

UBERIFICATION: A DISRUPTIVE INNOVATION IN RIDESHARING REVOLUTION

Upasana Saxena

Assistant Professor, Amity University, Lucknow, Uttar Pradesh, India

Received: 10 Jun 2019

Accepted: 28 Jun 2019

Published: 04 Jul 2019

ABSTRACT

Uber has come up in India as a service provider agency for user convenience in real time cab calling services or taxi aggregators (also termed as ride sourcing services). The Uber services have come up with disruptive innovation. These services come up as a dynamic change in the transportation services in India. It has not only reduces the real time but has also enabled the consumer to check the cab on their mobile phone and the time taken by it to reach the desired location. This is made possible by the Uber business model which has bridged the gap between the wait time, hiked prices, the behavior of the driver and availability of the taxi and demand versus supply. The ride outsourcing services not only provide the benefits to the consumers but also to the cab drivers who get the assured commission of 80 percent on every ride and 20 percent taken by Uber for providing the app and GPS service. This paper analyzes how Uber has made a marked changed in the traditional form of taxi calling in India with the advent of web technology and app-based service approach of taxi riding services. The paper also studies the customer satisfaction, rise in demand for the taxi and innovation strategies used by the company.

KEYWORDS: *Ride Sourcing, Uber, Web-Based Technology, Customer Satisfaction, Taxi Aggregators*

INTRODUCTION

Taxi plays an important role in the public transport facility and improving the economic condition of the country as well as providing adaptable and adjustable and snug environment to the customer cannot be eliminated from the benefits of Uber. The services are provided on the time to time basis on the desirable rates around the clock cannot be ruled out. The importance of taxi services in the transport industry cannot be ignored. Uber not only come up as catalyst in transportation but also provide job opportunities and a rise in the economy. The main purpose of the taxi industry is to bring respective changes in the customer's interest in reaching the desired location whether residence or job centers. Providing real-time services to the customers was the main aim of Uber and also in the affordable prices. Later Uber changed its strategy and introduced Uber share so many a times the inconvenience of paying alone the money can be overcome by the customers. Another advantage provided by the service aggregators is instead of operating on the fixed timings, schedule, and routes unlike other public transports like buses and Metros, it gapped the bridge between the constraints faced by the consumers.

Uber: an Overview

Uber is an app-based taxi service in India was established by Travis Kalanick and Garrett Camp in 2009 and termed as “Uber cab” which provide the crowdsourcing drivers an opportunity to drive their own cars which were not owned by Uber.

Uber headquarter was located in San Francisco, California, USA. With breaking the trend in the transportation facility in the Taxi services and also with the innovative business model, it termed as Uberification. Uber success doesn't end here but resulted in the name in Tech Company of the year by USA Today in 2013 (Wolf, 2013).

