

Introduction

The Beyond the Bike blog post this week examines the role of Uber, and other technologically-based “on demand” services, in alleviating poverty, and questions whether such services promote or reduce poverty and inequality. You can [read the blog post here](#), and use it as a starting point for this week’s activity.

Task 1 – UberConnections

Can you link the economic key terms and phrases given below to the example of Uber as a product/service?

Price Mechanism	Excess Supply of Labour	Perfect Information
Perfect Competition	Zero Hours Contracts	Labour Market Failure
Profit Margin	Creative Destruction	Contestability
Barriers to Entry	Predatory Pricing	Trade Union
Elasticity of labour supply	Concentration Ratio	Flexible Labour Market
Dynamic Efficiency	Allocative Efficiency	Productive Efficiency
Fixed Costs	Variable Costs	Consumer Surplus

Task Two – Uber’s expanding reach

Read the passages below about Uber’s expansion, and then answer the questions that follow:

Passage A: Uber's appetite for growth knows no limits. The ride-hailing company is planning to expand its meal delivery service, UberEats, in 10 U.S. cities, including New York, Los Angeles, Chicago and Austin, in an ambitious and delicious bid to take a slice of the on-demand food market. Right now, UberEats is in a few select cities, including New York, and only offers a selection of one or two gourmet items for lunch every workday. UberEats, the app, is going much, much bigger, with full menus and fast delivery from "dozens" of local restaurants, according to a report in *The Wall Street Journal* on Wednesday.

Uber's decision to dive deeper into the food delivery market, after a long period of tests and promotional stunts, is already rattling some of the bigger names in the food-delivery world who may be worried that the fast-moving \$62.5 billion startup could, quite literally, eat their lunch. GrubHub, the billion-dollar publicly traded food delivery company that includes Seamless, saw its stock fall by 5% in trading Thursday to an all-time low following the news as analysts noted that Uber is now working on their turf. "We see Uber's existing install base of both users and drivers as providing potentially important advantages vs. many existing competitors in food delivery," Kevin Kopelman, an analyst at Cowen and Company, wrote in a GrubHub investor note obtained by Mashable. "The density of Uber's driver network may also allow the company to execute deliveries somewhat faster and more efficiently."

Source: <http://mashable.com/2016/01/21/uber-eats-expansion/#CcDUD7leG8gc>

Passage B: Visit <https://www.uber.com/cities> for the current list of Uber locations.



Ubernomics



Passage C: Fresh from raising new funding, Uber China — Uber’s dedicated business in the world’s largest country — is embarking on its largest expansion to date which will increase its coverage to 37 cities, up from 22. Uber China has slowly expanded its coverage of China with launches in large cities thus far. In a change of approach, it said today that it will launch in 15 new cities in [Sichuan](#), China’s fourth most populous province, before Chinese New Year on February 8.

Sichuan, a 485,000 km square region with a cumulative population of over 80 million people, is already a hotspot for the company. Provincial capital Chengdu is Uber’s top city worldwide, based on weekly completed trips, and it reached the number one spot just nine months after Uber launched there. And there’s apparently promise of more: Uber said its volume in second city Mianyang, where it launched in November, is forty-times higher than Chengdu was at that stage of launch. (Uber didn’t give raw figures for either city, though.)

Now, it is homing in on the region and expanding its coverage into tier-two and tier-three cities in Sichuan. Uber told TechCrunch it already ‘soft-launched’ in five cities, but it is targeting an additional ten in order to fully cover the main cities in Sichuan ahead of Chinese New Year, which is [the largest annual migration on the planet](#) as urban-based Chinese return en masse to their hometowns for the holidays.

More broadly though, this expansion is a sign of things to come for Uber in China this year. The company declined to disclose specific expansion plans for the year when we asked — citing the need to keep information confidential and away from competitors — but last year [it revealed](#) it would take its coverage to more than 100 cities in 2015. This move in Sichuan looks like phase one.

“2015 was Uber China’s ‘Year of Localization’ and 2016 will be our ‘Year of Growth’,” Zhen Liu, who is Uber China’s Head of Strategy, said in a statement. “We have built a strong foundation across the country and have put in place an excellent local team that will drive our growth in the year ahead... our goal is to be in 100 cities across China by the end of the year,” Liu added.

