketing

For the first time in Uber UK's history, the company launched a radio and billboard campaign titled "Get there with Uber" in June 2016. The campaign highlights stories of both Uber riders and drivers and launches in five cities across the UK: London, Leeds, Manchester, Newcastle, and Liverpool. These stories show how riders can use the app as a convenient tool to get around the city and how drivers can use it to save up for special events or objects of desire, shown in **Exhibit 16** to **Exhibit 21**. Rachel Petitt, Uber's marketing lead, told Campaign: "We've been really strong on innovative word of mouth stunts, just great virality of the product, and it's that evolution of a company that's still relatively young in its marketing life cycle," (Gwynn 2016).

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Uber did not release any number of active drivers or riders during that period. However, in a tribunal hearing at the end of 2016, it was estimated that around 40.000 people were driving for Uber, 30.000 in London alone. This would mean an increase of around 5.000 drivers in London, compared to 2015 (Supreme Court UK 2021).

As Covid-19 spread across the globe and countries progressively established safety measures and rules, citizens had to limit their trips and errands. As their business relies on movement, and they were still in a phase of massive expansion, the epidemic posed a great danger for Uber.

During the first half of 2020, Uber's gross bookings fell from over \$13 billion to just above \$3 billion, as only a third of the trips were booked, compared to the end of 2019 (Iqbal 2022) At the same time, Uber released a TV spot in partnership with the Portland office of Wieden+Kennedy, one of the largest independently owned advertising agencies.

The ad features sharp insights into the lives of people self-isolating at home and how they adapted to the circumstances, while at the end, "Thank you for not riding with Uber" is displayed. In addition, Uber has pledged to deliver 10 million free food deliveries and rides to people in need, seniors, and healthcare workers worldwide (Wieden+Kennedy s.d.).

## Teaching Note

### Case Synopsis

Uber was one of the fastest-growing companies, maybe the fastest-growing company, during the 2010s. It is now a global player operating in nearly every part of the globe and servicing more than 10.000 cities. On their way to reaching its market leader status, Uber used different marketing techniques over the years, possessing distinct strengths and weaknesses. Starting, Uber relied heavily on the risky practice of word-of-mouth marketing, which Kalanick called their "blessed loop of seven". Over time, Uber deviated from their initial plan of not spending anything on marketing, even though price promotions are technically marketing expenses, and decided to rely on more traditional means of advertising. How did Uber use to penetrate markets? Can they rely on the same measures in the future? Did their traditional advertising tools have a profound effect? Uber's marketing mix and more will be analyzed in the following pages.

### Learning Objectives / Purpose

- Overview of Uber's marketing efforts and their incentives to prefer specific marketing tools over others.
- Understand the importance of adapting the marketing style as your product/company evolves.
- Recognize different fields of uses of marketing efforts.

### Teaching Plan

The case study can be used in both online and offline classes. A focus is on group work and the discussion that follows the comparison of results. As a starting question, the professor can ask the class how they have interacted with Uber's marketing and how they received it. Especially Questions 1 and 2 are suitable for group work. When students are asked to analyze Uber's

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marketing mix using the 4Ps, it is possible to assign specific groups to analyze the marketing mix before 2016, when Uber had their first significant ad campaign, and post-2016. Afterward, students can compare their results and discuss why a company needs to evolve its marketing mix. For online teaching, break-out rooms are suitable.

Question 2 can be done in groups as well. Giving students X-amount of time to think about advantages and disadvantages. Afterward, one group member can write their outcomes on the whiteboard and quickly explain them. The class can then create a new SWOT analysis, for example, and arrange the bullet points from most important to least important.

Question number 3 and 4 are made for class discussions. The professor can directly ask them and take on students individually, hopefully creating a discussion.

### **Assignment Questions**

- Analyze their marketing mix using the 4 Ps. Did it change over the years? Why would a company have to adapt over time?
- Critically discuss the advantages and disadvantages of Uber's marketing efforts.
- What were the reasons for launching the "Get there with Uber" campaign? Was it successful?
- What can you learn from Uber's way of handling difficult situations? E.g: Protests, Covid.

### **Case Analysis**

The first task students have to work with is to use the 4 Ps of marketing to analyze Uber's marketing mix. The 4 Ps consist of product, price, place, and promotion. Over the years, the theory expanded to 7 Ps, but due to the limiting factors of this work project, only the original



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four will be analyzed. As part of a class discussion, students can analyze all 7 Ps, which include people, process, and physical evidence (Twin 2022).

Uber's product is an app-based service that allows users to book a cab based on their location, called riders, and vice-versa allows users to work as a cabdriver to pick up said riders; these are called drivers. When Uber started in San Francisco, drivers were licensed cab drivers using premium black cars. The app was directed at executives and high earners in San Francisco and the Silicon Valley area. Over the years, the product portfolio expanded, starting with Uber X, a cheaper alternative that allowed a wider variety of cars and regular people to work as drivers. Today, Uber offers a wide range of options to get their users from point A to point B, illustrated in **Exhibit 22**. Essential options are Uber X, which made the app affordable for many people, Uber Black, the original Uber experience with premium vehicles, and Uber Taxi. Uber Taxi allows users to book regular taxis over the Uber app, which was made in order to smooth things over with the taxi industry. The broad portfolio is also the result of different conditions in the countries where Uber operates, as the company adapts to its surroundings.

Uber's pricing strategy consists of different activities. Uber offers free rides, as they did when conquering London in West End, as well as giving out promotional codes, seen in **Exhibit 16** to **Exhibit 21**. The codes are usable for a limited time and are primarily for one-time uses. Uber uses another system they call surge pricing. It is a form of dynamic pricing that depends on the demand in a particular area the user is in. If more people want to order an Uber than there are drivers nearby, the prices rise, and surge pricing is in effect. When Uber is moving into new markets, it used the penetration pricing strategy. Comparing the prices of rides in the past, showcased in **Exhibit 23** to **Exhibit 28** and the price estimations today, it is clear how they have changed. Some rides are 100% more expensive than they used to be, a clear indication of penetration pricing. Of course, this is only a limited data set, but it still showcases the discrepancy over a couple of years. Lastly, Uber also uses incentives for new drivers, as they

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did in London when they started. Drivers were given free iPhones and 0% commission for their first few months of operations.

Uber's place strategy is easily explained. The company started in San Francisco and the Silicon Valley, then expanded into similar cities. Therefore, Uber quickly moved into international markets before operating in various US cities. Uber cabs are now driving in over 10,000 cities in 69 countries across the world. Operations have been halted in various countries, for example, China and Indonesia. As the business model relies on the app, it is essential to note that the program is downloadable from both the iOS and Android stores.

Word-of-mouth marketing was Uber's most trustworthy promotion strategy during its humble beginnings. The company heavily relied on WOMM, as it is cost-effective, and potential customers trust recommendations from friends or colleagues (Hayes, Investopedia 2022). To fuel the word of mouth that people spread, Uber had a series of odd promotions, such as ordering an ice cream truck or a 15-minute petting session with kittens. These promotions do not advertise exactly what the company is doing, but it gets people to talk about it and spread the word. To clubgoers in London, Uber offered free rides to gain a loyal following quickly. As said before, Uber also gave out promotional codes throughout the years. Over time, the company shifted away from relying on WOMM to more traditional means of advertising. They gave interviews in news stations, set up billboard ads such as the "Get there with Uber" campaign, and even had a TV spot with their "Thank you for not riding" advertisement.