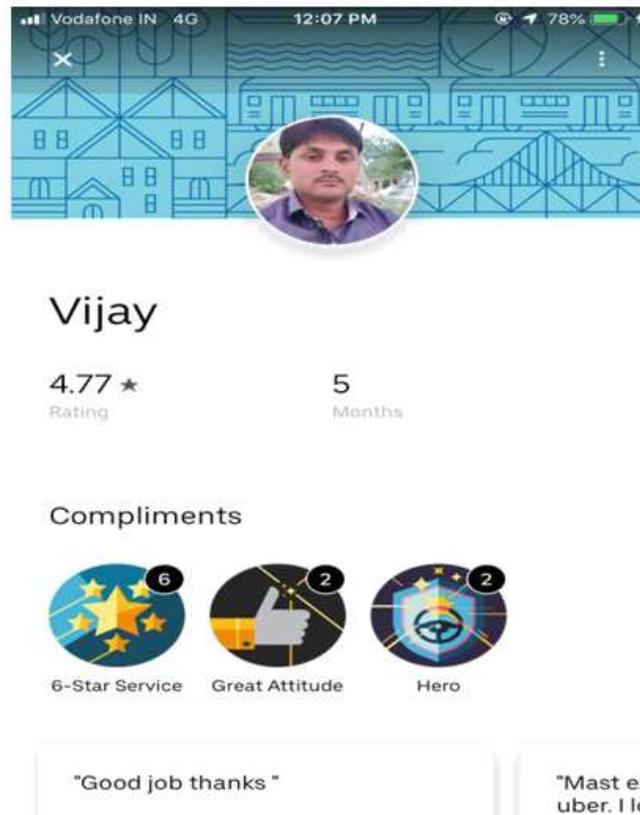


Figure 1

The crucial part of the role played by Uber in bringing the transport at different level to the customers and also motivating the drivers to be the crucial part and owners of the cars was difficult to manage. This creates more profitability to the taxi owners as well as consumers and satisfied customers and satisfied ride aggregators will create more productivity and this productivity was supported by the innovative technology brought by Uber.

This has led to different theories of supply and demand, which was the ultimate goal of Uber.

Providing Economies to Scale

Optimum use of efficiency in providing demand and supply to the customers and ride aggregators was maintained by providing in time ride and reducing the wait time or idle time for both the customers and the cab drivers. This has increased in proficiency in the number of rides available for the customers and same time increased profit for the cab drivers by providing only 20% of the income to Uber and rest was taken by the cab drivers.

Providing Economies of Scope

Not only Uber provide economies of scale by balancing the supply and demand but also provide the economies of scope by providing scope for more than one product line as Uber started by starting not only the cab services with the cheaper fares but also come up with uber bikes and then they changed the line to Uber eats by supplies and delivering food to home from different restaurant

Market from Proving the Quality of Services

By the increase in demand and supply Uber tries to maintain the quality of the services to the customer and tries to cope up with the increasing demand. As in the near past where taxi services were becoming outrageous for the customer with preposterous demand of fares, manipulating with the meter and improper behavior with the customers while payments made by customer and except cash prices, customers cannot pay with other methods which were solved by Uber by increasing the credibility of the driver and payment and other problem faced by the customers with taxi drivers.

Literature Review

Cybernated ridesharing platform is performing the most vital role in the day to day life of the consumers. In the last few years, Uber has come up as the most disruptive technologies, whose business model became so compelling for others that the start copying their model and termed as “Uberification”. According to (Zhang & Shih, 2015) the business of Uber will grow by miles and booms as per Reuters has an investigation of the Uber business model.

As the basic concept of Uber is ride sharing to enhance the economy by providing proper usage of supply and demand and the aim of full utilization of resources for customer satisfaction and also not employing but renting and sharing the ownership for optimum use (Frick, Hauser & Gürtler, 2013). This system was not at all possible without the use of smartphones in which the app can be installed and with the facility of internet, it made possible for the individual to become entrepreneur and put their car on business and earn a good amount by only giving commission of 20% to the Uber (Plouffe, 2015).

Customer satisfaction became important part of the Uber business model and later Uber made some changes for the benefit and security of the consumers by providing driver’s photo, name, car number, and SOS alert so that customer can connect easily with their loved once and even to police in no time (Malpani, 2015). According to Dr. Tazyn Rahman and Neerja Anand (2014) discussed the competition prevailed in the cab riding industry between Uber and different cabs companies in the market and how it has changed the market and challenges faced by Uber to sustain in the market and provide better customer satisfaction.

Uberification: Business Model

In the IOD Annual Convention 2014 in London, a resolute statement came from the CEO of Uber Travis Kalanick, that Uber is not a Taxi provider. The statement left with the question tingling in everyone’s mind present that ‘Then what is Uber?’. The answer to the question is Uber is a technology-driven company where Uber does not own any of the cars and the drivers are not the paid employees of the Uber, but still acts an intermediary between the customers and the drivers.

