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Evaluation of Uber's Business Model

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The key goal of every organization is to make profits while ensuring effective management of the core aspects of the business including employees and customers. The primary value of any organization is to minimize operational costs and attain maximum value in their products and services. Business models are used by organizations to realize the value of their products and services in the market to generate revenue and profits at minimal operational costs. Managers utilize business models to combine the effectiveness of the major business aspects such as products or services, resources, distribution, and marketing to determine the success of business strategies utilized (DaSilva & Trkman, 2014). When creating a business model, most companies are uncertain of the effectiveness of the model in contributing to the survival and success of an organization in a highly dynamic and competitive market. For this reason, it is important that assessments of the effectiveness of the model are carried out frequently to identify the existing gaps for improvement and innovation. Stern (2016) states that business models canvas; a globally used strategic management and lean startup template, is used to develop new and existing business models. This paper assesses the overall effectiveness of Uber's business model, putting into consideration the business canvas model and related learning materials to provide recommendations for improvements.

Uber Business Model Canvas and Morgan's Metaphors

Uber is a global company that has disrupted the taxi industry with the inception of technology in the transport sector (Cramer & Krueger, 2016). Uber business utilizes technology by using a smartphone app to provide on-demand taxi services to their customers (passengers). Uber connects passengers with taxi cab drivers through the app using a simplified process. Uber's allows registration of passengers with smartphone and credit or debit card (used as the sole

payment method on Uber's app) on the mobile app. The registered user logs onto the app and request for a taxi then an Uber driver is notified and moves to the client's location and dispatches the passenger to the requested destination. The business model includes the taxi drivers who are the key partners to use their taxi to provide taxi services to passengers linked through Uber's smartphone app (Denis, 2016).

In this model, Uber ensures that value of taxi services is maintained while getting a 20% pay off the passenger's fare and the driver gets 80%. It should be noted that Uber does not own any taxi, it only allows drivers who own cabs are to invest via the platform by providing taxi services. The business model has ensured the growth in a free market through the utilization of technology and internet to connect the passengers and drivers. Denis (2016) articulates that Uber focuses on research and development to identify future growth opportunities in diverse geographical regions around the world. An analysis of Uber's business model shows the growth and innovation in the industry that has transformed the company distinguishing it from the traditional taxi business. Business canvas model has been used to analyze the model evaluating the building blocks needing modifications. Based on Morgan's metaphors, Uber's business model can be described as a machine, organism, brain, culture, and system of change and flux (Morgan, 2016).

A summary of Uber's business canvas models identifies the key aspects in a canvas model including: key partners, key activities, value proposition, customer segments, customer relationships, key resources, channels, cost structure and revenue streams (Armin, 2016).

Key Partners and Activities

The drivers who own their vehicles are the key partners. This saves Uber costs on leasing vehicle. Uber provides payment processors and map and GPS providers via the Uber app available

in Google play store and Apple store. The payment processors include PayPal and transfers via Credit and Debit cards. Chen (2015) asserts that legal actions are taken against Uber in many cities aimed at protecting local taxi services preventing Uber's entry into the market. In summary, the coordination of these key partners ensures Uber accomplishes its goals and objectives. According to Morgan (2016), the coordination of these partners in a business model can be considered a 'machine'. The key activities of the 'business as a machine model' is to develop a platform that optimizes algorithms and adding value through significant marketing to ensure adoption and retention of drivers and passengers. Due to the diverse locations of Uber's operations, the company has a challenge of developing and implementing effective marketing strategy ensuring an adequate supply of drivers contributing to retention and growth of passengers.

Value Proposition

Uber runs under a business culture that ensures maintenance of Uber's value proposition through the integration of the app to ensure customers get taxi services when they need them and the drivers provide passengers to the platform when they need them. This value proposition ensures low rates to passengers compared to other taxi cab companies. Also, customers enjoy low waiting time usually five minutes or below. The taxi owners (drivers) can earn income from the taxi services during their free time. The drivers enjoy flexibility in the business that has no rules and no boss. Uber technology charges taxi fares through credit and debit cards maintaining a cashless payment system that is safer for both the passengers and the drivers. Overall, the value proposition brings transparency while providing the map data of exact locations of both the passengers and the drivers thus reducing anxiety for both parties (Achille *et al.*, 2016).

