

If Google invests in Lyft, what does that mean for Uber?

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Uber was the indisputable No. 1 player in the domestic on-demand transportation industry. And by its workforce size, passenger count and capital raised, it still is.

But reports on Thursday from Bloomberg and Axios that Google's [parent company](#), Alphabet, is mulling a \$1 billion investment in Uber's archrival, Lyft, suggest that Uber's ongoing dominance isn't a sure thing, and that recent scandals that led to change in the [company's](#) leadership may have dealt a greater blow to the company's brand than originally expected.

"It reflects Uber's changing status," said Erik Gordon, a professor at the University of Michigan's Ross School of Business.

Once upon a time, [venture capital firms](#) clamored over each other to invest in Uber, with many believing that its eventual success could rival or even beat Facebook's. Google's venture capital arm, now called GV, was an early investor in Uber.

But Uber's recent string of scandals - including a lawsuit from the Alphabet-owned Waymo over alleged theft and use of trade secrets, allegations of a culture of harassment and bullying and law enforcement probes into its efforts to circumvent regulators, has knocked the company from its perch.

Both Lyft and Google declined to comment on reports of investment

talks. If such a deal goes through, though, it could be a major boost for Lyft, which has long been a distant No. 2 to Uber in size and in war chest. Uber has raised more than \$15 billion compared with Lyft's more than \$2 billion.

"Lyft has always been the stepchild - now they're getting a bit more attention from Daddy, so maybe they won't be thought of so much as the second choice or the second player," said Gregory Sichenzia, a partner at securities law firm Sichenzia Ross Ference Kesner LLP.

If Google were to invest in both ride-hailing companies, it wouldn't be the first time an investor has diversified investments across multiple companies in the same category. China's Didi Chuxing, which bought the China arm of Uber, is also an investor in Uber's rivals in Asia. Prior to working with Uber, Didi also had a partnership with Lyft that allowed Lyft customers to hail Didi rides from the Lyft app when they were in China, and vice versa.

Japanese telecom giant Softbank is reportedly in talks to invest in Uber. In Asia, it is also an investor in everyone one of Uber's major rivals.

Decades ago, this sort of investment across competitors was less common, Sichenzia said, because companies were more likely to pull out of a deal if they knew a backer was considering betting on the competition.

"In the old days there were conflicts in the advertising world, so you couldn't be the agency for two competing brands because you'd lose one or the other," Sichenzia said. "Or if a bank were to bank on Mobil, they couldn't bank on the next oil company because they'd lose that business."

These days? There's no recourse.

"What is Uber going to be do if Google invests in Lyft? Say: 'We don't want your money - we'll give it back?'" Sichenzia said. "More and more, it's just a matter of economics."

As Uber begins to address its cultural issues under the leadership of new Chief Executive Dara Khosrowshahi, business experts said now is also a good time for the company to ask itself why an existing investor might consider its competitor, because something has clearly changed.

"You used to jump at the chance of doing an alliance with Uber," Gordon said. "Now you think thrice."

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