This system was developed as a decisive use of technology. This was made possible by some following steps taken by the customers and drivers. Firstly, a driver needs to get them to register with the uber and this was accomplished by checking the background of the drivers to provide healthy transportation service to the customers. This was further incorporated by a phone app with GPS and Google maps. This app will be fruitful for the customer to know the exact location of the cab and time taken to reach the desired location of the customer or the meeting point of the customer. Another feature assimilated by the Uber is providing the information about the driver that how many rides is taken by the rider, what rating in the scale of 5 was given by the former customers and even this can be seen by the driver about the rating other drivers have given to the customer. After finalizing the cab and the type of cab customer desire, customer can easily connect with the driver by the number provided by the app and customer or driver can connect. After reaching the desired location, the prices are seen on the app and customer can pay according to the choices they have (cash, Paytm and card), where the customer doesn't need to pay any tip for the drive to the driver. The business model provides with the comprehensive business model of Uber. This model has changed the economic power of the consumers as well as drivers, customers get the 20% less tariff than the traditional taxi services and the drivers are earning 80% of their rides and 20% of the earning goes to Uber. This was made possible with the advent use of technology and understanding the supply and demand forecasting which was done in every 15 minutes and this demand forecasting has raised the efficiency of Uber and increased its business by fold.

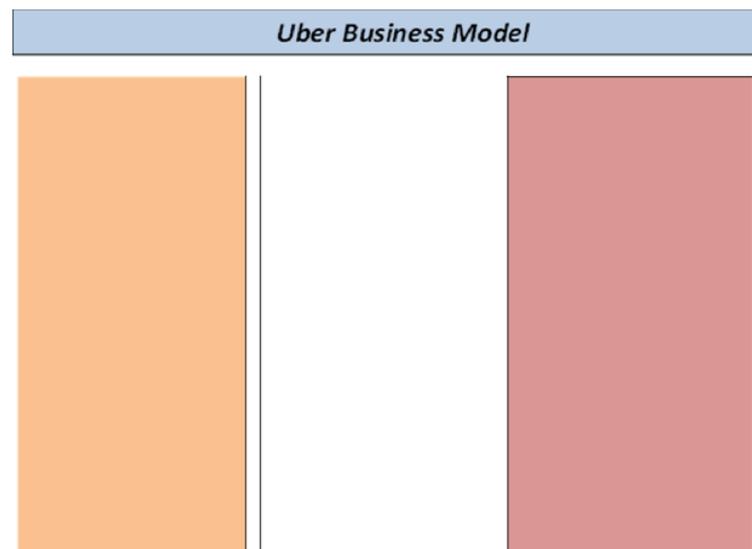


Figure 2

Table 1

Key Partners:		Value Proposition:	
<input type="checkbox"/>	Taxi aggregators		Customers:
<input type="checkbox"/>	Google maps		<input type="checkbox"/>
<input type="checkbox"/>	Payment gateway		App through taxi
	providers		calling
			<input type="checkbox"/>
			Live tracking through
			the app
			<input type="checkbox"/>
			Less tariff for the
			riders
			Drivers:
			<input type="checkbox"/>
			Income for the
			drivers
			<input type="checkbox"/>
			80% of the total
			income
		rise	<input type="checkbox"/>
			Not employed to
			uber

Customer

Segmentation

- Customer who don't have cars
- Customers whose working hours are late
- Cost effective Taxi and wish to have VIP treatment
- Drivers were also treated like an entrepreneur
- Drivers were named taxi aggregators/partner rather than drivers

Surge pricing is the higher amount charged by the company whenever the demand for the taxi's increases and the number of the drivers or cabs are less, so company opts for surge charge pricing technology. Other than Uber also have two types of price compositions: first, fixed charges for airport drop and secondly, according to the fixed miles covered as up to 3 kilo meters Rs. 49 and up to 5 kilometer Rs. 69.

Demand Forecasting

Demand forecasting enables not only customers but also drivers to manage the request and delay time which can be checked. As Uber wait time maximum is 15 minutes but with the help of the app can easily check the location of the cab and easily connect with the driver. This can be easily made easier to understand with the help of the picture.