The SWOT analysis can be used to discuss the advantages and disadvantages of Uber's marketing efforts. SWOT analysis is a strategic tool to assess a company, brand, or marketing strategy. It consists of strengths, weaknesses, opportunities, and threats, the first two being internal factors and the latter external (Kenton 2022). It is possible to analyze both the form of

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marketing and how Uber used it. In the context of this work project, the analysis will focus on how Uber utilizes the strategies while still having some general information.

First, it is essential to look at Uber's word-of-mouth marketing, as it accompanied the start-up for several years and was responsible for its early growth. They heavily relied on it to create the buzz and reach they have today.

**Strengths:** For Uber, one of the strengths was the low-price tag of word-of-mouth marketing, primarily when only Kalanick, Gerrit Camp, and his college friends worked on the project. Therefore, they were able to focus their investments on engineering and expansion. They cleverly used odd promotions such as the kittens or ice cream to fuel word-of-mouth marketing and steer people's conversation about their product in the right direction. Usually, that is one of the weaknesses of WOMM, as you can't influence the message customers distribute, but Kalanick and his team were able to diminish that negative factor. Another strength of WOMM is the heightened trust people have in the recommendation of friends and family. It creates a sense of confidence in the offered product.

**Weaknesses:** A general weakness that WOMM has, is the natural limit with how many people your customers will share their experience with. Kalanick specifically talked about it as their "blessed loop of seven", meaning that with every seven rides, a new customer is acquired. Mathematically speaking, this is already limited, meaning that after 54 billion rides, every person on earth would be a customer. That limit would approach Uber quickly, as the company completes over a billion rides every quarter. Another weakness of WOMM is that your product must be good enough to make people want to talk about it. As the idea of Uber was something new and exciting in the western world, it instantly sparked joy with customers.

**Opportunities:** Influencers, or people with an extensive reach both offline and online, can have a significant impact on the success of WOMM. Early on, Uber had respected and well-known

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supporters in the tech scene, which helped skyrocket the start-up. Chris Sacca tweeted about riding in an Uber Cab in 2010, while Gary Vaynerchuk invested in the company in 2010 with the US-Rapper Jay-Z following in 2013.

**Threats:** For the same reason, that an influencer or respected member of a community can be helpful for a company, it can also generate the exact opposite. This is a general threat to any WOMM.

Second, an analysis of Uber's Billboard Ads should be done. They were the first traditional promotion in the UK and a turning point in the brand's image. Later on, more light will be shed on the reason behind that.

**Strengths:** Usually, ads are tailored towards a target customer demographic. Consequently, advertising a specific product to a broad audience is a weakness, but not for Uber. As Billboards were set up around the five central Uber locations in the UK, everybody was targeted. This broadened their customer base and made the app acceptable to every demographic. Another strength is the relatability of the ad, as Uber interviewed real drivers and riders. Customers might be in a similar situation and now see Uber as a solution to their problem.

**Weaknesses:** The promotional code that is used to accelerate new signups in the app can be, and probably was, used by people who already had an Uber account and created a second account. This resulted in the expenditure of money without a gain in the existing user base. Billboards are generally limited by their size and the amount of information that can be displayed before it seems cluttered and difficult to understand, especially when driving by. People who have yet to hear about Uber might not know their offered product and how it can help them get from point A to point B when only catching a glimpse of the billboard.

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**Opportunities:** The relatability of the billboards is also an opportunity for Uber. The drivers and riders can feel as if they are seen, and part of something big, possibly igniting word-of-mouth again.

**Threats:** There are not many threats to billboard ads besides vandalism, which only affects a couple of billboards. For Uber specifically, the threat was that ex-drivers could come out and debunk Uber claims, fueling the ongoing tension between Uber and traditional cab drivers. Luckily for Uber, no reports of that happening in connection to the billboard ads were reported.

Lastly, their TV ad and, subsequently, the "Thank you for not riding" campaign should be analyzed. The ad gave an insight into the lives of people isolated at home and how they cope with their new way of life.

**Strengths:** As Uber was globally seen as a company with aggressive and sometimes unethical expansion strategies, the ad allows the company to polish its image and reposition itself as the helper in need. As the ad contradicts Uber's business model, it can be seen as sincere and upright. Furthermore, as people had to stay home and watch time increased (Webster s.d.), choosing a TV ad over another billboard ad or analog media is another strong point.

**Weaknesses:** The typical weakness of TV ads is that they cannot target a specific group, which is not a weakness for Uber, as they want as many customers as possible.

**Opportunities:** As Uber pledged to give out 10 million free rides and meal deliveries for people in need and essential workers, these recipients could become ambassadors for the company, spreading a positive message about Uber.

**Threats:** If individual governments decide to lift isolation laws and allow their users to go outside again, the ad no longer portrays a strong message.

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Uber had various reasons to launch their get there with Uber campaign. **Exhibit 16 to Exhibit 21** showcase the individual billboards that Uber created. As the ad targets drivers and riders, with 3 billboards each, the following reasons will be split into driver and rider-related topics.

Regarding riders, it is essential to remember that Uber started out by supporting the local club culture, especially in London. The startup gave out free rides and placed Ubers to create a following for partygoers. For a long time, Uber was seen as the "savior of the night", getting you home safely, but not as a service you use in your daily life. The ad was a way to change people's perception of Uber and steer it more into the mainstream.

Uber targeted drivers through their ad, in a way that was inviting and intriguing to potential new drivers. It focused on the ease of use, and how drivers use the platform to save for a particular event. This was done to try and get away from only monetary incentives for new drivers. Uber only has two ways of earning more: up the prices for customers or cutting the rates the drivers receive. The ad does not clarify if the new drivers got any incentives. Assuming they didn't, the ad saved Uber much money. As Uber relies on a constant stream of new drivers to service the growing number of riders, the ad was there to show that everybody can be a driver. It builds on relatability that everybody has particular needs they save money for.

Google trends can be used to assess the success of the campaign. Looking at **Exhibit 29 to Exhibit 31**, there was not a noticeable increase in the search term's popularity. Even weeks after the billboards launched, when most people should have noticed them, the trends still seem to stay even. However, this is pure speculation, as Uber did not release any official numbers on app downloads or new sign-ups.

Lastly, learnings should be drawn from the way that Uber has handled difficult situations. The focus will be on the protests in London and the ongoing Covid epidemic. Taking a look at the protests, Uber and specifically Jo Bertram, head of Uber London at the time, used it as a chance

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to receive free publicity and promote their app on national TV. As the startup struggled to gain publications and exposure before, this was the perfect chance for them. They could defend their business model and explain to potential users the convenience of their app. As previously mentioned, app downloads spiked 850%, a massive increase.

The Covid pandemic posed a severe threat to the movement-based startup. They used their network to help those in need, aiding that the pandemic finds a quick end. The first thing helps polish Uber's image, and the second is of monetary value. The earlier the pandemic is over, the earlier people can use their service again. Furthermore, the ad is in total contradiction to the beliefs of Uber, sparking media interest from the beginning.

In conclusion, you can learn that Uber uses even the most damaging events to create a buzz around them and use every form of publicity they can get. They also support the right cause and try to enhance people's perception of the company.

As for Uber's future marketing efforts, one can only speculate. Will they rely on penetration pricing, even though they can't rely on investor money? Or will Uber try to become profitability in the cities they are present in and refrain from expansion for some time?

