

# Uber South Africa: Driving in a New Direction

Presented to Uber South Africa

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# Executive Summary

## Opportunities

Global leader in ride sharing

Until recently, and exclusive offering

Large public transportation market

## Key Questions

How to improve local perception of brand?

Ensure safety of drivers and passengers?

Which payment gateways?

## Recommendation



**Local Focus Solution**

Service, payment, and marketing tailored to local needs.

# Analysis

## Strengths

International company

Polished and reliable app and processes

Large financial backing

## Opportunities

Taxis / minibuses a popular form of transportation

All income segments

## Weaknesses

Low connection to locals

Seen as undercutting local taxis

No strong vertical integrations

## Threats

Local backlash against international company

Safety of drivers

Competition from Zebra Cabs

# South Africa: and opportunity with contrasts



# Analysis: Taxi and microbus models

Single ride	Uber microbus	Traditional microbus
<ul style="list-style-type: none"><li>• High comfort</li><li>• High price</li><li>• Customized service</li></ul>	<ul style="list-style-type: none"><li>• Sophisticated algorithms increase availability and speed</li><li>• Comfort and maximum capacity</li><li>• New and safe</li></ul>	<ul style="list-style-type: none"><li>• Packed with people</li><li>• Unsafe and unpredictable</li></ul>

# Alternatives



Food delivery

Already established

B2B

**Not Uber's core competency**



Focus on top Quintile

Higher margins

Exclusive product

Cashless

**Small customer segment with high car ownership**



Local Focus Solution

Unique South African tailored service

Many payment gateways

Focus on local entrepreneurship

Improve local image

# Recommendation: Local Focus



# The Uber Local Focus Service



## Customer Perspective

1. Get a prepaid card from your nearest convenience store
2. Choose from either a month-long subscription or a value card
3. Use a smartphone app or SMS to request a ride
4. A ride-share microbus picks you up and delivers you to your destination



# The Uber Local Focus Payment Gateways

## Prepaid Cards


- Month-long subscriptions or value cards
- Physical and mobile cards (QR Code)
- Discounted: 50% on monthly, 30% on value pay-as-you-go.

## Cash Payments

- Priced higher than pre-paid
- Still important to keep this option available

## Credit Cards

- Infrastructure exists



70%  
reduction in  
cash  
payments

# Get closer to customers with local efforts

## Driver training

- Provide driver training to motivate
- Increase safety

## Bus buy-back program

- Entrepreneurial opportunity for drivers

## Driver perks

- Free lunch
- Insurance

# The Uber Local Focus Marketing

## Local Drivers

- Build on SA local pride

## "Safety in Numbers"

- Two employees per bus: driver and concierge
- Buses running at full, but not over-capacity

## Free Cards

- First time customers can get a free tryout of two-week subscription

Billboards: "Drive with Joe"

Radio Ads

In retail locations

# 4 different pricing options

	1. Subscription	2. Pre-paid card	3. Cash payment	4. Mobile phone payment	5. Credit card (traditional)
Description	Fixed cost for 1 month and then unlimited use	Easy payment model for occasional users	For irregular minibus users	Common and safe payment option in Africa	Normal Uber pricing
Price	P - 50%	P - 30%	P + 20%	P - 30%	P
	17.00	0.40	0.68	0.40	0.57

# Pricing based on the break-even model

$$\text{PRICE} = \text{FIXED COST} / \text{QUANTITY} + \text{VARIABLE COST}$$

Fixed costs a year	
Price of bus \$	20,000
Lifetime of a bus (years)	10
Cost per year (10 year depreciation) \$	2,000
Number of buses needed	50
Other fixed costs \$	500,000
FC/year	600,000

population in south Africa	70,000,000
population in Johannesburg	10,000,000
3 lowest quantiles	7,500,000
Bus and Taxi users	6,000,000
Uber 20% market share	1,200,000
-> Q =	1,200,000

Variable cost	
Driver + Safety (hour wage)	4
Nr of people in bus	10
Time of ride min	10
Cost of 1 ride \$	0.07

$$P = FC/Q + V = 0.57\$$$

# Risks and mitigation plan

## Pricing is too high

- Offer discounts for subscription and entering
- Change target group to higher income

## Legal ban

- Work with government to gain trust
- Ensure good service level and safety

## Customers remain loyal to local business

- Put effort in marketing to show that the business operates locally
- Take care of the employers

# Conclusion

