5. Case Uber: Disrupting The Taxi Industry

Having just done a case study of Airbnb, we will in the following explore our second platform-based Born Global company Uber in depth. By investigating Uber, we will gain important knowledge about a company similar to Airbnb, but in a different industry. This we will do to get a more thorough understanding of this new type of company in general, and to be sure that we eliminate any bias that might arise had we only investigated one company. This will secure that when answering our research question, we are able to analyze findings from different companies and industries, which in return means that the answer to our research question will be more valid. In order to be able to thoroughly explore Uber, we will in the following conduct a case study. In order to keep a consistent structure throughout this master thesis, the Uber case study will also be structured with foundation in our findings of the six parameters in the literature review. The six parameters are; the founders, the product, the organization, the environment, the strategy and lastly their approach to market entry. This consistency in our approach to the case study, will ensure that we will research the same areas of each company, which is very important when we later in this master thesis will make a cross analysis of Airbnb and Uber in relation to the literature.

5.1 History of Uber

During the winter of 2008, Travis Kalanick and Garret Camp found themselves in Paris. Having previously started and sold successful companies such as StumbleUpon and Red Swoosh, they were enjoying their time off. Listening to some good music and having drinks until 5am, like all real entrepreneurs they were brainstorming ideas on what would be next. Garret had an idea, he wanted to solve the taxi problem in San Francisco.

"I think his original pitch had me and him splitting costs of a driver, a Mercedes S Class, and a parking spot in a garage, so that I could use an iPhone app to get around San Francisco on-demand"

- *Travis Kalanick on Garret Camps initial idea* (newsroom.uber.com$_1$)

In early 2009 Garret started working on a prototype, and in mid 2009 he approached Travis to persuade him to get more involved, since Garret himself had spun out StumbleUpon so he was once again the CEO and very busy. Travis was at this point in time not ready to work full time again, as he had spent the previous ten years with intense work as an entrepreneur, but he agreed to join as Ubers Chief Incubator, responsible for seeing Uber through its San Francisco launch. With the help from Garrets friend from grad school, Oscar Salazar a prototype was built and in January 2010 they did the first test run. By this time, they also started looking for a General Manager to run the business. Ryan Graves working at GE was the guy they brought on as General Manager, and it proved to be a wise choice. Ryan started on March 1st, and in the words of Travis, he "hit the ground running". They started going over the product, prices, driver onboarding and in general everything related to business, and on May 31st 2010, they officially launched the service in San Francisco, under the name UberCap.

Shortly after having launched its service, on October 20th 2010 UberCap received a "Cease and Desist" letter from the San Francisco Metro Transit Authority & the Public Utilities Commission of California (techcrunch.com$_5$), for breaking taxi laws, which if not followed would include penalties of up to $5000 per instance of UberCaps operations. UberCap quickly decided to change its name to Uber, and on October 24st they made a public statement on their blog:

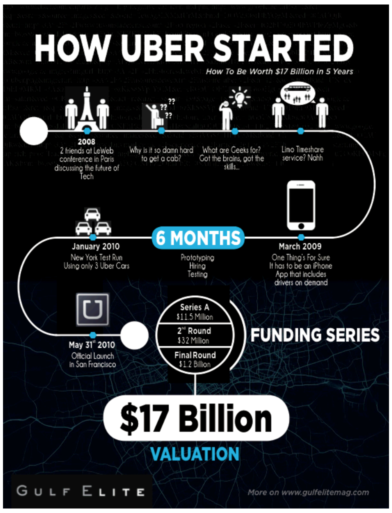
"UberCab Inc. has been issued a cease and desist order from the SF Metro Transit Authority & the Public Utilities Commission of California. While we are looking into the issues raised, we believe that the service we offer is in compliance with the cited regulations.

UberCab is a first to market, cutting edge transportation technology and it must be recognized that the regulations from both city and state regulatory bodies have not been written with these innovations in mind. As such, we are happy to help educate the regulatory bodies on this new generation of technology and work closely with both agencies to ensure compliance and keep our service available for our truly Uber users and their drivers.

Our commitment is to facilitate an improved transportation option that provides safe, reliable, and convenient travel. That will not change. We will continue full speed ahead with the mission of making San Francisco city a great place to live and travel."

- (newsroom.com)

Prior to the Cease and Desist letter, the San Fransisco taxi industry had since September been talking about whether or not UberCap was legal. Despite this, and all the signs saying that UberCap would meet governmental resistance, they closed a $1,25million angel investment enabling them to grow and continue operations. After the launch, things really kicked off and already in February 2011 they went through their first Series A funding, raising a total of $11million at a $60million valuation. Since the beginning, 15 funding rounds have taken place, with Uber raising a total of $9,01billion from 53 investors in 14 rounds, and a current valuation of at least $50billion (crunchbase.com$_2$)



(gulfelitemag.com) *Figure 12*

5.2 What is Uber

Uber is a two sided peer to peer platform, where supply meets demand for transportation. The marketplace enables private individuals to register as an Uber driver, enabling them to pick up users and drive them to their destination in the drivers own cars for a fee set by Uber, very similar to the core operations of the taxi industry. Simultaneously, users are able to sign up as consumers, and through an app book an Uber driver to pick them up and take them to any destination. Uber facilitates the interaction between supply and demand, and in return they take a transaction fee of up to 30%, charged to the driver, for processing this interaction and payment (forbes.com).

5.3 Uber Business Model

Just like AirBnB, Uber is based on a platform business model, enabling them to simply facilitate the interaction between its peers that is drivers on the supply side and consumers on the demand side. This type of business model enables Uber to manage and build a network of thousands of peers, without having to hire an immense amount of employees to grow their business. The platform is built on a Freemium model, meaning that simply signing up on either the supply or demand side does not cost anything. This enables Uber to onboard users faster than if there had been any upfront costs, which in return improves the service of the platform a lot. The fact that Uber has built a platform where supply and demand meets, enables them to scale at a pace which existing non-tech companies are not capable of following. Existing companies need to buy new cars and hire new drivers if they want to increase their supply, a problem Uber will never face as they leverage the existing amount of private cars, combined with a possibility for private individuals to earn an extra income.

5.4 Founders

"If you looked at everything he's done," says a friend, "I don't think there was another human who was more destined to build Uber."

- A friend to Travis Kalanick. (astcompany.com)

As founder are the ones that start a company and the ones with the idea they must be regarded as one of the most importance aspects of a company. As the quote above proves, the mind-set and determination to wanting to succeed with their idea is central in becoming an entrepreneur.

5.4.1 Travis Kalanick

He was born on august 6, 1976 in Los Angeles, California. He lived in Northridge, California were he graduated from Granada Hills High School. He later on enrolled at the University of California in Los Angeles were he studied computer engineering. Travis had partnered up with Vince Busam and Michael Todd while enrolled at the university of California. They all later dropped out of university to pursue their dream of creating a company together. They developed a peer-to-peer multimedia search engine, Scour. Their search engine allowed users around the world to share and download files from its peers. Scour was later on sued and Travis Kalanick left the company and filed for bankruptcy (businessinsider.com). Travis went on to create a new file-sharing site called RedSwoosh. RedSwoosh was intended as a response to the lawsuit against Scour. Instead of enabling users to share files surpassing the multimedia industry, it made the multimedia companies its clients, enabling them to support, manage and distribute media files between the RedSwoosh peers (crunchbase.com3). After many years of struggling Red Swoosh was sold for $23 million (allthingsd.com). Travis made $19 million on the deal (successstory.com) in 2007. In 2009 Travis met Uber co founder Garrett Camp in Paris at the LeWeb International Internet Conference where they were waiting for a cab. Travis Kalanick is clearly an entrepreneur by heart, he has tried to build several Born Global companies from scratch, he has failed and he has succeeded. That experience is something that is worth more than anyone can imagine, and according to literature he is the perfect example of a founder that facilitates early internationalization. In 1996, Knight & Cavusgil found that Born Global companies were often technology oriented companies where management had a vision and strategy to become an international venture. As for Travis, this is very true, not only had he prior to Uber founded two international companies, both of them were based on a platform business model connecting its peers.

Besides being CEO for Uber Travis spends a lot of time speaking at conferences and business events on how Uber started and his past experiences with Scour and Red Swoosh. He is passionate about talking on the legal issues Uber face around the world on Taxi regulations, which in relation to the literature tells us that he has a clear vision to solve the problems of transportation around the world.