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# Appendices

**Exhibit 1:** Operating expenses items as a percentage of the total expenses from 2018 until 2022 (September 30).

	2018	2019	2020	2021	2022 (until Sep. 30)	Average
Cost of revenue	36%	28%	32%	44%	58%	39%
Operations and support	11%	11%	11%	9%	7%	10%
Sales and marketing	23%	21%	22%	22%	15%	21%
Research and development	11%	22%	14%	10%	8%	13%
General and administrative	15%	15%	17%	11%	10%	14%
Depreciation and amortization	3%	2%	4%	4%	3%	3%
<b>Operating expenses</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	

Source: Uber Technologies, Inc., Annual Reports

**Exhibit 2:** Gross Profit and Gross Profit Margin from 2018 until 2022 (September 30).

	2018	2019	2020	2021	2022 (until Sep.30)
Revenue	\$ 10 433	\$ 13 000	\$ 11 139	\$ 17 455	\$ 23 270
Cost of revenue	4 786	6 061	5 154	9 351	14 352
Gross Profit	5 647	6 939	5 985	8 104	8 918
Gross Profit Margin	54%	53%	54%	46%	38%

Note: All values are in millions, except percentages.

Source: Uber Technologies, Inc., Annual Reports

**Exhibit 3:** Revenue, cost of revenue, and gross profit margin compound annual growth rates (CAGRs) since 2018.

	2019	2020	2021	2022 (until Sep.30)	CAGR
Revenue growth rate	25%	-14%	57%	33%	22%
Cost of revenue growth rate	27%	-15%	81%	53%	32%
Gross Profit Margin growth rate	-1%	1%	-14%	-17%	-8%

Source: Uber Technologies, Inc., Annual Reports

### Exhibit 4: Uber Technologies, Inc., Consolidated Statements of Operations since 2018.

	2018	2019	2020	2021	2022 (until Sep. 30)
<b>Revenue</b>	\$ 10 433	\$ 13 000	\$ 11 139	\$ 17 455	\$ 23 270
<b>Costs and expenses</b>					
Cost of revenue, exclusive of depreciation and amortization shown separately below	4 786	6 061	5 154	9 351	14 352
Operations and support	1 516	2 302	1 819	1 877	1 808
Sales and marketing	3 151	4 626	3 583	4 789	3 634
Research and development	1 505	4 836	2 205	2 054	2 051
General and administrative	2 082	3 299	2 666	2 316	2 391
Depreciation and amortization	426	472	575	902	724
<b>Total costs and expenses</b>	<b>13 466</b>	<b>21 596</b>	<b>16 002</b>	<b>21 289</b>	<b>24 960</b>
<b>Loss from operations</b>	<b>(3 033)</b>	<b>(8 596)</b>	<b>(4 863)</b>	<b>(3 834)</b>	<b>(1 690)</b>
Interest expense	(648)	(559)	(458)	(483)	(414)
Other income (expense), net	4 993	722	(1 625)	3 292	(7 796)
<b>Loss before income taxes and loss from equity method investments</b>	<b>1 312</b>	<b>(8 433)</b>	<b>(6 946)</b>	<b>(1 025)</b>	<b>(9 900)</b>
Provision for (benefit from) income taxes	283	45	(192)	(492)	(97)
Loss from equity method investments	(42)	(34)	(34)	(37)	65
<b>Net loss including non-controlling interests</b>	<b>987</b>	<b>(8 512)</b>	<b>(6 788)</b>	<b>(570)</b>	<b>(9738)</b>
Less: net loss attributable to non-controlling interests, net of tax	(10)	(6)	(20)	(74)	(2)
<b>Net loss attributable to Uber Technologies, Inc.</b>	<b>\$ 997</b>	<b>(\$ 8 506)</b>	<b>(\$ 6 768)</b>	<b>(\$ 496)</b>	<b>(\$ 9 736)</b>

Note: All values are in millions, except percentages.

Source: Uber Technologies, Inc., Annual Reports

### Exhibit 5: Constitution of the other income/expense (net) from 2018 until 2022 (September 30).

	2018	2019	2020	2021	2022 (until Sep. 30)
Interest income	104	234	55	37	66
Foreign currency exchange gains (losses), net	(45)	(40)	(128)	(67)	(76)
Gain on business divestitures, net	3 214	-	204	1 684	14
Gain from sale of investments	-	-	-	413	-
Unrealized gain (loss) on debt and equity securities, net	1 996	2	(125)	1 142	(7 797)
Impairment of debt and equity securities	-	-	(1 690)	-	(182)
Change in fair value of embedded derivatives	(501)	58	-	-	-
Gain on extinguishment of convertible notes and settlement of derivatives	-	444	-	-	-
Revaluation of MLU B.V. call option	-	-	-	-	180
Other, net	225	24	59	83	(1)
<b>Other income (expense), net</b>	<b>4 993</b>	<b>722</b>	<b>(1 625)</b>	<b>3 292</b>	<b>(7 796)</b>

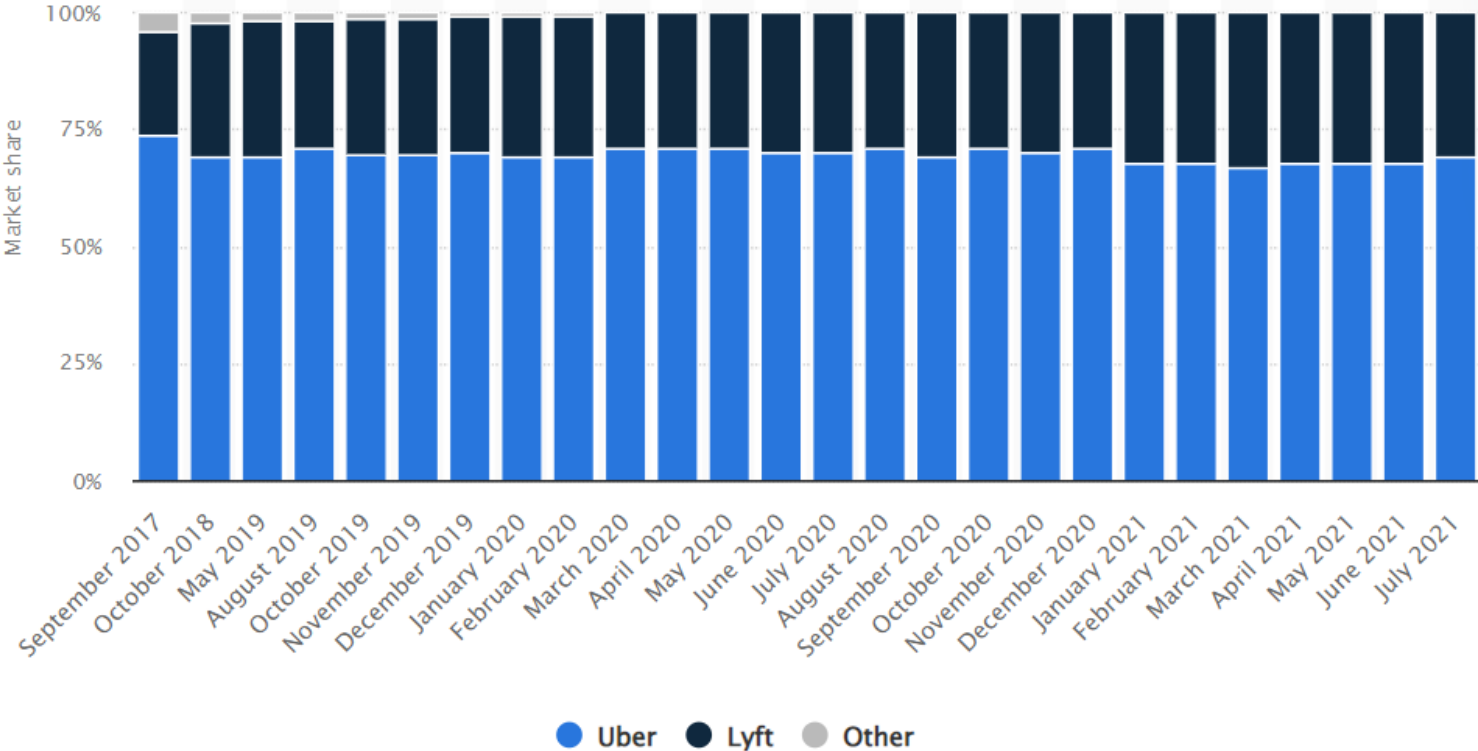
Note: All values are in millions.

