



THE

UBER

PHENOMENON

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WHAT IS UBER ?

Uber is an American multinational online transportation company headquartered in San Francisco, California. To bear in mind, Uber is not a regular transportation company. It does not own vehicles like regular taxi or car rental services. It facilitates drivers who are willing to take passengers with their own vehicles and people who need rides through online application. Two critical elements of Uber (and other Uber-like business model) are personal service (the concept of work to convert goods into services and idle assets into useful ones) and on-demand availability (making services available anywhere, anytime, for anyone with the help of technology).¹

Started in 2009, Uber has been growing rapidly ever since. In June 2014, Uber was estimated to have the net worth of \$18.2 billion, bigger than Fiat (\$12.9 billion), Best Buy (\$10.1 billion), Sony (\$16.8 billion), Mitsubishi Motors (\$10.4 billion), and Hyatt (\$9.6 billion).² In late 2015, it was hoping to fetch a valuation as high as \$68 billion, exceeding the value of General Motors, Ford Motor, and Honda Motor.³

How Uber Surpasses Ford And GM In Valuation In 5 Years



source : Forbes, 2015

In the beginning of its operation, Uber teamed up with local taxi cab drivers, giving them notifications whenever a passenger needed a ride. In 2012, the company introduced UberX, allowing drivers to take passengers by their own personal cars. In 2013, Uber brought UberChopper, a helicopter ride service, the first non-car service it provides. Uber expanded its services to various fields, including carpooling services (UberPOOL) and lunch delivery service (UberFRESH) – even though not all regions/cities/countries where Uber operates host these services. In the future, Uber plans to use self-driving cars.

Uber is available around the world, literally in earth's five continents. By 2016, it is present in 71 countries and 438 cities across the globe. North America has most cities with Uber available, while Africa has the least. The five most active countries using Uber are (in rank order) United States, India, China, Colombia, and United Kingdom. The top 10 Uber cities is dominated by American cities. Those are (in rank order) Toronto, San Francisco, Paris, New Jersey, Miami, London, Orlando, Las Vegas, and Washington, D.C.⁴

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WHY UBER IS SO MASSIVE ?

The growth of Uber has become an international phenomenon. Uber gains popularity instantly because it fits global society's demand: cheaper and easier access to transportation. Urban population in big cities is the main market for Uber. These people face big problem of mobility since not all big cities provide adequate mass transportation services for the citizens and the price of taxis is high. Uber's cheaper price is the result of at least three factors: the different system of pricing, easy access, and the absence of adopted government regulations.

Pricing: In the United States, taxi charges riders per mile when moving and per minute when idling, while Uber charges per mile AND minute regardless they are moving or idling. In 21 American cities surveyed (with the standard of 5 miles riding, 30mph speed and no idling), New York and Philadelphia are the only cities where Uber is more expensive than regular taxi. If tip (approximately 20% of the fare) is included, Uber becomes an absolute champion.⁵

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Easy access: Uber's services are also easier to get. Its free app lets passengers find rides nearby (even track them) and drivers to be notified with surrounding orders. The passengers do not have to call the taxi hotline or wait in line on a specific spot waiting for cabs to pick them up. All can be done from their fingertips. The efficiency provided is a leverage for Uber. To ensure satisfaction, Uber allows passengers to give feedback about their experiences using the service, both the app and the drivers. This stimulates Uber to always upgrade their app to optimize services and drivers to give better services, because drivers with bad reviews will be dismissed by Uber or not recommended to passengers.

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Regulations: Most Uber drivers are free from driving license and/or tax fare as 'permits' – which can cost between \$700.000-\$1.000.000 in large US cities.⁶ These permits are made very limited and sold expensively by the US government to restrict the number of taxis and to maximize the revenue derived from these permits.⁷ Despite the compromises conventional taxi companies have to pay with these permits, there are still huge number of permits being sold; showing a monopoly in the conventional taxi industry in the country. It also strongly suggests that there is a large loss of consumer surplus and a deadweight loss to society, as people have no option but to pay a high fare of the already expensive conventional taxis.⁸ Since these barriers are low or non-existent for Uber, the price of service could drop significantly⁹, attracting more people to use or drive for Uber instead of the conventional taxi.

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WHY IS UBER CHALLENGED & HOW DOES IT RESPOND ?