5.4.2 Garrett Camp

He was born on October 4, 1978 in Alberta, Canada. His parents had started a design and building team that built houses. Garrett at a young age understood what it meant to be an entrepreneur.
After finishing his school years Garrett enrolled at the University of Calgary in 1996 for a degree in electrical engineering. After finishing his junior year Garrett moved to Montreal for an internship at Nortel Networks. Here he worked on speech recognition technology. He also participated in courses at Concordia University. After finishing his internship Garrett returned in 2000 to Calgary to finish his degree. He enrolled at his Masters in Software Engineering and researched collaborative systems, evolutionary algorithms and information retrieval.

While Garrett was still enrolled at university he along with three friends decided they wanted to create their own business (thefamouspeople.com). They created StumbleUpon (crunchbase.com$_4$) in 2002, which was a discovery engine. StumbleUpon was designed to find sites more targeted to the searchers interests. StumbleUpon became very popular and in 2007 the founders sold to Ebay for $75 million. The founders bought back StumbleUpon back in 2009 and it is now driven as an independent start-up again. As with Travis, Garret was an experienced founder already before starting Uber. In 2005 Rialp, Rialp & Knight explained how internationally experienced founders supported early internationalization, simply because their experience provides a solid orientation in the markets and thereby a strong customer oriented focus, as well as a focus on threats and opportunities in various markets.

5.4.3 Founding Employees

Oscar was regarded as one of the co founders in the early years. Documentation by Uber state that he was a co founder but this has later been disputed. Oscar and Garrett had attended school together and had created the first prototype with another school friend, Conrad Whelan. Oscar left Uber soon after their launch on good terms. Oscar is now employed as a technology officer at Ride, which is within the same industry.

Austin started as an intern in 2010 and was employee number 4. She started out not having a specific job title and helped in handing out flyers. She is now Head of Global Expansion and Head of Process. She has been head of spreading Uber over 300 markets and 56 countries.

Uber employed Ryan after he sent a Tweet to Travis Kalanick, telling Travis to email him. Ryan was for a short period employed as CEO for Uber before giving up the position as CEO to Travis Kalanick. Ryan is now employed as Head of Global Operations.

(webs.com)

(Travis Kalanicks tweet, and Ryan Graves reply)

Figure 13

5.5 The Product

Uber created a product within an industry that many considers as disruptive towards the existing industry. Uber has created a product that in many ways enables the offering of a service very similar to the service taxis offer but at the same time they have differentiated themselves so their product does not go under the same restrictions and regulations that control the taxi industry. The Uber product, a platform for supply and demand to meet, is a very innovative way of utilizing technology in an industry that has seen no real technological innovation. As mentioned by McKinsey consultant Michael Rennie in 1993, he found that companies with innovative technology proved to be very competitive against existing competitors.

Uber started up with one product type where drivers transported users from A to B. Uber has expanded their product line to offering UberX, UberBlack, Uber Taxi, UberCHOPPER and Uber Eats (ubereats.com). It varies from city to city witch products are available. Some products like UberCHOPPER are limited to very few locations and are as much a PR stunt as they are a product offering (newsroom.com$_3$). The core business of Uber is currently the service that is in conflict with the taxi industry, i.e. the transportation of users from A to B.

As Uber created their business four fundamental factors played a determining rule in shaping the value of their product (Choudary 2015):

- Value creation
- Value consumption
- Quality control
- Scaling value creation

For Uber to be able to compete with competitors they have had to use these four factors to build their product. By doing so Uber have created a two-sided platform product that offers an alternative to traditional transportation at a cheaper price, while providing income from the beginning for drivers and still creating revenue for Uber itself.

5.5.1 Value Creation

Uber is an example of a two-sided platform that exhibits strong networks effects. On one side there is the customer who is looking for transportation from A to B that wants to pay a cheaper price than the alternative taxi. On the other side there are people wanting to make some extra money and capitalize on their car not being used. Uber has created a platform that combines these two sides. The more people willing to use the platform the more attractive the platform becomes for potential drivers to join the platform and vice versa. This creates a positive spiral effect. Uber created a platform that matched the supply and demand side of transportation and by doing so create value for all parties

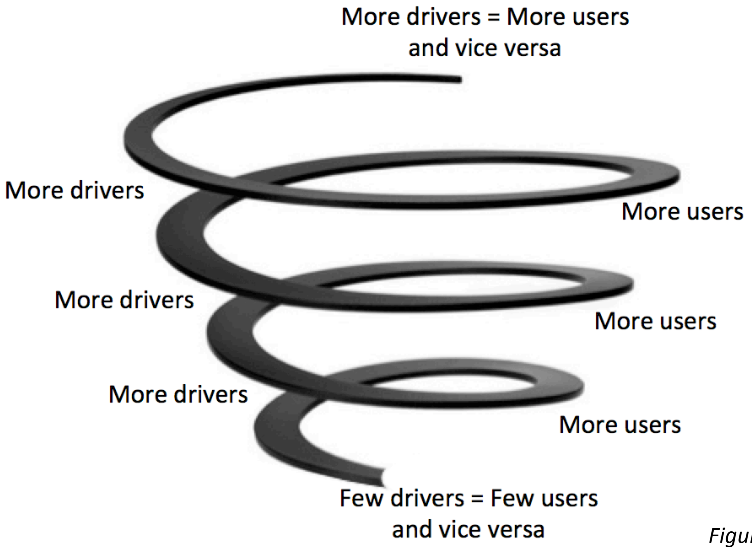


Figure 14

Uber created a simple model where Uber takes a cut of around twenty percent for providing the platform for users and drivers to match. If an Uber ride from Copenhagen Central Station to Copenhagen Business School costs 150DKK, Uber takes 30DKK and the rest goes directly to the driver.

The percentage that Uber normally charges can vary from fifteen to twenty-five percent depending on service and time of day. At some point Uber even tested a thirty percent cut. Uber changes the percentage to create incentive in rush hours for more drivers to offer rides. Uber uses price discrimination in two ways, both to attract supply and demand. First is on the service that is offered. Uber has different price stages so users that are willing to pay more for better service and better cars have the possibility to do so. This allows Uber to offer rides to users from a wide willingness-to-pay spectrum. The second way is by using a "surge-pricing" model, were the price fluctuates depending on supply and demand (uberestimator.com). When Uber increases the prices at rush hours when demand is high, more drivers will try to leverage the chance to earn more per ride, hence supply will increase to match the demand.

Uber uses price discrimination to match the supply and demand so there will always be an available ride in the vicinity. In 2005 Rialp, Rialp and Knight found that a factor necessary for sustainable international new ventures was unique resources. In relation to Uber, this is exactly the scenario. Despite the fact that Uber and the traditional taxi industry from an overview perspective solve the same problem, Uber possesses an array of unique resources in the shape of its drivers. They solve the same problem, but the way they do it differs significantly from traditional taxis.

5.5.2 Value Consumption

Uber has created a product that revolutionized a stagnated industry. It had been regarded as custom that transportation possibilities were public transit of taxis. For getting a taxi there was the option of calling an operator that would then dispatch a taxi or standing next to the road trying to attract the attention of a passing available taxi.

Uber had created a product that was not based on the traditional options. Uber had to change the perception of users and their understanding of acquiring a ride. It was not seen before that users could use an app to order a ride and see were the ride was and how long it would take before the ride would arrive. Uber had to offer the user something that could change this perception and make them change and use Uber. Uber could offer a lower price than traditional taxis and thereby created the foundation for users changing their perceptions. This change in perception would start from a small group of people to a larger amount by word-of-mouth. Uber allows users to rate their drivers so users can choose and feel safe about the choice of using Uber. Integrating opportunities like rating helps in the process of changing users perception by having the ability to see other users ratings.

5.5.3 Quality Control

For Uber to ensure a high standard in quality, one aspect that stands out is how to ensure passenger and drivers safety during transportation. This can alto be linked back to changing passengers perception. To guarantee passenger safety Uber have initiated features to help guarantee the passenger safety and help in feeling secure during a trip.

Uber have initiated different features for before, during and after a trip that will help towards ensuring the safety of passenger.