Source: Uber Technologies, Inc., Annual Reports

### Exhibit 6: Uber's main competitors and their segments.

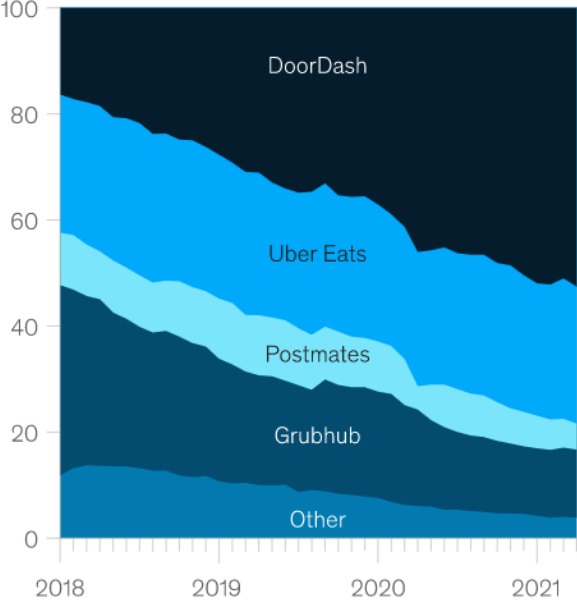
	Uber	lyft	DiDi	OLA
Ride-sharing	✓	✓	✓	✓
Food delivery	✓	✓	✓	
Freight	✓			
Electric bikes and scooters		✓		✓

**Exhibit 7:** Market share of the leading ride-hailing companies in the US from September 2017 until July 2021.



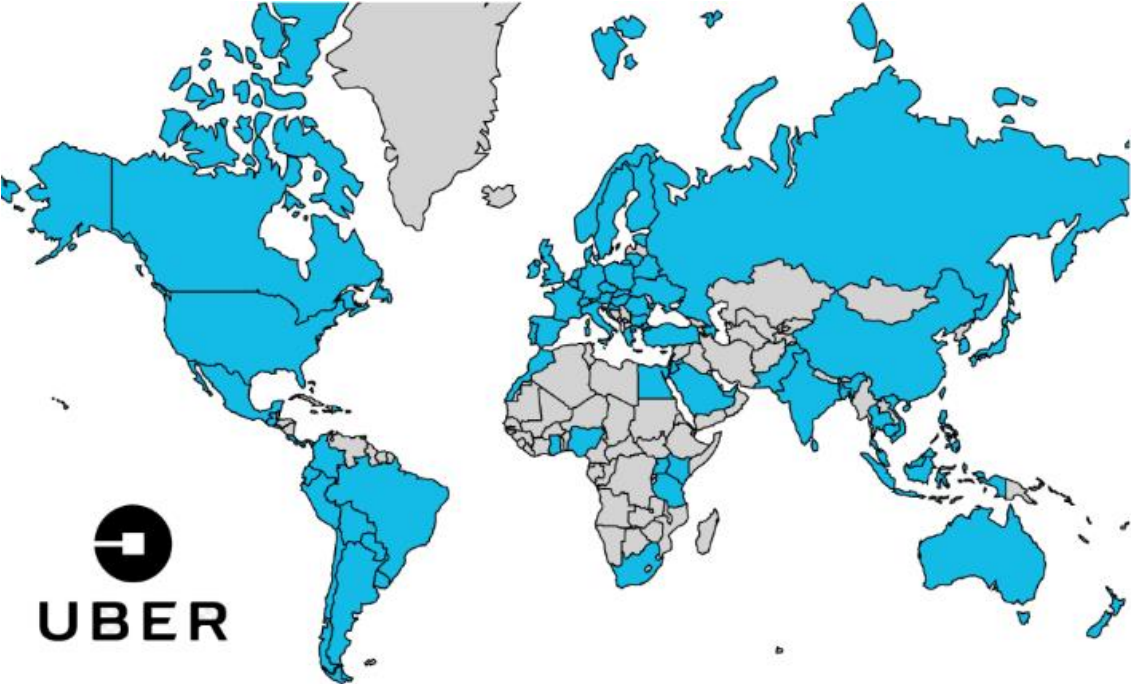
Retrieved from: <https://www.statista.com/statistics/910704/market-share-of-rideshare-companies-united-states/>

**Exhibit 8:** US monthly market share (in %) of DoorDash, Uber Eats, Postmates, and Grubhub.



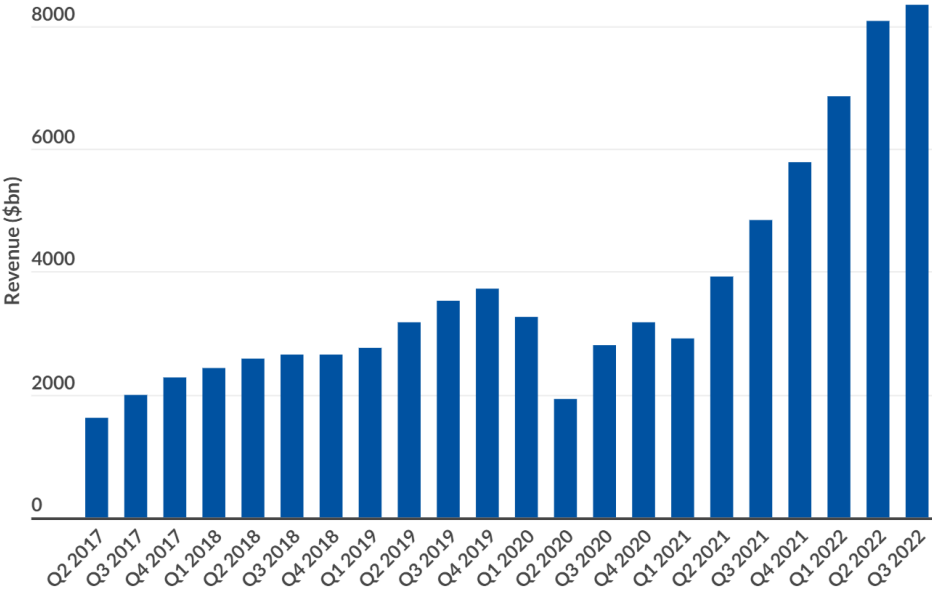
Retrieved from: <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/ordering-in-the-rapid-evolution-of-food-delivery>

**Exhibit 9:** Map illustrating Uber's worldwide presence (as of January 2022).



Retrieved from: <https://worldpopulationreview.com/country-rankings/uber-countries>