Figure 3

Marketing Strategy by Uber

The marketing strategy used by Uber can be determined by the following strategies:

BCG Matrix

Boston consultancy matrix is meant to analyze the market share and growth rate by placing the company's growth into four different heads. This can be justified as when Uber started its services in 2009, it was just a question mark for the developers and owners and even for the market whether it will sustain in the market or not as they are only providing an app to the cab owners and taking only 20% of the share from the cab owners without employing any person.

In the fast running life of the consumers, when Uber came into the market, the smartphones were also new in the market and introducing the new technology of changing transportation system.

After sustaining around 3-4 year in the market and customers and drivers became used to the smartphones and Uber became the Star

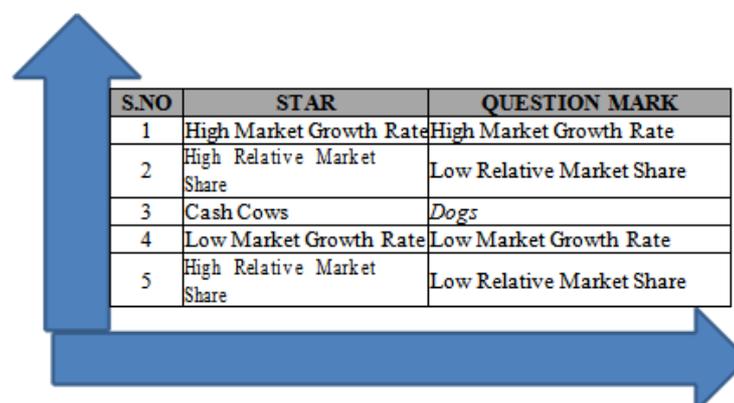


Figure 4

Ans off Matrix

Ansoff matrix is related to understanding the market penetration strategy adopted by Uber. This was properly optimized by Uber by handling the two sides of the market created by Uber, that is the customers and the cab owners are benefited with the Uber. Firstly, market share and market growth has become relatively higher by providing the different offers to the consumers, live tracking facility with the app, launch of fixed cost up to 3 and five kilometers ride and airport pickup. Even consumers find it more appropriate to get the cab at the desired location and drop facility to the desired location and even the payment can be made with the different options available. Later, Uber also come up with not only different kinds of cabs according to the requirement of the consumers but also provide them the bike facility with the minimal fares, other than that if one wants to have the cab for the full day they can also have the cab on rental basis. For the security, Uber has come up with the service of sharing your location with your close one to keep a track of your ride or one can say that their loved once are coming safely and securely and now with the advent of Uber Eats, consumers can get different restaurant food by clicking on the app and Uber will provide the desired food from desired restaurant on time.

Secondly, Uber also provide different incentives to the cab drivers, they provide an employment and their wish to work according to their suitable timings and they also get extra income like an incentive on ever rides and come with different schemes to avail in Uber.

They have also introduced the 'market development strategy' with the launch of uber bikes, which provide convenient way of travelling in comparative less fare and also having free rides when the customer share the code with the friend so they get a discount in the next ride and sometimes Uber also come with different schemes with slashed fares and offer which make the ride cheaper.

The product development strategy was carried by giving the customer the opportunity to pay to the drivers by a different way of payment gateway (cash, Paytm, debit card, credit card, and gift card). Other than that customers and even cab drivers get the opportunity to give feedback to both customers to drivers and drivers to customer. For the customer, Uber also provides the benefit to provide the detail of the cab driver, their number of rides and rating given to them by the different passengers.

