3Qs: Uber's on the move

July 15 2014, by Joe O'connell

In just five years Uber, a startup ride-sharing company based in San Francisco, has become a popular form of transportation in 100 cities around the world. Using a mobile app, passengers connect with drivers of vehicles for hire. Cars are reserved via text and fares are paid by credit card directly to Uber. The company's rise also faced its share of challenges, including lawsuits and other pushback from the taxi industry and municipalities, among others. Here, Joseph Giglio, senior academic specialist and executive professor of general management in the

D'Amore-McKim School of Business, discusses Uber's success and what it says about the outlook of urban transportation in the future.

Uber launched in 2009 and is now in more than 100 cities worldwide. What factors have driven its success in this industry?

Uber saw an opportunity to transform a sclerotic, inefficient, highly regulated industry. The taxicab business model has serious customer service deficiencies. Too many passengers find cabs unavailable, poorly maintained, and aggressively driven, all of which makes for an unpleasant customer experience.

The proliferation of smartphones and tablets provide numerous opportunities for transportation network companies such as Uber to offer personalized, timely, and convenient car service while increasing the customer's willingness to pay.

Simply put, the firm's growth was driven by the deficiencies in the taxicab services, which have not addressed customers' needs. Uber is getting the job done for the customer using innovative technology to enable taxis and passengers to find each other.

Is Uber's business model sustainable?

For sure, Uber has a first mover advantage over its direct competitors that should allow it to build highly scalable competencies for the next innovation, but that is no guarantee of future success. In a world where technology, customers, and markets are changing faster than ever, to maintain a transient competitive advantage a firm has to constantly reconfigure its corporate and business strategies to deal with the threat of imitation and regulatory challenges.

What stands out to you about the strategies the company has used to meet consumers' needs?

The Uber story is an example of the digital revolution blurring the distinction among various industries and challenging the traditional assumption that competitors within an industry are the most serious threat. Uber is a software company that does not own its cars but relies on a network of established, licensed drivers who apply to be part of its network. In this sense, Uber is not in the taxi business but serves as a referral or dispatch system. It uses sophisticated data analysis tools to determine the best locations for drivers to wait, so they can rapidly respond to service requests.

Quite apart from Uber and other transportation network companies competing with the traditional taxicab industry, urban transportation is in the midst of a quiet but profound revolution. Customers now face new choices, new modes of travel. These new modes result from a combination of technology and changes in lifestyle, especially among the millennials who are not as car crazy as their predecessors were. Car-sharing services and bike-sharing services have already led to a reduction in car ownership.

It is nowadays easier for people to navigate public bus and rail transportation and personal ride-booking and car-sharing services are available in nearly every major American city often eliminating the need for costly car ownership. Tradition-oriented transportation providers will not over time be able to withstand the inevitability of the new urban mobility developments and the many innovative alternatives increasingly available.

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