**Exhibit 10:** Historic revenue development of Uber in billion \$.

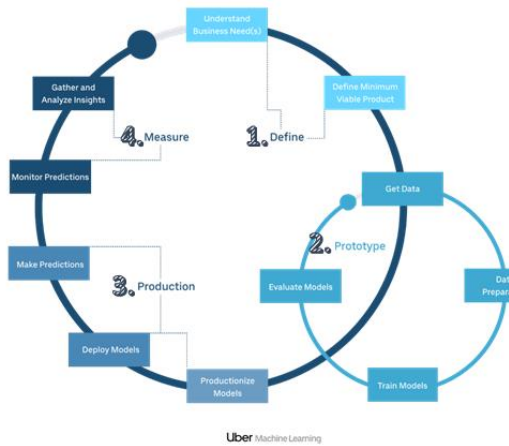


Source: Company data

Retrieved from: <https://www.businessofapps.com/data/uber-statistics/>

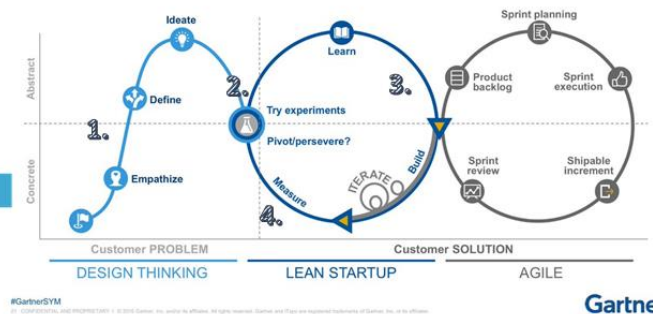
**Exhibit 11:** Comparison of Uber’s machine learning workflow loop and methods of the recent startup paradigm.

Workflow of an Uber machine learning project



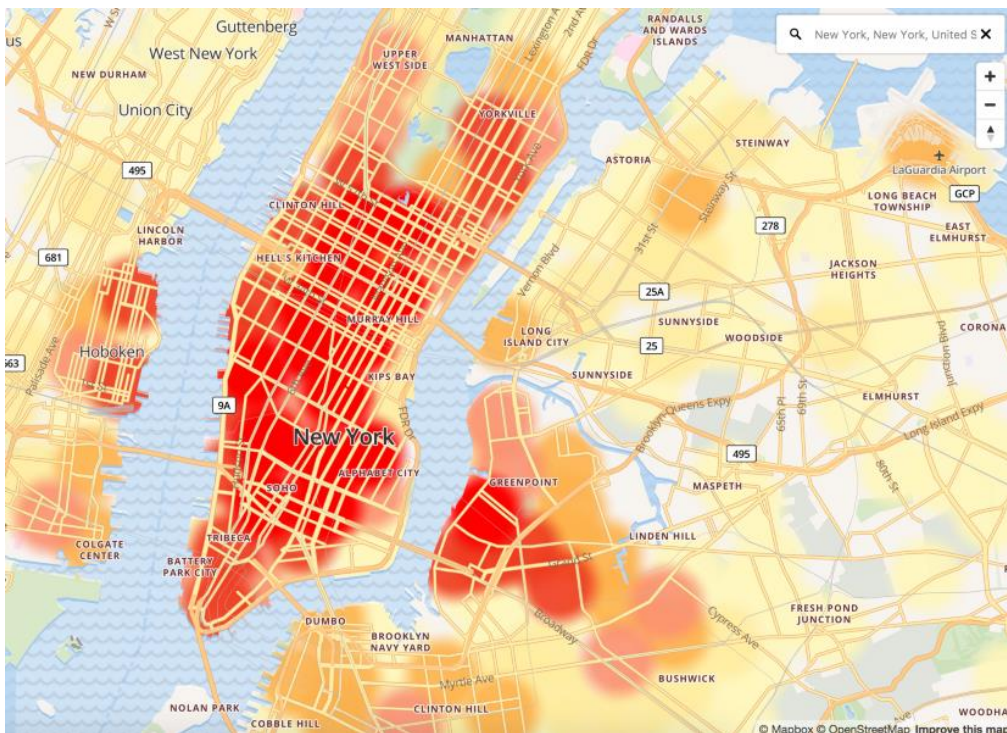
Design Thinking, Lean Startup, and Agile feedback loops

**Combine Design Thinking, Lean Startup and Agile**



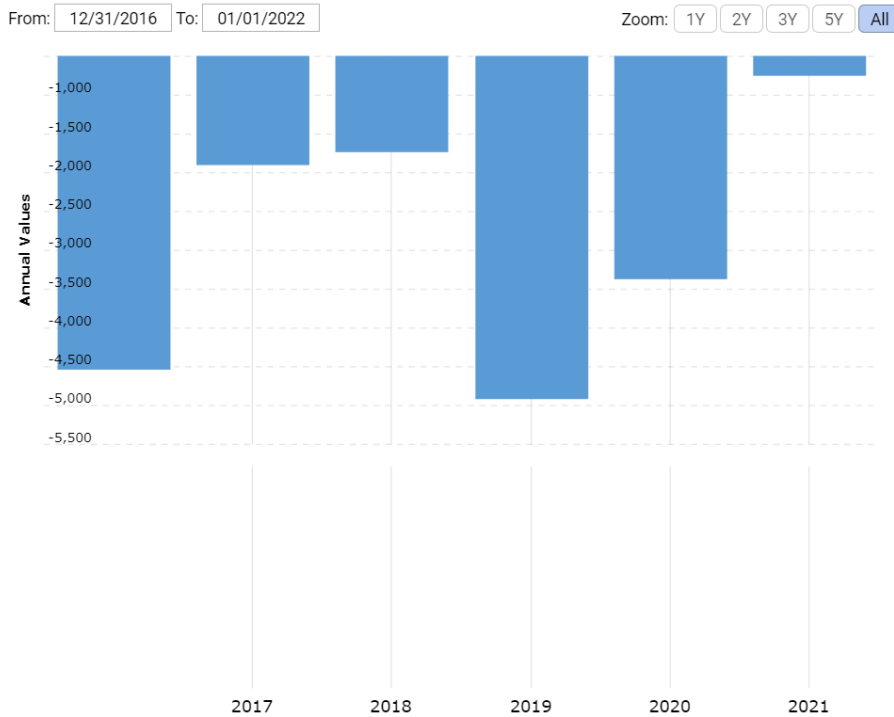
Retrieved from: <https://jagan-singhh.medium.com/data-science-at-uber-4380bf8f6aca>,  
<https://www.gartner.com/en/documents/3941917>