Before the ride starts the Uber app automatically finds out the location via GPS so the passenger can follow the location of the driver. This ensures that the passenger does not need to be in an unpleasant location until the driver arrives. A match is made with the closest available driver anonymously to insure no discrimination on race, sex or the trips distance. Finally when a driver has been booked the drivers name, license plate, photo and rating will de revealed so that the user beforehand can see who the driver is, so that the user can go to the right driver.

Once a driver has picked up a user, the user can in some countries share their trip and thereby their estimated time of arrival and route to friends and family. That way family and friends can keep track of where the car goes. As a trip ends, the payment will happen via the app, and since the route was chosen by the GPS, the driver and user cannot discuss prices and the prices are always calculated by the same standards.

"I work until late at night, and with Uber, I feel more confident because I know I do not have to go and wait outside and hope that I can hail a ride."

- Brittany, passenger from Portland. (Uber.com$_1$)

When the trip ends a user has the opportunity of rating a driver anonymously so the driver cannot see who has given the rating. Uber go through every bad rating to ensure that drivers live up to the reputation that Uber desires. An Uber support team is available for answering questions that users may have about a trip, prices or lost items.

For Uber to attract drivers they have had to ensure a safe environment for their drivers and for them to have opportunities to evaluate their customers.

Before a trip all users have to create an account where they have to provide a telephone number and payment information to order a ride. This ensures drivers that payment will take place and that drivers can contact users. Uber uses technology that allows users and driver to contact each other but without disclosing sensitive data.

When the trip has started, since the passenger has typed in the destination of the trip when ordering the Uber, directions will automatically show in the app, so the driver can focus on getting there safely. All GPS data is saved from every trip so Uber can follow the whereabouts of drivers but also to encourage safe and responsible driving.

After a trip, drivers can rate their customers so that bad users can be denied access to the Uber app. This ensures that users behave responsibly when using an Uber ride.

"*I like the two-way evaluation system. It provides ultimate responsibility and is a good safeguard for both drivers and passengers*"
Glen, driver from Ottawa. (uber.com$_2$)

5.5.4 Scaling Value Creation

As Uber is operating on a platform-based business model, this enables them to scale their business at incredible speed. The reason for this is that they do not have the same linear costs to scale that the traditional taxi companies face. In order for Uber to scale, they utilize the existing cars in cities, and enable private individuals to earn some extra money, or even make a living for themselves. If a traditional taxi company was to scale at the same pace as Uber, they first of all had to be able to offer a service that would differentiate them significantly from existing taxi companies in other cities, but it would also require a huge upfront investment into cars and later the maintenance of these. An important factor that Uber has succeeded very well in doing, is their curation system where users and drivers rate each other. This means, that Uber can scale at very high speed, because the platform ecosystem will automatically get rid of bad supply or demand. This way of running a platform that curates itself, enables them to offer some unique resources that hold value all around the world. As mentioned about unique resources by Oviatt & McDougall in relation to Born Global companies back in 1994, these unique resources that Uber possesses compared to the traditional taxi industry, are what have secured them a competitive advantage over the traditional taxi industry in cities all around the world. Since Uber has developed a platform that solves a lot of the communication problems that the traditional taxi industry is facing, they obviously have a product which is a tangible resource. But the interesting thing with Uber and the way their product can be scaled, is that they do not require production facilities or strategic partnerships around the world in order to launch operations. The users are an intangible and valuable resource once on-board, and the internet and the platform they have built enable them to scale across borders, at potentially zero to little cost. In 2003, McNaughton found in a survey, that most companies with a knowledge intensive product would internationalize to several countries early on, especially if their home market is small. The product of Uber, meaning the platform itself is not really knowledge intensive, rather is it very easy to copy and build a similar platform, which has already been done by several new companies. There are obviously some limitations in the literature, as it is very focused towards a traditional product, and thereby does not take a platform-based sharing economy like Uber into account.

5.6. The Organization

Ubers organizational structure is hard to categorize because it is like no other. Uber is a typical Silicon Valley technology start-up company. The big difference from most Silicon Valley companies is that most of their employees are distributed all around the world in different cities. In cities like New York, Los Angeles and London where Uber has employees, they have small self-driven subdivisions with no more than a few dozen employees. In other smaller cities the Uber teams are no more than a few people that act like small start-ups. In other words, Uber have some organisational guidelines but in the big picture cities are self-driven and are left with the overall responsibility of the city. This way of structuring the company brings a lot of flexibility into each market, which is mentioned in the literature by scholars such as Michael Rennie in 1993 and Ganitsky in 1989, as a very important strength for Born Global companies. A second factor which is very important to notice in the way that Uber had chosen to structure their operations, is how they proactively seek foreign business opportunities by having teams in each market they operate in. This enables them to acquire knowledge on a whole different level, compared to more traditional companies that according to Zhou in 2007, tend to accumulate knowledge slowly and stepwise over time.

5.6.1 Culture

Uber has been one of the fastest growing companies of all times and now operates in hundreds of cities worldwide. Uber has faced obstacles and competition in almost every city they have launched in. One of the key factors to this success is their culture. At a conference in 2015 the Global Head of People and Places, Renee Atwood said that Ubers success came down to their culture.

"*We needed the best people, and getting our culture right is a big part of that*"

- Renee Atwood, Global Head of People and Places (youtube.com$_2$)

Renee explained that Ubers culture was based on three core values:

1. Be an owner, not a renter
2. Take big bold bets
3. The best idea wins

Be an owner, not a renter refers to that Uber want their employees to see themselves as owners of Uber and show that they care for Uber.

"Uber doesn't want its employees to see their job as a place where they can put in their forty hours and collect a paycheck. They want people who legitimately care about Uber, who will act as owners of the company, not people who are just renting there for a bit."

- *Renee Atwood* (youtube.com$_2$)

As Uber have many small launchers (team of employees that launch a city) all over the world in different cities it is important for them that their launchers see themselves as part of Uber and not an employee who works 40 hours a week and gets a paycheck. They have to be wiling to put in the hours that are necessary and work for Uber as if it was their own company. We have previously mentioned the importance of being flexible, which was mentioned by Michael Rennie and Ganitsky in the early days of the Born Global literature. In 2005, Rialp et al. joined the discussion and argued that being flexible enabled them to quickly adabt and exploit market opportunities, which is in line with Uber having local operation teams all around the world. This way of structuring the company, enables Uber in each market, to exploit opportunities at local events, festivals and so on. It is also interesting to note that Rialp et al. also explained how internationally experienced founders have a clear orientation of how to structure a company to get the most out of all employees and markets. So when now looking at the organizational structure of Uber, it is most likely that Travis Kalanick has had a great impact on it.

Take big bold bets is about not being afraid of pushing the limits. Uber itself was a bold idea that paid off. Uber wants its employees to do the same. Uber needs to keep being innovative to beat their opponents. This is a typical point that is mentioned throughout the literature, as a Born Global companies perception of risk. Zhou mentioned in 2007, the low perception of risk as one of three factors that are very common for a Born Global company. It is however very interesting to see how not only the founders of Uber have a low perception of risk, but it is actually emphasized as an important part of the culture to dare to be different.

"*If you aren't taking big risks, if you aren't looking for the next big thing, you will be disrupted."*

- Renee Atwood (youtube.com$_2$)

In the Paris department they took a bold step. They needed more drivers to meet the demand within Paris. They created a video that was sent out to one million French people who had at one time used Uber. The plan was to create a funny video that would help get new drivers for Uber Paris, creating a buzz surrounding Uber and creating a ripple effect to other potential drivers. The bold move worked and shortly after thousands of new drivers signed up (youtube.com$_3$).
Finally, the best idea wins, builds on the same principles as take big bold bets. Uber emphasizes that the idea is more important than the person. It means that Uber encourages employees from all levels to speak up and present their ideas for new innovation. Uber proved this when a recruiter suggested to conduct interviews during Uber rides. Ubers top management thought the idea was great and so it was put it into action. The idea was a great success and created a buzz that generated interest and new users. This way of supporting all employees to bring up ideas, and not care about who brings up the idea, is a great way to facilitate innovation. Continuous innovation is needed when disrupting an existing industry like the taxi industry. The Uber approach to innovation aligns perfectly with parts of the literature, that tells how important innovation is to a Born Global company. In 2007, Zhou identified three dimensions common to young Born Global companies, where being innovative was one of the two most important dimensions.

