

UBER IN SOUTH AFRICA DRIVING TOWARDS SUCCESS

Presented to Uber South Africa management
Johannesburg // January 2016

The logo for Haskayne Consulting features a vertical blue line to the left of the text. The word "Haskayne" is in a dark blue font, and "Consulting" is in a red font. The letters "H" and "C" are larger and positioned to the left of the rest of the words.

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PROBLEM

In the face of many challenges, should Uber continue with 'business as usual' or change its business strategy and completely withdraw from the South African market?

EXECUTIVE SUMMARY

Issue	Recommendation
Does Uber need an overall strategy change in South Africa?	No – Uber can address recent issues, while retaining overall strategy to maximize market share
Need to determine how to deal with cashless economy	Develop mobile payment solution (not cc based) Accept prepaid cards Short term: can still order cash vehicles (specify in advance)
Concerns around driver and passenger safety	3 rd party investigation to determine cause of accident Code verification to ensure correct passenger gets into the car Promote existing superior safety features (app tacking, panic button, driver ratings)
Competition from Zebra cabs	Address areas of competitive advantage South African pride based marketing initiatives Discounts for travel to South African festivals
How can Uber operate in a competitive space where undercutting is not welcome?	Embedded in Uber’s model – core to competitive advantage Utilize network effect to maximize market share

WHAT DOES THAT REALLY MEAN?

Uber should not change their overall strategy or withdraw from South Africa – the company should stay the course, but address the individual issues

Introduce alternative mobile payment methods, enhanced safety features and add South African focused marketing to maximize market share

UBER'S: A MODEL OF SUCCESS

- Uber is the most successful ride hailing application globally
- Uber has faced similar issues (undercutting and safety) in many of its operations – this is not a deal breaker
- South Africa is one of the most economically developed countries on the African continent and mobile phone penetration is high
- South Africans are price sensitive – the most likely cab users are lowest income quintile
- Public transportation offers entrepreneurial opportunities to many people – good for South Africa

Uber should not overhaul its strategy – this market presents significant opportunities and the company has addressed these issues in other markets

THE THREAT FROM ZEBRA

- Uber faces competition around the globe, notably from Lyft
- Uber has the first mover advantage through network effects; more drivers
- Uber can address the threat from Zebra best by addressing the company's competitive advantages

Uber should not overhaul its strategy – the company has faced these issues in other markets and they can be addressed

YOUR JOURNEY

KENNY WILL PROVIDE FURTHER DETAIL ON OUR RECOMMENDATION

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UBER STRATEGY

- Uber has been the more successful ride hailing application globally
- Successful at adapting to local market needs
- Adjustments to cash payments and safety considerations will help fuel growth

Large changes to business strategy are not required

CASH STRATEGY

Majority of transactions in cash

Higher percentage for low income demographic Uber serve

Some users will be dependent on paying cash, however drivers should be able to have the choice to accept cash