**Exhibit 12:** User demand “heat map” for driver-partners of Uber.



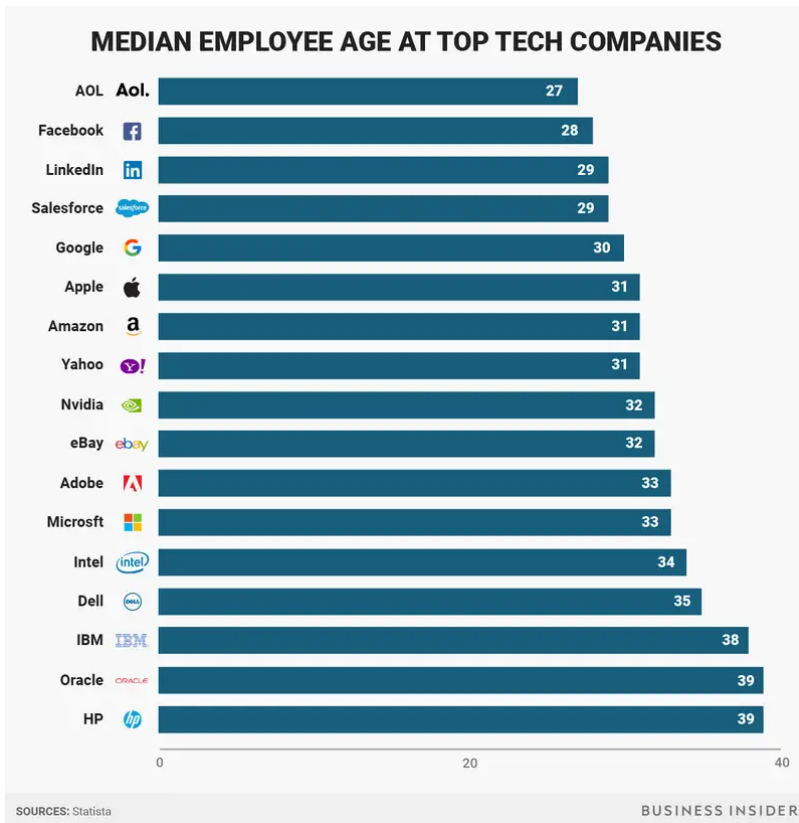
Retrieved from: <https://jagan-singhh.medium.com/data-science-at-uber-4380bf8f6aca>

**Exhibit 13:** Uber’s negative free cash flow (= cash burn rate) through the last years.



Retrieved from: <https://www.macrotrends.net/stocks/charts/UBER/uber-technologies/free-cash-flow>

**Exhibit 14:** Median employee age at top tech companies.



Retrieved from: <https://www.businessinsider.com/median-tech-employee-age-chart-2017-8>

**Exhibit 15:** Uber co-founder Travis Kalanick's tweet that led to the hire of a new Uber CEO.



Retrieved from: <https://twitter.com/jonerlichman/status/1346487342144610306>

**Exhibit 16:** Get there with Uber "Januz".



Retrieved from: <https://www.uber.com/en-GB/blog/london/get-there-with-uber/>

**Exhibit 17:** Get there with Uber "Rute".



14 minutes from  
high street to my street

Download the app

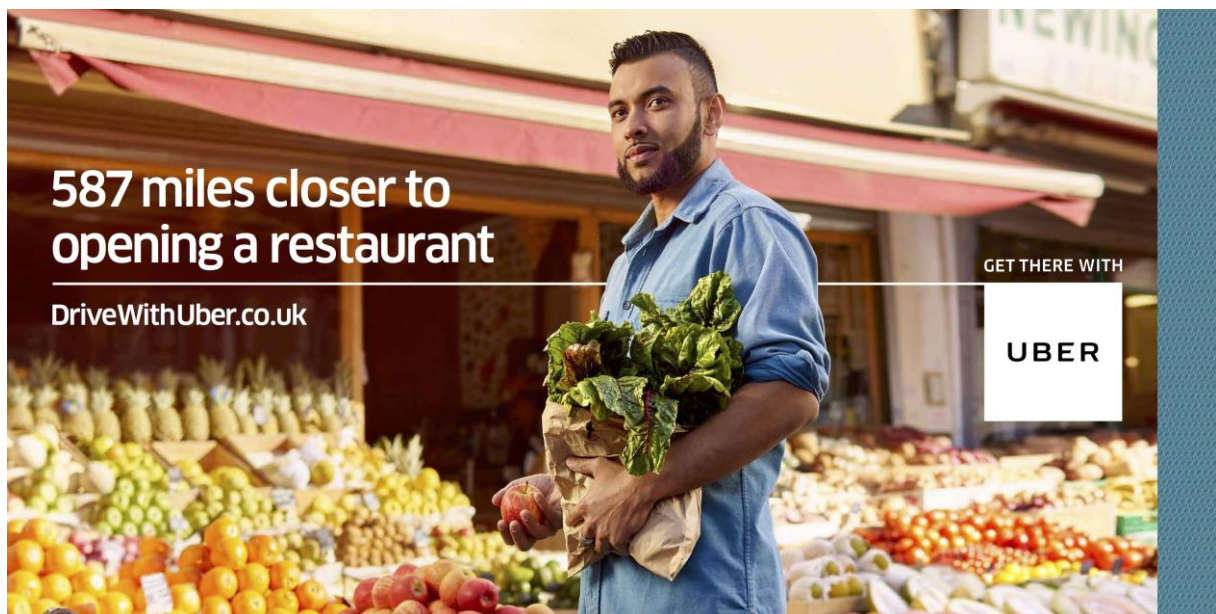
Up to £15 off your first trip with code SIGNUP15  
T&Cs apply t.uber.com/tandcsuk

GET THERE WITH  
**UBER**

The advertisement features a woman with glasses and a colorful scarf, carrying several shopping bags, walking on a city street. The background shows a brick building and a tree with pink blossoms. The text is overlaid on the left side of the image, and the Uber logo is in a white box on the right.

Retrieved from: <https://www.uber.com/en-GB/blog/london/get-there-with-uber/>

**Exhibit 18:** Get there with Uber "Imran".



587 miles closer to  
opening a restaurant

DriveWithUber.co.uk

GET THERE WITH  
**UBER**

The advertisement features a man with a beard and a blue shirt, holding a large bag of fresh produce, standing in a market stall. The background is filled with various fruits and vegetables. The text is overlaid on the left side of the image, and the Uber logo is in a white box on the right.

Retrieved from: <https://www.uber.com/en-GB/blog/london/get-there-with-uber/>



**Exhibit 19:** Get there with Uber "Chris".

43 minutes from  
bags packed  
to bags checked

Download the app

Up to £15 off your first trip with code SIGNUP15  
T&Cs apply [t.uber.com/tandcsuk](https://t.uber.com/tandcsuk)

GET THERE WITH  
**UBER**

Retrieved from: <https://www.uber.com/en-GB/blog/london/get-there-with-uber/>

**Exhibit 20:** Get there with Uber "Virginia".

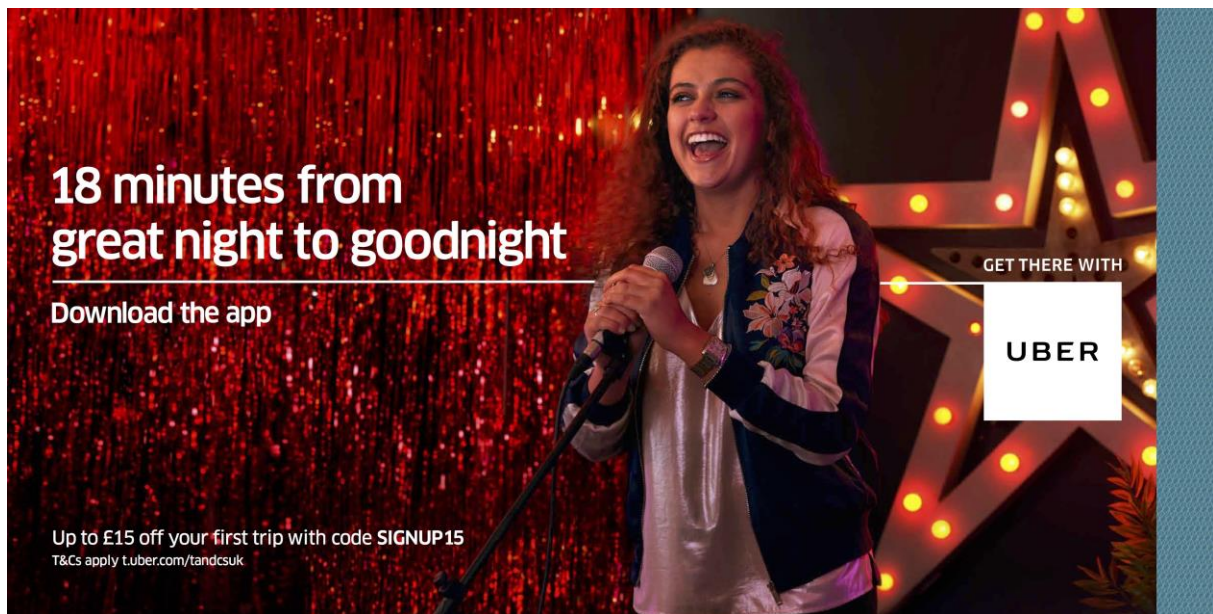
384 miles closer  
to booking  
our next holiday