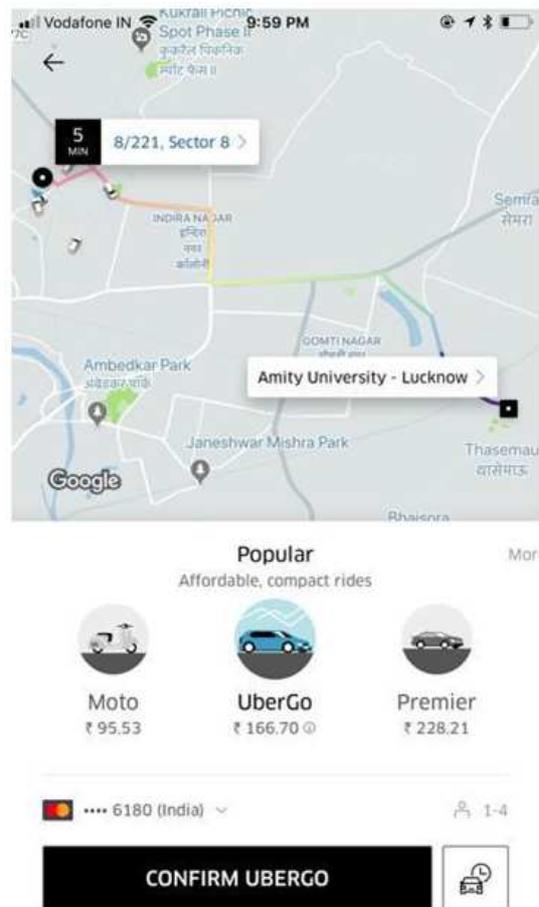


Figure 5

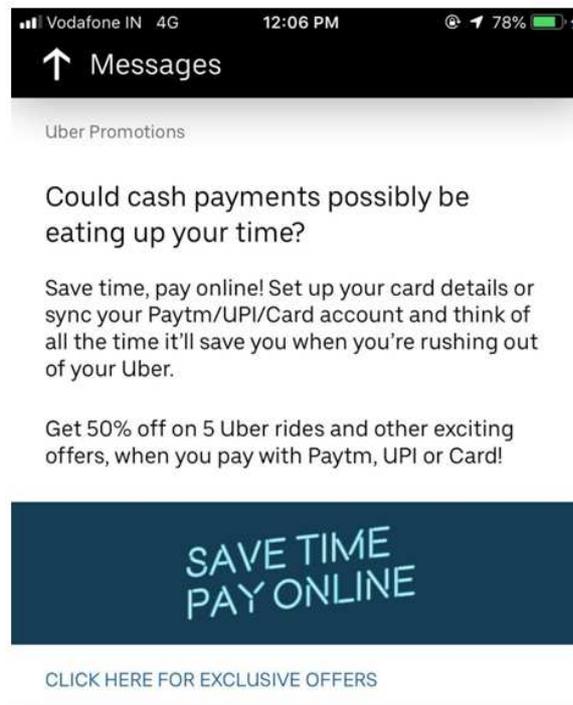


Figure 6

Porters Five Force Model

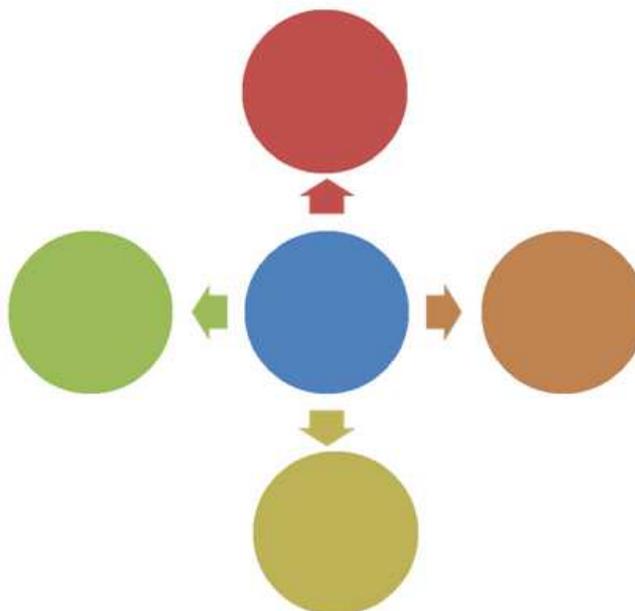


Figure 7

With the advent of Uber and Ola cabs, the boom in the taxi industry was seen, as before the arrival of Uber and Ola cabs in India, there was a taxi industry which was run by the workers or drivers provide by the company, the entrants in the market are same and very less, which doesn't hamper the market situation and pricing in the market. The bargaining power of the supplier is always high as the taxi drivers charge the fares according to their desire and bargaining power of the buyers was less as the consumers taking the services are very less. A threat to the substitute was higher as the urban consumers have more options like city transport rather pay higher pricing in hiring a taxi.