Many ideas from employees have been tested with great success, Uber have used ideas as marketing stunts combining ideas and upcoming events. One of these ideas that was put into action, was when Uber around the time of the launch of *Transformers; Age of Extinction* (imdb.com) used a copy of Optimus Prime where users could have the chance of being pick up in an Optimus Prime truck (newsroom.com4).

Figure 15

Uber; Optimus Prime truck

Another example was when Uber for Valentine's Day made it possible for users to order flowers and have them delivered to anyone within the same city. This option was launched in 15 cities in the United States and Canada (newsroom.com5).

Uber have made many stunts like these that all originated from ideas within the company. Uber have used the ideas with great success and are still using them. Uber are benefiting on their employees possibilities of expressing ideas directly to the top and not having to go through layers of company bureaucracy (urbanful.org).

Uber is not the first company to use culture as a key part of their company. Companies like Google and Airbnb are both known for having a great focus on their company culture.

"Because great companies aren't based off of one great idea or a few superstar founders. Great companies are great because all of their employees, from the CEO to the lowest-level hourly worker, have a clear vision of what the company values and the confidence to try new things."

- Renee Atwood (youtube.com2)

In 2005, Rialp and Rialp specifically analyzed the intangible resources of Born Global companies, and what they found was that human resources are extremely important. As for Uber, this aligns with the general organizational structure of Uber, where its employees and the culture is in focus, and every employee gets the opportunity to flourish, no matter what position the employee holds.

5.7 The Environment

When it comes to Uber and the environment they operate in, it is important to understand the market and competition. Uber has disrupted an industry that has existed for decades with very little change over the years. This has created a situation where traditional competitors like taxis and limousine services have gone to great lengths to stop Uber.

5.7.1 Traditional Taxi Industry

The transportation of people from A to B has existed since 1605 where the first documented public transport took place (Gilbey et. al. 1903). The industry itself has not changed much. The industry is still based on customers waiting for a taxi to coincidentally pass by and stop or customers calling a callcenter to order a ride to pick them up at a certain location. The biggest changes within the industry have been innovations with the car. If considering New York, the yellow Cab has become a part of the city scene and is synonymous with New York. The same can be seen in London where the black taxi known as the Hackney carriage is synonymous with the London city scene. Many cities around the world have special taxis so customers know when a taxi is coming.

The taxi industry is a highly regulated industry where much of the control comes from governments and city regulators. This control from governments and city regulators has created a situation where the industry have had little competition and thereby no urge to evolve in order to survive. This has in recent years given way for competitors like Uber to reinvent the industry and create a situation were existing competitors have a hard time keeping up.

The following will give an understanding of the taxi industry and the threats and possibilities from internal and external powers.

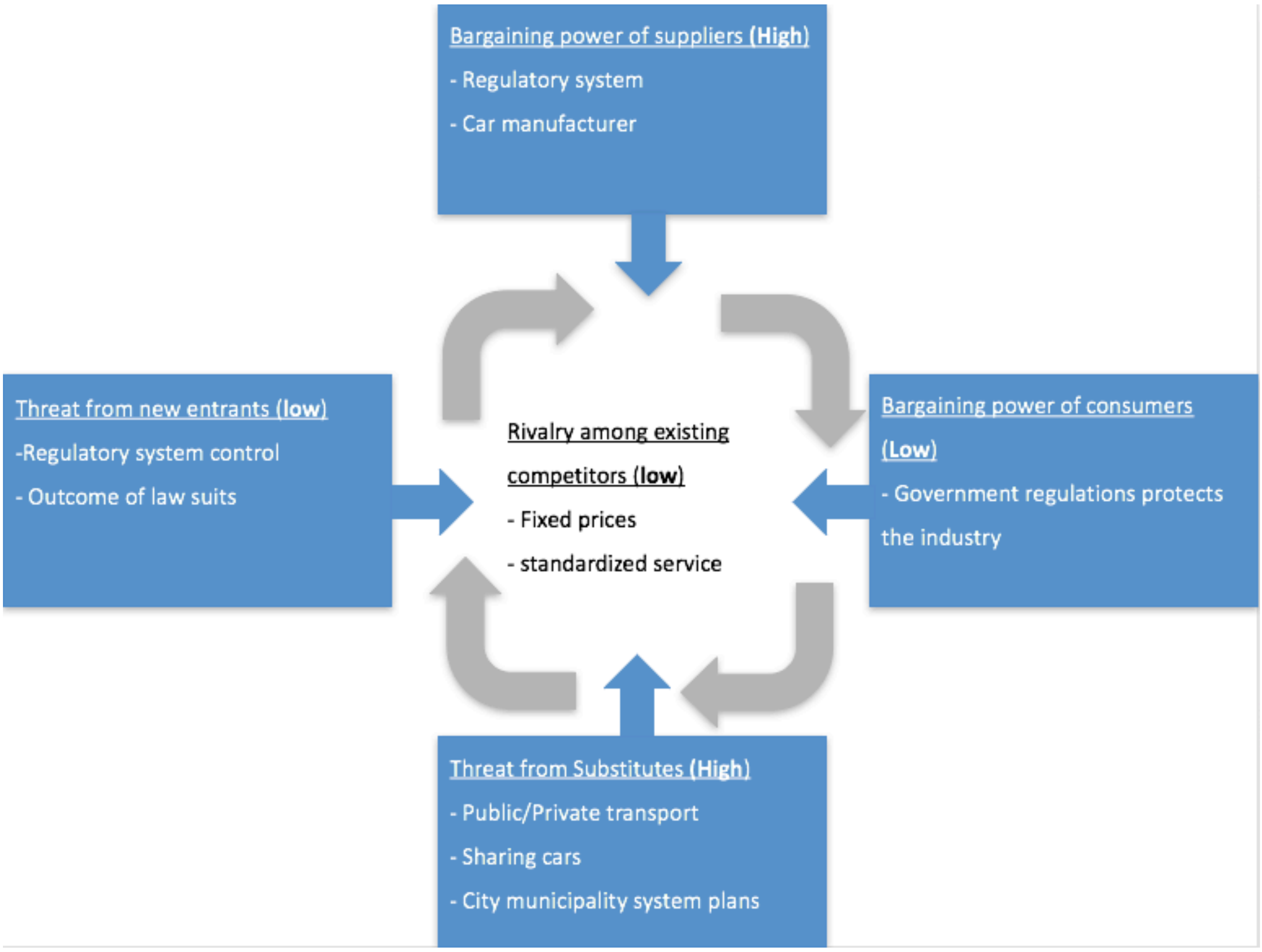


Figure 16

The first step is Bargaining Power of Suppliers. The taxi industry is highly regulated so new traditional taxi companies cannot just enter the market but have to go through a whole regulatory system to be able to get a taxi license allowing them to run taxi operations. This allows the industry to completely control the competition.

When it comes to suppliers they have a lot of power over the industry. In many cities this can be seen as the choice of taxi is the same car model. The taxi industry in many cities has chosen to use one car model to make it easier for the public to spot a taxi. This can be seen in New York where the Yellow Cab can be seen all over the city. Also in London where the very iconic black taxi is synonymous with taxis in London. In cities like Copenhagen there is not a chosen model but more a single manufacturer that dominates, because taxi drivers also consider the money they can earn by selling the car after a certain amount of years (Cars to be used as taxi can be bought at a lower cost than the same car for private use, and then sold with a profit after a certain amount of years or after a certain mileage). The fact that consumers in many major cities are used to looking for a certain type of car, gives the suppliers power over the taxi industry, as taxis need to buy a specific brand and model.

The city regulatory system can also be considered as being suppliers as they have control over the amount of taxi permits and who can drive taxis. It is common for taxi drivers to have to take an additional driving test to be able to become a taxi driver. In New York the number of medallions (taxi license) has not increased much since the 70s. The New York regulatory system has kept a cap on the amount of taxi medallions. This has resulted in medallion prices over $1 million (reuters.com). The city regulatory system has absolute control over the amount of taxis that are allowed to drive on the street and thereby have absolute control over the industry within the regulatory systems city.

The second step is Bargaining Power of Consumers. When it comes to the consumers and their bargaining power over the taxis, it should be assumed that the consumers would have a lot of power as the service the taxi companies offer are similar to each other. However, due to the taxi industry being as regulated as it is, with laws protecting it from competition, the situation is that all taxi companies more or less offer the exact same prices, and no price war has ever taken place. The regulatory system has full control over the amount of taxis in the streets and thereby the supply so they can keep the prices high. This gives the consumer very little bargaining power over the taxies, as they can simply not just go to a competitor and get a better deal.