DriveWithUber.co.uk

GET THERE WITH  
**UBER**

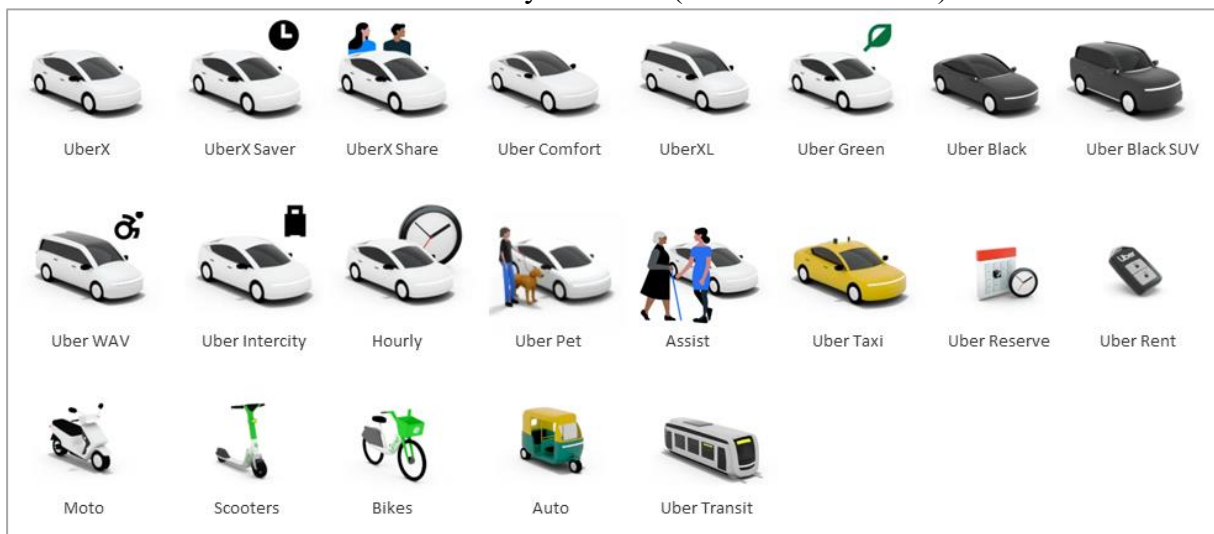
Retrieved from: <https://www.uber.com/en-GB/blog/london/get-there-with-uber/>

**Exhibit 21:** Get there with Uber "Aimee".



Retrieved from: <https://www.uber.com/en-GB/blog/london/get-there-with-uber/>

**Exhibit 22:** Overview of Uber's mobility solutions (as of 3rd November).



Source: Own composition, images from <https://www.uber.com/us/en/ride/ride-options/>

**Exhibit 23:** Trip on 05.01.17 vs. Price estimation of the same trip.

**Uber price estimator**

17:40  
Search

**Trip details**

05.01.17, 20:22      A\$20,84

398-408 Pitt Street, Haymarket, NSW 2000, AU  
69 Oakley Road, North Bondi, NSW 2026, AU

Receipt

**Your options**

- Package      A\$23.76 ⓘ
- UberX**      A\$52.11 ⓘ
- Assist      A\$52.11 ⓘ

[View all options](#)

Source: Own illustration based on Uber app and [www.uber.com/global/en/price-estimate/](http://www.uber.com/global/en/price-estimate/)

**Exhibit 24:** Trip on 29.12.16 vs. Price estimation of the same trip.

**Uber price estimator**

17:39  
Search

**Trip details**

29.12.16, 15:20      A\$22,83

52 Martin Place, Sydney CBD, NSW 2000, AU  
104 Dudley Street, Coogee, NSW 2034, AU

Receipt

**Your options**

- Package**      A\$26.60 ⓘ
- UberX      A\$72.77 ⓘ
- Assist      A\$72.77 ⓘ

Source: Own illustration based on Uber app and [www.uber.com/global/en/price-estimate/](http://www.uber.com/global/en/price-estimate/)

**Exhibit 25:** Trip on 01.05.18 vs. Price estimation of the same trip.

17:42  
Search

# Uber price estimator

**Trip details**

Boleslavská 14, Praha 3-Vinohrady  
Schengenská, Prague 6, Prague-

01.05.18, 05:57 CZK320,30

Boleslavská 14, 130 00 Praha 3-Vinohrady, Czechia  
Schengenská, 161 00 Praha 6, Czechia

Receipt

**Your options**

- UberX Saver CZK 420.08
- UberX CZK 538.16
- UberX with shield CZK 538.16

Source: Own illustration based on Uber app and [www.uber.com/global/en/price-estimate/](http://www.uber.com/global/en/price-estimate/)

**Exhibit 26:** Trip on 30.12.18 vs. Price estimation of the same trip.

17:42  
Search

# Uber price estimator

**Trip details**

Ritterstraße 29, Berlin  
Bergmannstraße 29, Berlin

30.12.18, 05:47 €6,04

Ritterstraße 29, 10969 Berlin, Germany  
Bergmannstraße 29, 10961 Berlin, Germany

Receipt

**Your options**

- Last Mile €6.20
- UberX €7.60
- Green €7.60

Source: Own illustration based on Uber app and [www.uber.com/global/en/price-estimate/](http://www.uber.com/global/en/price-estimate/)

**Exhibit 27:** Trip on 28.03.17 vs. Price estimation of the same trip.

**Fahrt details**

28.3.17, 23:41 AU\$11,56

- 262-264 Glebe Point Rd, Glebe, NSW 2037, AU
- 524 King St, Newton, NSW 2042, AU

Beleg

**Uber price estimator**

- 262-264 Glebe Point Rd, Glebe NSW
- 524 King St, Newtown NSW

**Your options**

- Package A\$18.18 ⓘ
- UberX A\$20.58 ⓘ
- Assist A\$20.58 ⓘ

Source: Own illustration based on Uber app and [www.uber.com/global/en/price-estimate/](http://www.uber.com/global/en/price-estimate/)

**Exhibit 28:** Trip on 28.03.17 vs. Price estimation of the same trip.

**Fahrt details**

28.3.17, 22:33 AU\$9,21

- 2-6 Bridge Rd, Stanmore, NSW 2048, AU
- 262-264 Glebe Point Rd, Glebe, NSW 2037, AU