When Uber came in the taxi market, it changed the perspective of hiring a cab for both the driver and the customer. It also brought the industry rivalry between the existing competitors as Meru cabs, Ola and also for the indirect competitor like autorickshaw and bus and taxis.

Scope of Study

The present study covers the disruptive innovation brought out by Uber by firstly launching its app-based services by using disruptive innovation strategy and smartly using the different models of doing Uberification, by giving the consumer the opportunity by booking cab through their Smart Phones and can get the food just by a click from their favorite restaurant at their doorstep.

It also covers the innovativeness, pricing structure and coupon redemption behavior which also increase the riding rate of the consumers by using any of the riding options provided by Uber as taking up either Hatchback that is termed as Uber Go or Sedan which is termed as Uber premiere or te consumer can select for Sharing basis or one can take Uber Auto or motorcycle for cheaper rides. Other than Innovation was also defined by Uber by coming into the food sector by providing Uber Eats which provide the opportunity for the consumers to get the desired food from the desired place and same time at discounted rates which also provide the consumer the benefit of availing reduced price and using coupon redemption.

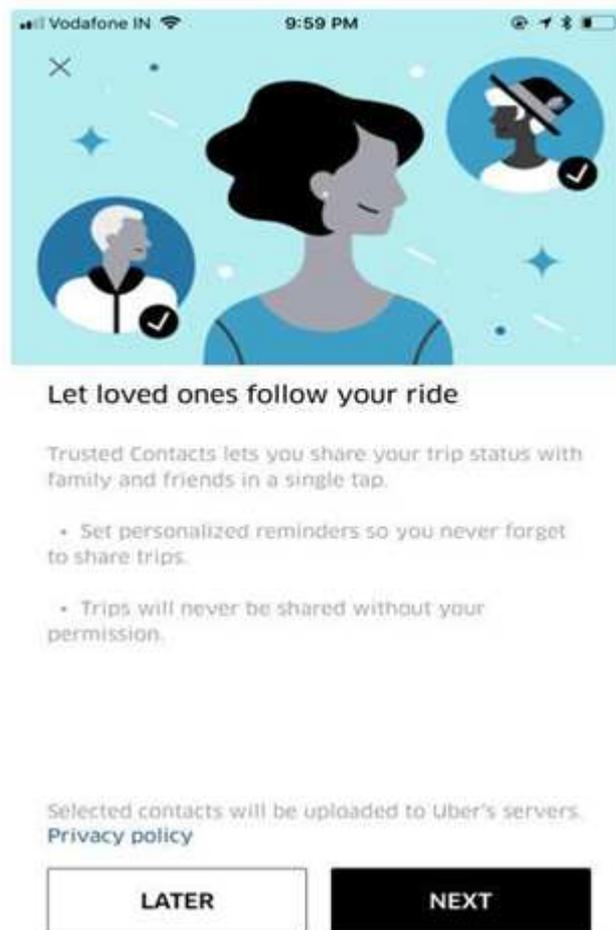


Figure 8

There are also other factors which constitute the consumer selection by segmenting the consumers through the demographic and psychographic perspective of consumer satisfaction with the help of application and real-time delivery of services.

Research Methodology

The sample size of the study was taken from around 100 respondents. The primary data is collected through structural questionnaire and secondary data is collected through journals, magazines, newspapers and reliable websites. The geographic location of respondents are taken Lucknow, Uttar Pradesh, the simple random sampling methodology is used for data collection. The respondent of the study has contributed have consumed the services of Uber in any of the way, whether in form of cab rides, bike rides, auto or ordering food from the app in the last six months.