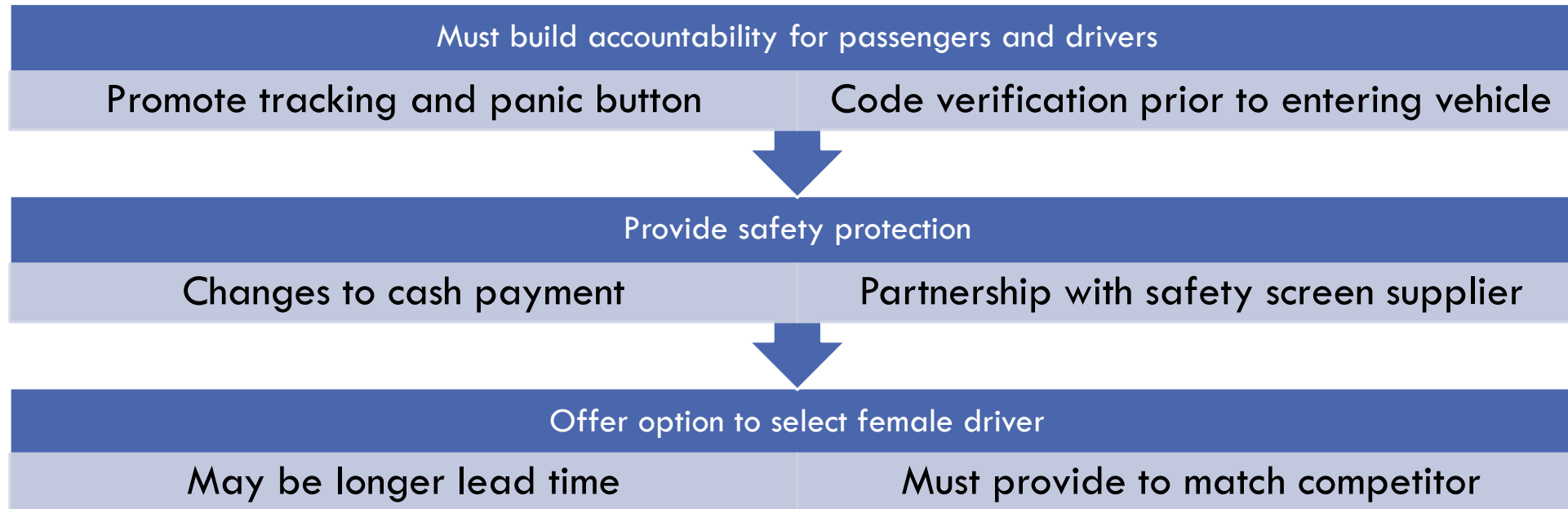
Uber cannot eliminate cash payments

CASH STRATEGY

- Uber should be able to accept mobile payments
 - All Uber users have a cellphone
 - Cell phone carriers facilitate holding currency on your phone
 - Add currency onto your phone through retailer
- Additionally, we can sell Uber cards at retail locations

Uber must facilitate prepayment for rides

SAFETY CONCERNS



Providing a safety environment is important to grow network

THREAT FROM ZEBRA CABS

Must grow market share quickly – leverage network effects of technology

Highlight employment of locals

Demonstrate commitment to South Africa by providing discounted transport to national festivals or events

Focus on growing the network of drivers and passengers

THE FARE

ABEER WILL TALK ABOUT THE FINANCIALS

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COST OF IMPLEMENTATION

Initiative	In \$US
Hire South African cultural manager	\$25,000 - \$50,000 (Competitive rate)
Adding app features: <ul style="list-style-type: none">- Security code feature- Mobile payments integration	In-house In-house
Establishing relationships with mobile payment service providers	\$250,000
Marketing and PR campaign (2% of sales in South Africa) <ul style="list-style-type: none">- Third party investigation into the death of the Uber driver	Unknown \$50,000

ALTERNATIVES

- Discontinue cash payment option
- Acquire Zebra cabs
- Shutdown operations in South Africa



DISCONTINUE CASH PAYMENT OPTION

- Cash payments acts as a gateway for new customers to experience your service
- Security issues are largely related to geography, time of the day and other known factors. Drivers can choose when to accept or reject cash paying customers



Do not completely discontinue cash payment option!

ACQUIRE ZEBRA CABS

- Acquiring cab companies is counter-cultural to your company
- Uber is primarily a “technology platform” and is in the business of connecting driver-partners and riders. Owning and operating cabs is not part of your business strategy.



Do not acquire Zebra Cabs!

SHUTDOWN OPERATIONS IN SOUTH AFRICA

- Uber has the advantage of the ‘network’ effect due to its brand name, proprietary technology, and brand name
- Will end up giving up a key market which may be difficult to re-enter at a later stage
- Despite all the concerns outlined in this case, we do not have any indication of Uber failing in the South African market.



Do not shutdown operations in South Africa!