Beleg

**Uber price estimator**

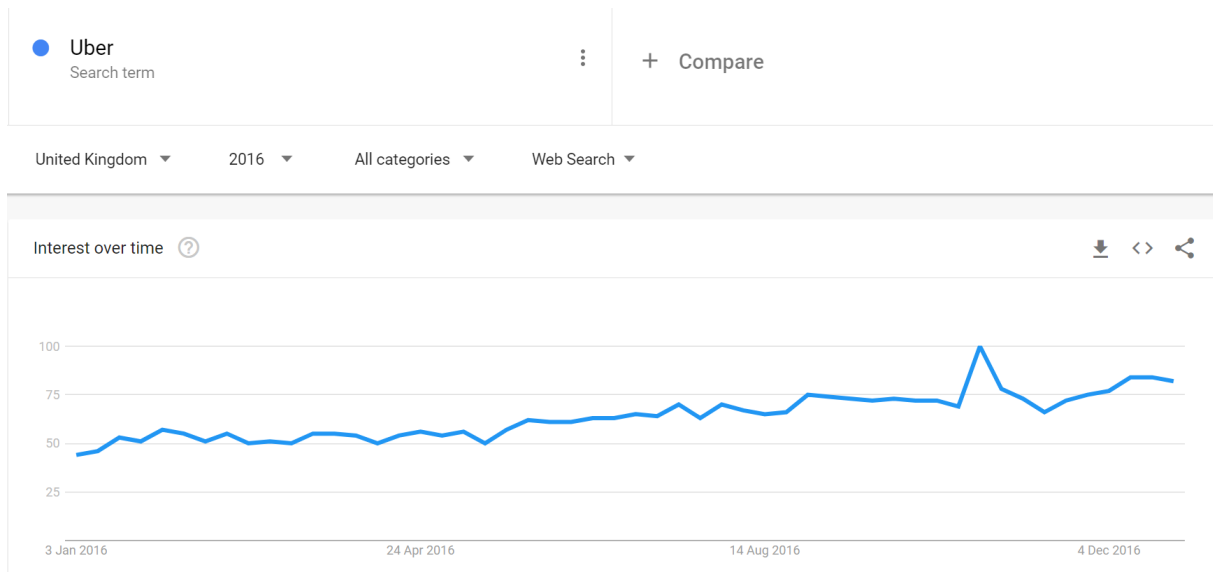
- 2-6 Bridge Rd, Stanmore NSW
- 524 King St, Newtown NSW

**Your options**

- UberX A\$17.20 ⓘ
- Assist A\$17.20 ⓘ
- Package A\$18.79 ⓘ

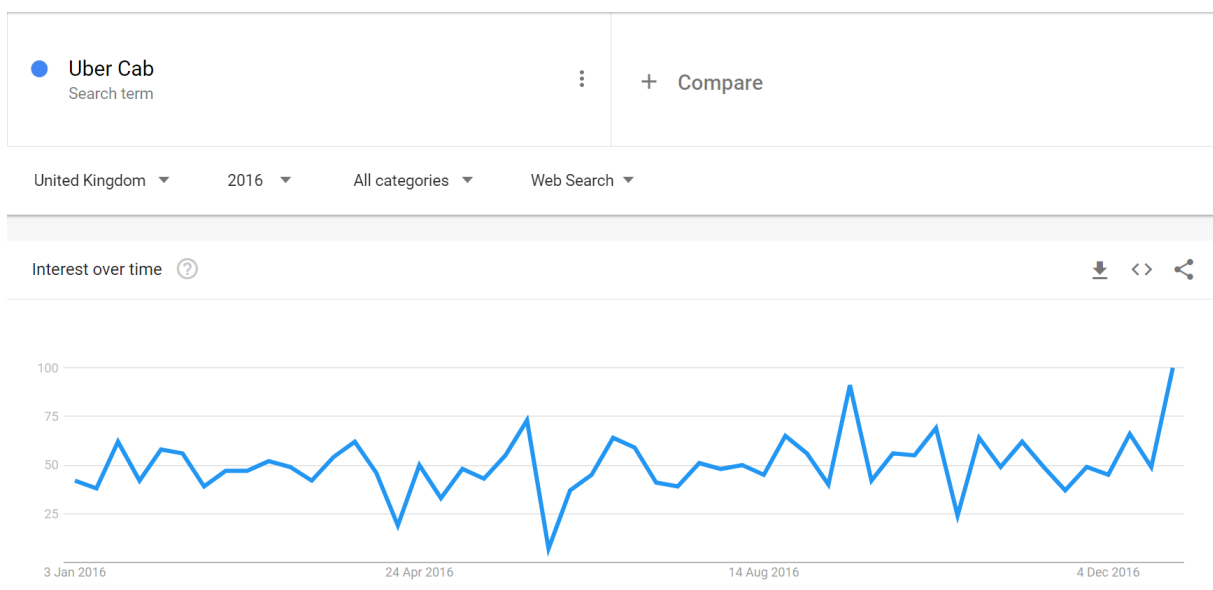
Source: Own illustration based on Uber app and [www.uber.com/global/en/price-estimate/](http://www.uber.com/global/en/price-estimate/)

### Exhibit 29: Google Trends for "Uber" in 2016.



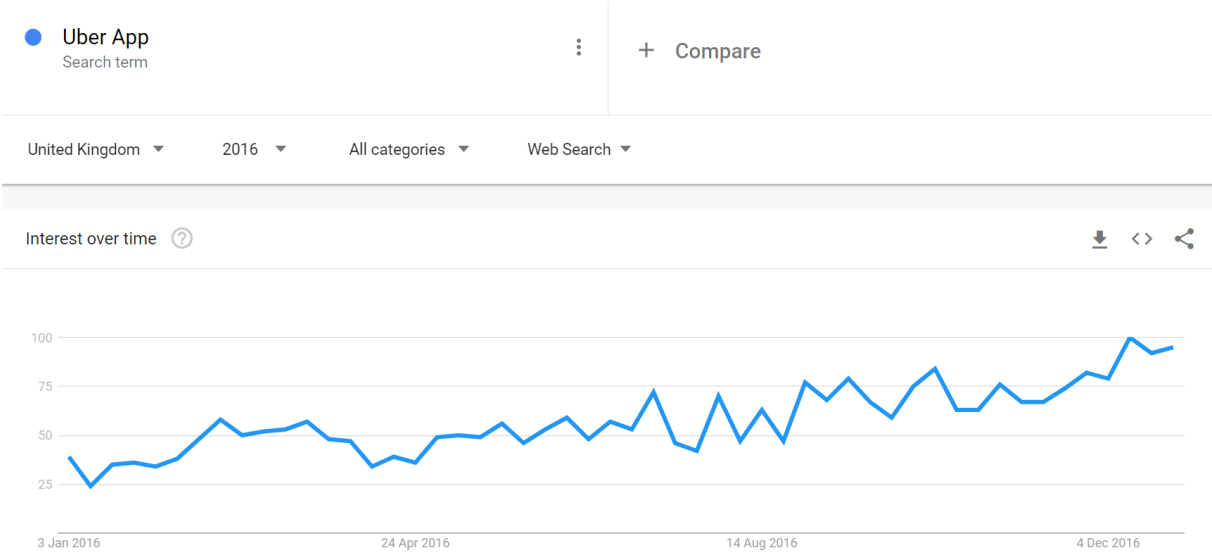
Retrieved from: <https://trends.google.com/trends/explore?date=2016-01-01%202016-12-31&geo=GB&q=Uber>

### Exhibit 30: Google Trends for "Uber Cab" in 2016.



Retrieved from: <https://trends.google.com/trends/explore?date=2016-01-01%202016-12-31&geo=GB&q=Uber%20Cab>

**Exhibit 31:** Google Trends for "Uber App" in 2016.



Retrieved from: <https://trends.google.com/trends/explore?date=2016-01-01%202016-12-31&geo=GB&q=Uber%20App>