The rise of Uber signifies the down of regular cabs. Low price attracts more consumers – who previously are dependent on regular taxi services. Uber, therefore, is considered as an unfair competitor by many cab companies across the globe because it avoids formal regulations that enables Uber to cost less. Vehicle maintenance and driver license are not subjects of inspection for Uber drivers, making them able to cut expense.

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This unfair environment leads to several resistance by conventional cab companies and/or taxi drivers union in many cities and countries where Uber exists. Anti-Uber movements raise in Germany, Spain, France, United Kingdom, Portugal, Australia, India, Kenya, and other countries. The movements exist almost in all cities where Uber operates, some involving violence causing harms to Uber drivers and riders.

In Paris, conventional taxi drivers were able to block traffic and create chaos as a form of protest. Conventional taxi drivers' lobbyists also frequently launch extensive efforts in confronting Uber, resulting in the governments taking sides on conventional taxi drivers, forcing Uber services to be shut down. The case is seen on the court ruling of Sao Paolo in 2015 to stop Uber's operation following conventional taxi drivers' lobby.¹⁰

Despite harsh oppositions globally, Uber still holds on strongly. The multi-billion company is seen to show aggressive resistance towards any rejection. In Virginia, Uber 'mobilized' its riders to confront Commissioner Richard Holcomb – who previously banned Uber to operate – by flooding his email inbox and calls. Uber also hired a team of high-powered lobbyists in the state capital. Uber, then, won the case.¹¹

Meanwhile, some governments showcase more moderate approach towards Uber, as shown by Quebec government. Quebec Transport Minister Jacques Daoust leaves the door open for the development of a system in which Uber drivers could work without getting the taxi permits and Class 4C driver's licenses that conventional taxis must have.¹²

HOW DOES UBER TRANSFORM SOCIETY ?

Uber shifts the way people see technology, transportation, regulation, and economy. There are certain phenomenons worth to discuss in response to the emergence of Uber.

1) Business Transformation

Technology is an effective catalyst to generate revenue of any companies. Uber performs exceptional ways in using the technology as the answer for society's problems and demands. Its simple and handy technology eases people in getting what they want. 'Uberification' is a term explaining a phenomenon of transformation and emergence of companies to be Uber-like in their own sectors. Commonly, the companies (old and new ones) provide online-based order procedure that transforms into physical services. Some also start to hire less-regulated freelance labors, just like Uber.

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The services, which are 'uberified', vary. Starting from beauty service, food delivery, goods delivery, laundry and cleaning, private jets, dog walking, and even bodyguards.¹³ Those business appear worldwide, in both developed and developing countries.

No	Directory	Master-List
1	Uber for Liquor Delivery	Saucey , Drizly , Minibar
2	Uber for Cannabis Delivery	Eaze , Canary
3	Uber for Errands	TaskRabbit
4	Uber for Odd Jobs	GladlyDo
5	Uber for Hotel Rooms	HotelTonight
6	Uber for Beauty Services	Swan , Stylebee , StyleSeat
7	Uber for Home Cleaning	Handybook , Homejoy
8	Uber for Car Repairs	YourMechanic
9	Uber for Babysitting	Urban Sitter
10	Uber for Pizza Delivery	Push for Pizza

Source: *Digital Intelligence Today*, 2014

2) Regulation Challenge

The growth of Uber triggers public debates in various countries. Some argue that Uber is unlawful since it does not comply with government regulations as what regular transportation companies do, particularly on the consumer protection and public safety regulations¹⁴, even though Uber is never a transportation company since the very first place. Therefore, Uber is accused for forging and playing an unfair competition. This, however, forces government officials to review their laws and regulations or even make new ones to adjust with the trend. In this regards, Uber contributes to the law making process by enhancing the role of lobbyists and proposing law/regulation proposals to overcome the situation.

For the government, the challenge is how to regulate innovation without, at the same time, stifling that very innovation. Regulators must separate themselves from the industries to which they are so closely tied because technological advances are an integral part of society.¹⁵

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Center for Digital Society

Faculty of Social and Political Sciences

Universitas Gadjah Mada

BC Building 202, 2nd Floor, Jalan Socio Yustisia No.1

Bulaksumur, Yogyakarta, 55281, Indonesia

Phone : (0274) 551753, 0852 2527 7291

Email : cfds.fisipol@ugm.ac.id

Website : cfds.fisipol.ugm.ac.id