The third step is Threat of new entrants. As stated under “bargaining power of suppliers”, regulatory systems have control over the amount of taxi licenses that is being given out. This makes it very difficult for new entrants to enter the taxi scene.

If the regulatory system opens up and allows more taxis on the streets and thereby allows a more competitive market within the taxi industry the threat of new entrants could be considered very high. One of the factors that contribute to keeping new competitors away from the industry is often the start-up costs, as acquiring a license allowing you to operate can be very expensive as we have seen in New York. Simultaneously, there is only a certain amount of licenses in each city, which ensures that new companies can not just enter the industry with a bunch of cars and drivers, and lower costs per trip. Very often, the case is also that existing companies are first offered available licenses.

The forth step is Threat of substitutes. The taxi industry has very few direct competitors when considering the direct transportation from A to B. when taking a wider scope there are many substitutes for taxis. The same political bodies that control taxi licenses also control the public transit options within their city. Substitutes within public transport consist of buses, train metro, etc. It can vary from city to city how big the focus is on public transport from the city regulatory system. In cities like Copenhagen there is a great deal of focus on public transit with S-trains, trains, busses, the metro, rental bicycles, among others. The city regulatory system in Copenhagen has a great emphasis on always improving public transit with expanding the metro and creating bus lanes all over Copenhagen.

Private transit like cars, motorcycles and bicycles can also be considered as substitutes in the transportation from A to B. They have for many years been the only substitute for direct A to B transportation. Also within private transport the regulatory systems within some cities construct actions that empower transportation like bicycles. Cities like Copenhagen have created specific bicycle lanes through Copenhagen and encourage the city citizens to use bicycles.
In more recent years, we have seen companies launching operations in several major cities, offering consumers the opportunity to basically rent a car for shorter or longer trips, and then park it somewhere at your destination without having to think about picking it up again. Substitute companies such as DriveNow (drive-now.com) are to be considered a major threat to the taxi industry, as they, in Copenhagen for instance, have 400 brand new electric BMW's around the city for everyone with a drivers license to use against a small minutes based fee.

It can be concluded that there are many substitutes, both within the public sector but also private transportations and cars for sharing. In many cases, such as public transportation, the regulatory system plays a role in how big the threat from substitutes can be but it can be concluded that the threat from substitutes is high.

The firth step is Rivalry among existing competitors. When looking into the rivalry of existing competitors it is important to understand the product. The industry delivers a very standardized product that created a situation were competitors are hard to individualize. This should create a situation were the rivalry among existing competitors is very high. Within the taxi industry this is not the case. This is due to the fact that the threat from new competitors is very low and regulatory systems have great control over this area. The taxi industry has standardized the prices so that no matter which company is chosen the prices are the same. This has created a situation where the taxi industry for decades had no threats from new competitors and existing competitors are not considered a threat because of the standardized pricing.

5.7.2. Uber and the ridesharing economy

The traditional taxi industry has stagnated over the last centauries, resulting in standardized service and prices being completely negotiated to a level where competitors cannot be identified on pricing strategy. This can be contributed to the regulatory systems that control the industry. There is little threat from competitors as the regulatory system had control over competitors possibility to enter the industry. This has resulted in an industry that has not evolved by using the technological advances available from other industries. This paved the way for companies like Uber to use technological innovations to enter the industry and bypass the regulations created by the city regulatory systems. By rethinking the entire industry, Uber have been able to disrupt the traditional taxi industry, and in doing so, they have created a similar industry running alongside the traditional taxi industry. This is also one of the reasons why so many cities are having a hard time stopping their presence within their cities, because the world has never seen anything similar.

In the following, an analysis of the market Uber operates within, will provide a better understanding of the industry Uber has created.

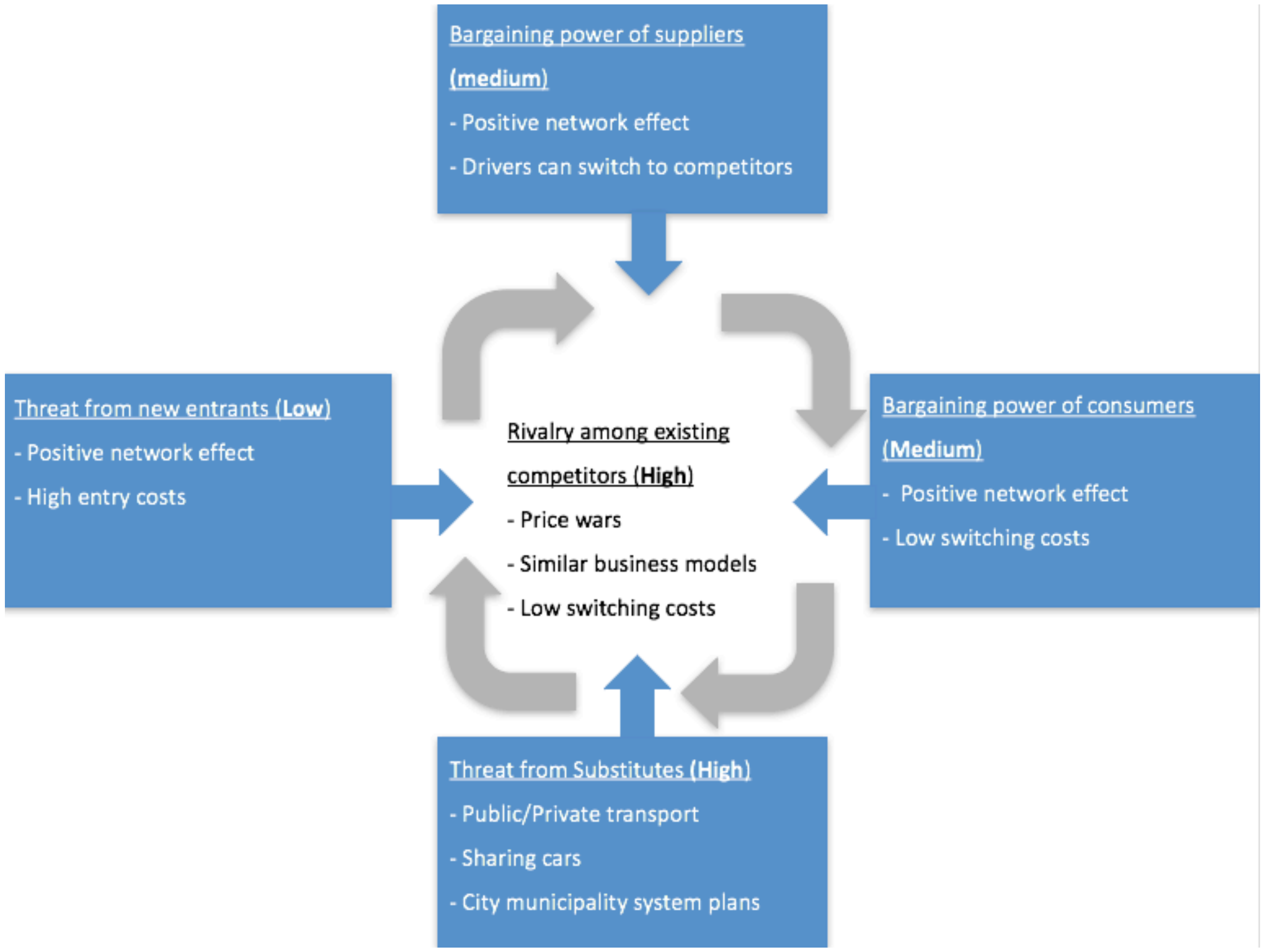


Figure 17

The first step is Bargaining Power of Suppliers. Uber has created a business model where they do not own any cars but instead depend entirely on their drivers owning vehicles (forbes.com$_2$). Uber has chosen a business model where they have outsourced their assets in the form of vehicles and labour. Uber have even been associated with the idea of buying self-driving cars, which would exclude their biggest expense that is labour for drivers (reuters.com$_2$).

Uber drivers can join Uber with no costs and thereby can also leave Uber without any expenses associated with it. This creates a situation where drivers can switch to traditional taxis or competitors without switching costs. This can also be contributed to drivers owning everything apart from the app that connects them with the costumer.