Reaching 100 new cities inside 12 months is a huge task, but even if Uber is able to pull it off, the company will still trail local leader Didi Kuaidi on total national coverage. Didi Kuaidi, which is [valued at \\$16.5 billion](#) versus Uber China’s \$8 billion tag, is present in over 360 cities and towns — and is [reportedly](#) at break-even in more than 100 of them.

That’s not quite all from Uber China in Chengdu. The company also said it is opening up ride-stations in “well-known” landmarks across the city. The idea is to create designated areas where drivers can meet passengers — similar to [‘suggested pickup points’ it is testing in the U.S.](#) — because it can be surprisingly hard to rendezvous, particularly if a passenger is new to, or visiting, the city and not familiar with its road system. The stations have been added to Baidu maps, China’s top mapping app, [run by Uber investor Baidu](#). Oh, and they are “Panda-themed” too.



[Uber](#) has claimed that its “optimistic leadership” would help ease the transition for city authorities as they deal with the introduction of self-driving cars.

Speaking at a conference in San Francisco on Wednesday, Uber’s CEO Travis Kalanick said self-driving cars could reduce the 30,000 annual deaths on US roads by using centrally controlled, algorithmic traffic management systems to prevent accidents and reduce congestion at peak times. But he also intimated that self-driving cars would be part of Uber’s plans to expand its business in the transport industry.

He said *“We don’t want to be like the taxi guys who came before us – we embrace the future. There’s an insane amount of good that comes out of this [technology], which is why so many companies are working on this. The best thing is to be in a place with optimistic leadership when interesting things happen with driverless cars so that we can help with that transition. In 10 to 15 years there will need to be leadership in cities and with the companies that make this technology to make that transition, and that’s an interesting challenge and opportunity.”*

Kalanick did not explain how its network of drivers, which was estimated to number around 160,000 by December 2014, would be employed in a network of self-driving cars. “What are the new ways of making a living that now exist as the world goes robotic?” said Kalanick, who did not answer his own question. [Self-driving cars](#), also known as autonomous vehicles, are being developed by several companies including Tesla, Apple and Google. Google has a stake in Uber of just under 7%. Uber opened its own self-driving car lab in Pittsburgh in early 2015, partnering with engineer from Carnegie Mellon University.

Kalanick also said that his ambition is to make “every car in San Francisco an Uber” which, he claimed, would reduce car ownership and mean less traffic congestion. “That’s giving an hour of time back to every citizen every day. Give that hour to your family, to your community. Time is a luxury. Fewer cars, less congestion, more parking, less pollution and creating thousands of jobs.” Uber Pool, the service’s ride-sharing service, is not as profitable as the standard Uber service, he said, but made the price much cheaper for users. Uber is also experimenting with Uber Eat, which will deliver local takeaway food, and even an Uber helicopter service. But the core service of cab rides is based on a marketplace idea, he said, matching people selling rides with people who want to buy them. “Before Uber it was hard to get around this city because there just weren’t enough taxis,” he said. “We started because the taxi system was broken and not working for drivers or passengers.”

Kalanick claimed San Francisco’s cab drivers have to rent their cars for \$140 per day and make \$40,000 per year, but said the system benefitted the owners of the licence because any down time for the driver meant they lost money. [Regulators](#) in Europe, however, and not agreed with Uber’s analysis of the regulated taxi market and claim the company, which is currently valued at \$50bn, has been flouting regulation designed to protect consumers since it launched in the EU in 2014.

Source: <http://www.theguardian.com/technology/2015/sep/17/uber-well-ease-the-transition-to-self-driving-cars>

Questions

Using the passages above and your own knowledge and initiative, answer the following questions:

1. Describe the strategies used by Uber to achieve business growth.
2. Explain whether you think Uber has been *dynamically efficient*.
3. Thinking about consumers, workers, existing taxi drivers, the environment, and the wider economy, outline the:
 - a. Advantages of Uber (for MEDCs and LEDCs)
 - b. Disadvantages of Uber (for MEDCs and LEDCs)
4. Should competition authorities continue to monitor and potentially regulate Uber's behaviour?
5. Discuss the likely success of 2 possible market opportunities for Uber, other than those mentioned in the passages above.
6. What do you think the likely reasons are for the limited success of Uber Pool so far?