Customer Segments and Customer Relationships

Passengers and drivers comprise Uber's customer segments. The registered passengers must possess a valid credit or debit card and a smartphone to enjoy Uber services. Uber utilizes freelance drivers instead of employing permanent drivers, thus easing the heavy asset burden. To be an Uber driver, one must own a car, smart phone, and bank account. Uber platforms ensure that registered drivers earn money during their free time through providing taxi services to registered Uber passengers. Uber's customer's relationship is fully automated on the passenger's point of operation. The old dispatchers are eliminated, and the passenger's smartphone automatically indicates the passenger's location pin pointing the pickup point on the driver's area of operation. Uber ensures quality maintenance and protection of the passengers by providing a hands-on role to the drivers and assessing their reviews (Denis, 2016). Also, service delivery assessments are conducted to ensure the drivers meet the set quality standards.

Key Resources and Channels

With regards to the key resources of Uber's business model, as articulated by Morgan, the model can be viewed as a 'brain' (Morgan, 2016). The business model includes a platform, pricing algorithms and routing algorithms that coordinate together like a brain to ensure Uber business keeps running. The platform connects Uber to drivers, drivers to passengers, and passengers to drivers. The pricing algorithms provide an equilibrium of the supply and demand in the market. This ensures availability of enough capacity to meet the demand and thus achieving the value proposition. The routing algorithm focus on reducing the customer's wait time and reducing the dead time for drivers waiting for new passengers or driving to new passenger's location. In the early stages, Uber used different channels by moving through cities to register drivers and passengers on the platform. With the expansion in the market, the key distribution channel is

provided via a mobile app while marketing is conducted through the emailing, word of mouth, and PR. The word of mouth was fundamental in alleviating fear from passengers when penetrating the taxi industry dominated by early taxi service providers (Denis, 2016).

Cost Structure and Revenue Streams

Uber's cost structure includes costs for platform development, salaries, hosting, and driver payments. Salaries include salaries to the sales team, marketing team, software engineers, and country and city managers. Other costs include distribution costs, customer acquisition costs and App hosting costs. Uber receives the payment from the passenger first, then holds the money for a few days before releasing the payment to the driver's accounts. This strategy ensures that all payments made are valid. Uber operates a simplified revenue stream consisting of pay per mileage or ride and premium brand. The platform utilizes GPS systems to charge passengers per miles traveled while considering the type of ride. Uber provides different charges based on the choice of Uber brands such as requesting a luxury vehicle or SUV (Denis, 2016). Besides, there are reduced prices for group travelers or passengers sharing a ride ensuring the provision of cost-effective taxi services.

Organization as a System of Change and Flux Metaphor

Morgan (2016) used the 'organization as a system of change and flux' metaphor to analyze organization models. He highlights that an organization is a steady system of dynamically changing setup flowing like a stream. With regards to this metaphor, Uber's business model provides opportunities for change, growth, and development. Uber's business highly relies on technology, considerably, technology is always changing with the recent updates provided by application developers, domain, and web developers as well as software developers (Armin, 2016).

The unique business model ensures that changes can be implemented into the organization ensuring the company meets its core goals and objectives.

Theoretical and Behavioral Trends in Ubers Business Model

Uber's business model has ensured the leverage of revenues in a highly competitive transport industry. The success of the model is attributed to the strengths of Uber in ensuring the provision of high standard transport services at lower costs through the integration of technology. Fortunately, Uber disrupted the taxi business through the Uber application. Its entry into the transport industry was faced with challenges, but luckily there was less competition since no previous competitors were running the taxi business through such technology. Over time, Uber penetrated the market in different cities, and through the branding power, they gained customer trust and loyalty (Cramer & Krueger, 2016). Moreover, the mobile app is user-friendly with quick responsiveness from systems and servers and reduced bugs in operation of the app. The ease of requesting and tracking Uber's drivers and passenger's location has provided cost reduction benefits to passengers and income generation to drivers. Over the recent past, Uber has been recognized as a choice for most travelers stemming from the high standards transport services delivered at low costs. Although Uber has seen the growth in number of drivers willing to invest in Uber and growth in registration of new passengers, there have been several complaints that have contributed to negative reviews and bad publicity of Uber business