At first sight, it appears as if the suppliers, i.e. the drivers have a high level of bargaining power over Uber because Uber heavily rely on them. However, because Uber is benefitting from a positive network effect, the highest demand for transportation in most countries around the world is found at the Uber platform. Combined with the fact, that Uber currently has no problem at all in getting new drivers, it can be concluded that suppliers have a medium level of bargaining power.

The second step is Bargaining Power of Consumers. Uber is reinventing the way we as persons are transported from A to B by car. In doing so, they are in most cities the only company to be taken seriously in offering the service that they do. They are a lot cheaper than traditional taxis, which gives the consumers high switching costs if they should order a traditional taxi instead of an Uber. Simultaneously, the consumers are not united in any type of unity, so they have no power as a group. However, in those cities where Uber faces fierce direct competition from companies like Lyft, the consumers have a higher bargaining power and very low switching costs. In many cases, and as mentioned before, Uber and their direct competitors actually offer discounts and cheap rides to make consumers loyal customers. It can be concluded, that with the superior service offered by Uber, compared to the traditional industry, the consumers have a low bargaining power in the cities where there is no alternative to Uber. Whereas in the cities where there is direct competition, such as Lyft, the consumers have a higher bargaining power. All together, we conclude that consumers have a medium bargaining power.

The third step is Threat of new entrants. Uber have filed for several patents in the attempt to protect their systems and processes, most of which are still pending (patentbuddy.com). With the patents still pending, Uber has very little protection against new entrants using the same or similar technology. Even if Uber gets most of the patents they have filed for, it is close to impossible to patent a platform, meaning that competitors will still be able to develop a similar platform and offer the same service. Uber co-founders started with $200,000 as starting capital, which can be regarded as low for start-ups (crunchbase.com$_5$). For new entrants into the market, a smaller seed investment can be expected as Uber has already shown how the technology should be developed. This makes it easier for new competitors because of the low entry costs. As Uber has created a business model where there is no membership and thereby no user fee, there is virtually no transaction costs involved in switching to a competitor.

However, as we have learned Uber benefits greatly from a positive network effect, where supply and demand continuously enhance the growth of each other. In the cities where Uber has a well established user base as well as new markets where they have a first mover advantage, this positive network effect causes a huge barrier to new entrants. New entrants need significant investments to acquire supply and demand, and can still not be sure to succeed. This positive network effect that Uber benefits from, scares off many competitors, as it is simply too risky to enter a market where Uber has gained a positive network effect. There are some companies that joined the ridesharing industry in the early days, and these have managed to grow alongside Uber in some markets, these we do not consider as new entrants, but they have proved to be some fierce competitors which we will address later on.

The threat from new entrants must be regarded as being low in the markets where Uber operates. In the markets where there are currently no ridesharing services, the threat is high as they can benefit from first mover advantages. Uber though is in 400+ cities, including all major cities in the world, so the markets with no ridesharing services must be considered insignificant, and thereby we conclude that the overall threat from new entrants is low.

The forth step is Threat of substitutes. As with the traditional taxi industry, Uber operates in an industry where there are a lot of different opportunities for transportation. One being the public transportation network, which in most major cities has been around for decades, and the fares are often very low compared to an Uber ride. Simultaneously, there are DriveNow cars, or similar cars for sharing in most major cities, that enable users to basically short term rent a car and leave it at the destination without having to think about picking it up later on.

Last but not least, it is important to note that transport in cities is often very dependant on the municipalities plans for the city. In some cases, they facilitate parking in the cities, which is a good thing for substitutes like DriveNow. In other cases, they remove parking lots because they want to drive the cars out of the city.

The firth step is Rivalry among existing competitors. Uber operates in an industry that has redefined how people are transported from A to B, and the potential monetary gains for the winners in this industry are huge. As mentioned previously, it is very hard for new entrants to enter the markets Uber are currently in. There are a few competitors though that have been around for years, and thereby have managed to become serious competitors to Uber. In the US, their two main competitors are Lyft and Sidecar, with Lyft being the most prominent rival. In China, Uber is currently loosing up to a billion dollars per year in the fight against local Didi Kuaidi. Didi Kuaidi have recently raised $2billion to fight off Ubers entrance into the very lucrative market.

The rivalry is clearly fierce, and all competitors are trying to run a cut throat strategy and secure the majority of the demand and supply to gain a positive network effect, and thereby secure the vast majority of the market.

Due to the fierce rivalry among existing competitors and the low switching cost the rivalry among existing competitors must be regarded as being high. This rivalry also has an impact on profit possibilities because of the price competition that follows the rivalry.

5.7.3 Turning a stagnated industry into a high-growth industry

Existing literature on Born Global companies tells us that it is often in high growth industries that Born Global companies appear. In 2007, Fernhaber McDougall and Oviatt revealed in their study that companies in mature industries or emerging markets, tended to undergo internationalization much slower than those companies with operations in high growth industries. When looking into the Taxi industry, it is apparent that the industry is not a high growth industry, rather it is a stagnated industry that has seen very little technological improvements. According to the literature, the taxi industry is from the looks not an industry suited for a Born Global company. There are too many regulations and restrictions, it is very difficult to enter the industry, and there has been no significant growth for decades.

Clearly the literature has not taken into account that an old and stagnated industry like the taxi industry, where little technological improvements have taken place, were a perfect match for disruption. In the literature by Fernhaber et al., they also found that Born Global companies would normally internationalize early on, if they were in an industry with a high knowledge intensity. The taxi industry is obviously not a knowledge intensive industry, and as we have discovered the new industry created by Uber, is not either. The platform developed by Uber is in its basic form very simple, it is not knowledge intensive and can easily be copied.

Looking at the new ridesharing industry that Uber has created, it is a very high growth industry, with great opportunities for growth around the world. Had it not been for Uber entering a low growth and stagnated industry, which is contrary to all the literature, it could be argued that Uber aligns with the literature that tells us that Born Global companies enter high growth industries. However, as the industry Uber entered was a stagnated industry, we see a clear limitation in the literature.

In 2008 Kudina, Yip and Barkema investigated British Born Global companies, and found that their main reason to internationalize was due to a small domestic market. When Uber first launched, they entered a huge US market, so their reason for internationalization was clearly not that their domestic market was too small. Rather we believe that since Uber was the first in the world to reinvent how transportation from A to B is done, they wanted to benefit from their first mover advantage as much as they could. They also realized that their product itself was not the real value, the users were. Since they had the first mover advantage in close to all markets they have entered, and were able to offer a better and more cost attractive solution than the traditional taxi industry, acquiring supply and demand has been very easy.

In 2004, Etemad discussed the importance of some external factors, one of them being the fact that international markets are becoming more and more liberalized. In relation to the taxi industry, one of the worlds most regulated industries, Uber entered an industry far from liberalized. But what they did was, that by completely rethinking the industry, and launch a platform for ridesharing, they have been able to bypass all the strict regulations, and thereby benefit from the liberalized market conditions around the world, which is a perfect scenario for a Born Global company.

5.8 Strategy

Uber is by many, and with good reason, considered as a Start-Up that has managed to operate under the best possible strategy, enabling them to scale operations at immense speed. When scaling in an extremely lucrative and very old industry, it is important to have a clear strategy, taking everything from governmental regulations, competition, user growth, supply and more into consideration. But most important is to decide how to position in the market. In the traditional taxi industry, it was and still is impossible to stand out, it is so regulated that a taxi company can not really do anything to differentiate themselves. When Uber entered the transportation industry, they leveraged leading technology to offer a service with much more transparency than that of the traditional taxi industry. Knight and Cavusgil mentioned in the literature that a cost leadership structure is not to be favored as a young Born Global company, simply because of the lack of resources a young company normally has combined with the fact that a cost leadership strategy traditionally has meant very low profits. Because Uber does not own any cars themselves, and basically are just running a platform with no high costs to increase supply, they are capable of charging a far lower price than the taxi industry, and still make a profit. So though in conflict with the literature, Uber is actually succeeding in running a cost leadership strategy against the traditional taxi industry. A reason for this is surely because they are capable of offering a solution that differs a lot from that of the taxi industry. So even though Knight and Cavusgil found that it is important to decide on a distinctive strategy, in order to not get "stuck in the middle", Uber has actually been able to do exactly that. This is because they have very few competitors, and the scalability of their service combined with first mover advantages enabled them to quickly gain scale advantages.