The demographic variables considered in this study are age group, occupation, and gender.

The item under each head was measured by using Likert scale anchored 1 for strongly disagree and 5 for strongly agree.

Conclusion and Findings

Problems and Challenges Faced by Uber

Uberification has come with an increased number of cars which has led to around 1.6 millions more cars sold for Uber purposes. Other than this as car driver is not the employee of Uber, which led to cases like rape charges on Uber driver, which led to the ban of Uber for sometimes by Supreme court Delhi, then Uber come up with the solution of bringing GPS system for the user, so that their loved ones can track their presence in real time.

Uber has not only helped the people to get the cab in desired rates from their doorstep and late their desired food from their favorite restaurant t their doorsteps has made the use of Uber more in the recent times, as Uber says “Isko Apni hi Gaadi Samjho”, tagline made the customer feel privileged of having a car and the facilities provided by the Uber for the customer comfort.

It can also be said that the Uber need to come up with more coupon facility to attract more and more consumers for using Uber App as the modern consumers are innovative and also sensitive to price and conscious towards their security as in the moving pace of consumerism, consumer have become more brand conscious and this play a vital role in consumer decision making whether towards product or services.

REFERENCES

1. Ansoff, I. 1957. “Strategies for Diversification.” *Harvard Business Review*. Vol. 35. Issue 5. Pp. 113-124.
2. Jagannathan, R. 2016. “New Central Rules for Taxi Aggregators like Ola and Uber are surprisingly liberal. Cheers!”. *Swarajya*. Retrieved from
3. <http://swarajyamag.com/ideas/new-central-rules-for-taxi-aggregators-like-ola-and-uberare-surprisingly-liberal-cheers>
4. Jagannathan, R. 2016. “Buying a car no longer makes sense; car-makers’ business models need tweaking”. *Swarajya*. <http://swarajyamag.com/ideas/buying-a-car-no-longermakes-sense-car-makers-business-models-need-tweaking>
5. <http://economictimes.indiatimes.com/small-biz/startups/uber-vs-ola-who-will-end-updominating-the-streets/articleshow/51720396.cms>
6. <http://economictimes.indiatimes.com/small-biz/startups/uber-hails-200000-cabs-with-eyeto-expand-india-drive/articleshow/54594178.cms>
7. <http://www.livemint.com/Companies/okLbTyf5OtqKnO1roYBAeP/Uber-vs-Ola-the-battlefor-dominance-in-Indias-cab-market.html>
8. Claudel, M., Ratti, C. (2015). *Full speed ahead: How the driverless car could transform cities*.
9. *McKinsey Quartely* (August). Monroe, K. (2003). *Pricing – Making Profitable Decisions*. Boston: McGraw-Hill Companies.
10. Mohammad, R. (2013, December, 16). Uber's “price gouging” is the future of business. *Harvard Business Review*. Retrieved from <https://hbr.org/2013/12/ubers-price-gouging-is-the-future-of-business/>

11. Malpani, P. (2015, May, 10). *Uber's uber cool and unconventional marketing strategy in India. Hook Line & Clincher*. Retrieved from <http://hooklineandclincher.in/uber-marketing-strategy-india/>
12. Rao, S. (2015. June, 16). *Uber's pricing on Taxi Strike Day takes commuters for a shock ride. Mid - day*. Retrieved from
13. <http://www.mid-day.com/articles/mumbai-ubers-pricing-on-taxi-strike-day-takes-commuters-for-ashock-ride/16293167>
14. Cachon P., K.M. Daniels and R. Lobel (2016). *The role of surge pricing on a service platform with self-scheduling capacity*. Available at SSRN.
15. Cohen, P., R. Hahn, J. Hall, S. Levitt and R. Metcalfe (2016). *Using Big Data to Estimate Consumer Surplus: The Case of Uber*. NBER Working paper, 22627.