Areas Needing Modification

Just like any other startup organization, Uber's business model has several areas that need modification as recognized in the business canvas model. These changes need to be made on the weaknesses of the organization. First, Uber has been faced with questions regarding the liability of the key partners-drivers and their value for their customers-passengers. It is clear that Uber owns

no taxis and does not hire any drivers; hence they hold no liability on these partners. Despite the claims that drivers are key partners in the business model, they are regarded as customers accruing from the low profit they earn, safety issues, and high costs of operation (Armin, 2016). For instance, several claims have been made on Uber's value towards their employees. Multiple Uber drivers have complained that the company values their profits without taking concern of the safety of the drivers. The drivers recommended that Uber should value drivers just as they value riders by at least providing insurance services to their drivers. With the recent decline in the number of Uber drivers, it is perceived that most drivers run out of business after failing to meet the standard of the vehicle articulated by the company while other ran out of business after succumbing into accidents and collisions. In essence, Uber should hold accountability of their key partners; drivers and passengers. With no doubt, Uber is highly preferred by passengers for its convenient services focused on money and time-saving. However, Chen (2015) points out that local governments and drivers seem to hold negativity perspectives against Uber. Essentially, the company can concentrate on improving the profit-sharing margins to motivate their drivers

Uber should improve the customer relationships that have been tarnished by existing media controversies and bad PR. Over the recent past, it was revealed that Uber's executives could track customer's data and view their bookings history via an online tool. Under the privacy policies, Uber should respect the privacy of their clients (Achille *et al.*, 2016). Besides, Uber should care about the safety and relationship of the passengers. The recruitment approach used by Uber when partnering with new drivers are unclear. This has raised integrity and safety anxieties by customers. For instance, several drivers in the United States have been accused of sexual assault. Moreover, a female passenger in India accused a driver of rape (Cramer & Krueger, 2016). These moral issues

raise concern for Uber to clear the controversies and run background checks on their drivers with the aim of boosting the company's safety measures and retain good PR in the industry.

Uber is plagued with legal issues that have contributed to overhead costs of engagement in legal battles threatening the business. For instance, Uber faced a legal battle with British drivers over employee or business partner benefits such as minimum wage guarantee, sick leave and holiday pay. Uber is aimed at minimizing costs, and thus they are unwilling to provide any of the listed benefits. Stenn (2016) reports that every organization has a mandate to provide a conducive working environment by respecting and treating their employees fairly to ensure loyalty and better work ethics contributing to business success. Salnikov *et al.*, (2015) reported that in New York, Uber faced lawsuits against New York Taxi Company and unions. Also, in UK, Netherlands, India, France, Thailand, and Germany, Uber has been fined by the authorities. For instance, in Germany, Uber was banned alleging that multiple Uber drivers failed to abide by the set regulations followed by the traditional taxi drivers (Ng, 2016). Primarily, Uber should comply with the established laws and regulations in the transport industry and avoid the negative publicity and press that may lead to the decline of business.

Recommendations

The company is facing competition with growing companies such as Lyft, and the anticipated establishment of driver-less cars may pose a threat to the survival of Uber in the market. Uber should focus on its strength by offering their drivers the best available deals to ensure retention of drivers despite the future inception of autonomous driving systems. According to Armin (2016), the future of Uber's business model is unpredictable, and for this reason, the company needs to adjust in its operations maintaining its core strengths, turning the business weaknesses into strengths and develop strategies to exploit the opportunities. For instance, Uber

can expand by tapping into growing markets in regions where taxi services are unavailable. The strategy can be actualized by conducting a SWOT analysis and utilizing business analysts to provide recommendations to the company. Expansion opportunities exist to Uber by exploiting the free markets where taxi services are costly and inconvenient, for instance in India (Ng, 2016). Additionally, Uber can increase their valuation in a bid to attract more investors thus increasing their business financial status. Uber must be willing to adjust on its business models. Uber must show the will to abide the legal framework of given governments and also guarantee the privacy of their passenger's data. Respecting customer's privacy creates transparency in business operations thus increasing the customer loyalty. To curb competition from companies such as Lyft, Uber needs to treat their drivers better by setting up offices in different cities in a bid to improve their relationship with drivers (Cramer & Krueger, 2016). Also, the company can provide commissions to the drivers as a motivation and offer incentives to help drivers secure low premium insurance covers. Ultimately, Uber needs to implement a feedback system that ensures customers point out issues that the company should fix. In essence, Uber has potential future of growth in the transport industry, though Uber should consider making amendments on the pitfalls in their unique business model.

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