5.8.1 Blue Ocean

As we have previously discussed, the transportation industry has been around for hundreds of years. As the world has become more globalized, and the cities more densely populated, the need for transportation has gained traction, whether it being the transportation of people or the transportation of goods. The problem in our opinion though, is that supply has not been able to effectively meet the increasing demand in a way where cost efficiency and service are in focus.
With the entrance of Uber, the way of doing business in the industry has seen major technological improvements, enabling Uber to completely rethink the entire business and thereby create a Blue Ocean within an existing industry. In rethinking the industry, Uber has been able to not only differentiate them significantly from the existing competitors, they have also been able to offer a better and cheaper service, with no extra linear costs to scale. In 2004, Etemad mentioned the operational economics as an important factor for early internationalization. So when a company like Uber can scale its business at very low cost, there is no reason not to do so.

The fact that Uber has managed to create a Blue Ocean within the industry, is not only very impressive, it also allows them to have the first mover advantage in almost all the cities they enter. By having first mover advantage in a Blue Ocean, they were also able to run a combined cost leadership and differentiation strategy. Being the first in the market enables Uber to not only reach the media very easily, but also increases how users tend to talk about innovative companies, especially when the service offered is not only better but also cheaper and innovative. All together, this first mover advantage seriously facilitates the onboarding of supply and demand, which is essential to Uber as they are so dependent on securing a positive network effect.

5.8.2 Word of Mouth

"There is only one thing in life worse than being talked about, and that is not being talked about."

- Oscar Wilde, Poet (brainyquote.com)

In order for Uber to grow at the immense speed whenever launching operations in a new city, they have strongly relied on word of mouth marketing between people. Later we will address how Uber approaches market entry, but here we will focus on how they leverage the word of mouth referrals that they have become so famous for. In short, word of mouth marketing is by many considered to be the most efficient marketing there is, simply because people tend to trust the people around them more, as compared to various ads, news articles and so on.

Creating a word of mouth buzz around a company is never easy, people do not just talk about something because you want them to. The highly innovative solution offered by Uber, is in itself facilitating a positive word of mouth effect, as it offers a new and interesting service never seen before. Especially as more people start using the service, a positive network effect is achieved, making it cool to grab an Uber instead of a traditional taxi. This social effect of being cool by driving with Uber, has made people talk about how they for instance would get home from a party, with questions such as "are you Ubering home?", they have really managed to become mainstream simply due to the superior product offered in comparison with existing competition.
Word of mouth due to the product being innovative though, can only continue to a certain extend, hence Uber has supported the word of mouth created by the product itself, by simultaneously giving people something to talk about.

"You need to give them a story to tell"
Michelle Broderick, former member of Uber Marketing Team (kaleidico.com)

This quote by Michelle, very well describes the entire strategy surrounding Ubers initiatives to create a word of mouth buzz. Uber has really understood, that if you want your users to really talk about your service, then you need to give your users some stories to talk about. Uber has done this in the most alternative, yet extremely efficient way seen in newer times.

Many companies and investors prefer to get a measurable return on investment when spending money, this surely also goes for Uber, but simultaneously they are not afraid of deviating from this course of “best practice”. In deviating from the traditional form of marketing, Uber has made a name for themselves, by coming up with all sorts of crazy marketing events, that are impossible to measure the direct return of investment on. Uber has done everything from delivering kittens to cuddle for 15min, to Christmas tree deliveries, picking up toys for donations, to enabling users to be picked up by a truck looking like Optimus Prime from Transformers, or a black Lamborghini with Batman as the driver (urbanful.org).

These marketing campaigns that Uber continuously run, are so crazy and yet genius that they provide the foundation of stories for people to talk about. An important notice to make on all these campaigns run by Uber, is that although a lot of them at first might look like they have nothing to do with Uber, they are actually very much related to the service delivered by Uber. In a brilliant way, Uber utilizes the product they have developed, as the foundation to run these campaigns, and thereby it is easier for people to understand the direct correlation between their cool campaigns and their cool product.

5.8.3Referral Programs

To support the word of mouth generated from creative events and a great product, as discussed above, Uber decided to also provide its existing users with a monetary incentive to refer new users and drivers to Uber. In its essence, their referral program enables existing users to give away Uber-credit to new users, and as this is done with a unique promo code, the referrer also receives Uber-credit whenever the new user makes his/her first trip with Uber.

Since Uber gives away credit to both the referrer and the new user, they both feel appreciated, and especially the referrer has an extra incentive to “go the extra mile” to actually get new users onboard. Simultaneously, new users gets the opportunity to try out the service for free, which is a big step in breaking the habit of how people would normally order a taxi (referralsaasquatch.com). In relation to the literature, this shows that Uber understands where the true value of their product lies, and thereby the importance of a customer oriented focus in each specific market they enter. In 2004, Knight, Madsen and Servais investigated marketing related strategies within Born Global companies. The conclusion they reached from that research, was that Born Global companies should especially focus on the customers in each market, in order to reach the best possible performance in that specific market.

As Uber is operating a peer-to-peer platform, it was important for them to not only focus on growing the demand side of the platform, by giving away credit. In order to create a positive network effect, they need both sides to grow simultaneously. The supply side of the platform in particular is very important in order for the service rendered to the users to continuously improve. So, where users could give away $20 in credit for new users first ride, and thereby also earn $20 themselves, the referral credits when it comes to onboarding new drivers is a lot bigger than the $20.

Looking into the referral program of onboarding new drivers, one thing that pops up right away, is the fact that the credit earned in this program, actually is paid out as cash together with the drivers' normal payments. This is clearly different from earning credit to be used for Uber rides, and it shows that Uber is well aware that their drivers are there to earn for a living. With referral bonuses between $50-$250, which is given whenever a driver has made a certain amount of trips, there is a big incentive to join Uber and try it out. The bonus for drivers to join Uber however, can be much bigger. Uber will pay bonuses between $250-$500 to encourage drivers from their biggest US competitor Lyft (lyft.com) to join Uber instead (ridesharedashboard.com).
This way of incentivizing people to try out Uber, is a well defined strategy by Uber, where they trust so much in their service, that they are not afraid of giving away free rides and sign-on bonuses.

5.8.4 Competition

As briefly mentioned in the previous section, Ubers biggest competitor in the US is Lyft, and the competition is fierce, with both companies investing millions of dollars in user acquisitions. But since Uber is a global company, with operations all around the world, they face competition close to everywhere they go. In the following, we will discuss their competitors, and the Uber strategy towards competition.

As mentioned before, Uber is paying hundreds of dollars in bonus for new users, which clearly shows the importance of having the best supply to offer. But Uber is not the only one doing this, in the US their biggest competitor Lyft, offers much higher bonuses that in some cities enables drivers to earn an additional bonus of up to $1000, if they make a certain amount of drives within a given timeframe (ridesharedashboard.com$_2$).

"We're profitable in the USA, but we're losing over $1 billion a year in China. We have a fierce competitor that's unprofitable in every city they exist in, but they're buying up market share. I wish the world wasn't that way. I prefer building rather than fundraising. But if I don't participate in the fundraising bonanza, I'll get squeezed out by others buying market share."

- Travis Kalanick (betakit.com)

The competitor Travis in the above quote refers to, is Didi Kuaidi (crunchbase.com$_6$), the world's largest platform for transportation, with services such as taxi, private drivers and carpooling. Didi Kuaidi is considered to control around 80% of the private car riding market in China (fortune.com$_2$), and is backed by major investors such as as tech giants Alibaba (alibaba.com) and Tencent (tencent.com), both interested in the ride hailing service as they are also majorly involved in ecommerce, and thereby the delivery of goods.

In the second half of 2015, Didi Kuaidi raised an amazing $3billion in funding, enabling them to continue their fight against Uber. But not only did they raise all that money to be put to use in China, they even, together with Alibaba and Tencent invested in Ubers biggest US competitor, Lyft (crunchbase.com$_7$). This clearly shows how the market for private ride hailing services is operating on a global scale, which in return pushes Uber into more funding rounds. As a response to Didi Kuaidis huge funding round, which was the biggest funding round ever made by a privately held company, Uber went out in January 2016 and secured a single investment of $2billion.

Clearly there is a huge need for capital investments for Uber, if they want to stand a chance against their competition, which continuously seems to seek investments, and even makes strategic partnerships to join forces against Uber. So far Didi Kuaidi has partnered with not only Lyft, but also Indian Ola to fight off Uber (fortune.com$_2$).

Ubers response to this, which is emphasized by Travis Kalanick himself as well as the latest $2billion funding round, is clearly that they are ready to enter a "race to the bottom" fight against their competitors, even if it requires them to seek additional funding. In 2014 in San

Fransisco they ran an aggressive cut throat strategy making them loose money on every trip. A trip that would normally cost $15, would instead only cost $11,25 making it a lot more attractive for the users. In order for Uber not to loose its driver due to the decrease in earnings, the drivers would still receive $12, making Uber loose $0,75 on each trip (wired.com).

5.8.5 Government Regulations

When looking at Uber, it is important to take into consideration how they approach governmental regulations. When entering an old industry, highly regulated and protected by governments, innovative competition is doomed to clinch with government regulations. Close to everywhere Uber has launched operations, they have faced protests from taxi drivers as well as government institutions trying to shut down Uber. From the very beginning, Uber decided to not just lie down when faced with lawsuits and more, instead they have fought back in countless trials. This type of fighting back generates an incredible amount of press coverage, which in return ends with the Uber app being downloaded by thousands of people every day. It appears to be a clear strategy by Uber, to leverage the controversy that their clash with the taxi industry brings when entering new cities. This approach, of not cooperating with the governments can be very risky though. As seen in France where Uber's general director of France was arrested by French police, and charged with enabling taxi driving by nonprofessional drivers (wsj.com).

It is clear, that developing a product similar to Uber, has not been a problem as Uber currently faces fierce competition in certain markets. According to Etemad in 2004, especially the characteristics of existing competitors had a significant influence on the strategy of a Born Global company. Clearly the competition faced by Uber is very aggressive, which means that had Uber not internationalized at the scale they have, one of their competitors would certainly have done so.

A very interesting point in the literature, which unfortunately is not explained thoroughly is when Knight, Madsen and Servais in 2004, mentioned that by focusing on the customers and the value generated by them it would help to drive key marketing strategies. Literature does not mention what type of value the customers generate, and since the smartphone was not even invented in 2004, it is hard to imagine that they were talking about a platform-based sharing economy.

5.9 Approach to Market Entry

"Uber makes it very easy to not own a car"

- Brian Chesky, Airbnb CEO (fortune.com3)

Throughout this case study of Uber, we have found that the single most important factor for Uber to succeed in a market, is to quickly gain a positive network effect. The users are what drives the platform, and without users Uber would not be worth a lot. Since the Uber platform technology can easily be copied, and the users are the most valuable resource to Uber, they are pushed to aggressive internationalization. This is simply because, whoever get the users in a market first and thereby gets a positive network effect, have a major competitive advantage should similar companies try to enter the market. In a way, the positive network effect can be related to the literature by Yeoh in 2004, where he found that developing networks with suppliers and customers, would have a great effect on the future performance of the company. In China for instance, we have seen how Uber struggles to gain traction, simply because there is a major established competitor in that market called Didi Kuaidi. As this is a brand new ridesharing industry, the stakes are very high and the potential market gains are huge. In 2004, Chetty and Campbell-Hunt discovered that by aggressively seeking a solution to problems, Born Global companies proactively engage in experimentation in international markets. In relation to Uber, the emphasizis Uber has on treating each market individually, enables them to understand the culture and the customers better. In 2007, Mudampi and Zahra found that companies that would undergo rapid internationalization was not more likely to fail, compared to companies that would internationalize in a more traditional way. They also found that the larger a company is, the more likely it is in succeeding. Though Mudampi and Zahra are talking about succeeding in internationalization in general, there are some similarities to Uber. Because of the importance of first mover advantage, Uber had to internationalize to markets all over the world before their competitors would do so. This rapid internationalization has ensured that they are now a huge company, and profitable in several markets, which enables them to better put up a fight against competitors in important markets such as China, India and the US. Surely they are not making enough profits from their profitable markets, to fund their fight in China. But the fact that they have grown into hundreds of cities, has enabled them to seek new investments at major valuations. Investments that they need in order to continue the fight against a company like Didi Kuaidi, which we have learned, raised $2 billion just to fight off Uber in China.

5.9.1 Entering the Market

When Uber enters a new market they have a very calculated strategy. Part of their strategy is to become as big as possible as fast as possible so the regulatory system cannot ignore their presence within a city, and they secure a positive network effect. Another part of Ubers strategy is to brand themselves as providing a positive service to the city and that they are there to make the city a better place.

"Thanks to Ubers driver partners, to ensure that passengers have access to reliable tours, and helps keep roads safe."

- Colleen Sheehey-Church, chairman for Mothers Against Drunk Driving (uber.com$_4$)

"I think Uber's doing interesting enough stuff and capturing imaginations, and showing how you can actually change a city"

- Travis Kalanick, CEO and founder of Uber. (mitsloan.mit.edu)

The first part of their market entry strategy starts by introducing Uber to municipal politicians and licensing officials. Uber informs city officials of their plan to introduce the Uber app to the city. Uber raises some issues regarding the current transportation policies were the municipal politicians agree to go over some of the issues again. As the initial meetings often go well and in a professional manner the relationship between Uber and the city politicians is respectable. Before any official agreement is reached between the parties, Uber launches their platform in the city. Thereby they deliberately force the issue of whether or not Uber should be allowed to compete with the taxi industry within the city. This way of launching without any agreements made, is considered as an upright confrontation by Uber, and by most city politicians regarded as an illegal move. Regardless of the terminology, Uber uses this type of launch because they first want to launch on good terms with the city, and thereby get their support and easy access to the city facilities. And if the city does not support Uber prior to launch, they will force their way into the city. Once Uber has launched its service, without the support from the city, they know that if the city does not immediately put up a fight, then they will win the fight against the city.

In some cities municipals fight the launch of Uber and wage lawsuits against them. Uber uses their controversial market entry to build a user and driver base that they can then use as lobbyist against elected politicians. For instance, in London the Transport for London (TfL) tried to tighten their regulations to prevent Uber from operating. Uber however responded by leveraging their massive user base, and quickly got 200,000 to sign a petition against the Transport for London (TfL), resulting in TfL abandoning their proposal (ft.com).

What Uber is aiming for in the long term is for city officials to create a new set of rules that give way for business models like Ubers. Uber is aiming at growing in size so cities cannot just make them illegal but have to consider the impact they have on a city and thereby have to reconsider the laws to take companies like Uber into account.

When Uber enters a new market, they do so by hiring experienced locals, with an understanding of the market and culture. Seen from a Resource-based View, this gives them some valuable intangible resources in the shape of human and organizational capital, which Rialp and Rialp in their study on Born Global companies found to have a significant impact on the success of Born Global companies. Though Uber has internationalized at immense speed, they have taken steps along the way to build local teams to run operations, which in some way relates to traditional internationalization strategy. However, as Luostarinen and Gabrielson found in 2006, it is like Uber to some extent follows traditional internationalization strategy, but instead of internationalizing gradually, they skip several of the steps mentioned in the traditional internationalization literature.

"You just have to be creative enough to find it."

- Travis Kalanick, CEO and founder of Uber (business-standard.com)

5.10 Summary

The Uber founders are in many ways consistent with the traditional perception of how a founder of a Born Global company should be. The literature states that founders should have international experience and in relations to Uber the founders had international experience from previous entrepreneurial ventures. Uber created a product that was innovative to a stagnated industry but could not be considered knowledge intensive as their product is easily copied. Uber managed to contradict what the literature says as they internationalized without having a knowledge intensive product. Uber internationalized by hiring Country Managers for each market they entered. These Country Managers then builds small local teams, that operates as self driven start-up companies, so that they on their own can take local challenges into account and react to these challenges as fast as possible. They did not need to create networks as the literature states but instead build a solid foundation of users. Uber entered a stagnated industry that had not seen growth for many decades and was controlled by regulatory systems. Uber managed to enter a stagnated industry and create growth where Born Global literature mentions that Born Global companies should only enter high growth markets. Uber had a strategy to internationalize as fast as possible to leverage their first mover advantage. Uber introduced rapid internationalization to keep competitors away from their markets. In contrast the literature states that for Born Global companies this process is done at a slower rate. The literature does not take into account the possibilities of internationalization with the funding that Uber have witnessed.