THE ROUTE

JEFF WILL OUTLINE THE IMPLEMENTATION PLAN

GETTING THE MESSAGE OUT

Public Relations

- Address safety but **do not admit fault**
- Demonstrate genuine concern

Marketing

- Address national pride concerns
- Continue to capture market share

PUBLIC RELATIONS

- Highlight safety improvements – Codes, accountability, safety screens, female only cars, cashless payment
- Loss of life is unacceptable
- **Do not** admit fault for any safety incidents
- Launch 3rd party investigation into shooting incident

ADVERTISING – THE MESSAGE

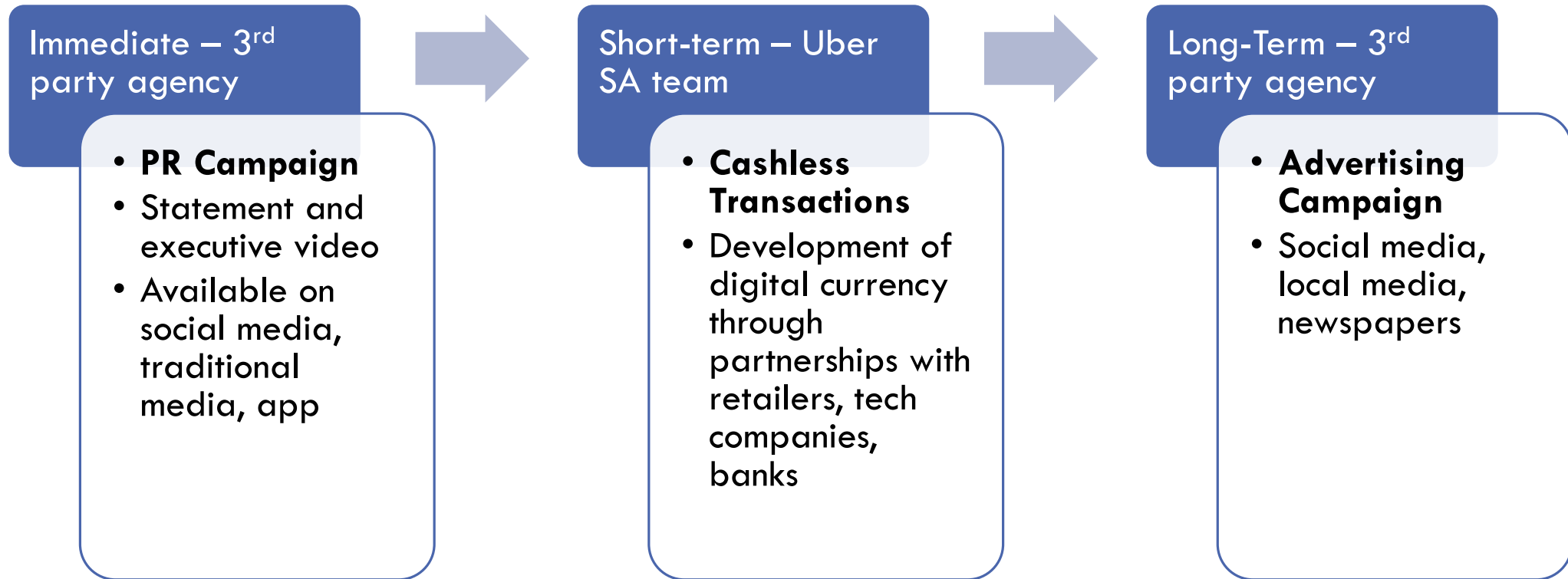
- Campaign surrounding national pride, community impact – *Local is Lekker*
 - Creation of jobs for entrepreneurs
 - Facilitation travel for South Africans in need (bottom two quartiles most likely to need transportation)
 - Fluent in most or all official languages
- Promotions with cultural events to offer discounted rides for locals

The best way to combat Zebra Cabs and other national companies

ADVERTISING – THE AGENCY

- Use of local Johannesburg advertising agency
 - Fluent in most or all official languages
 - Experience in Johannesburg market, ideally with locally run companies
 - Culturally aware, relationships with media outlets, government agencies
- Ideally, hire a key individual from that agency long-term to serve as cultural marketing manager

Use 3rd party for speed, hire internal capability
long-term



RISKS AND MITIGATIONS

Risk	Mitigation	Impact	Likelihood
Threat from other imitators such as Zebra Cabs	Network effect & technological advantages shield Uber from new entrants	L	H
Government regulations			

OUT OF THE BOX IDEAS

- These are things we are *not recommending right now* but could be considered in the future
- Uber bus
- Uber post service

YOU ASKED US, WE ANSWERED

1. How can Uber operate in the competitive public transportation space in South Africa where undercutting is not welcome?
 - While undercutting is a concern in South Africa, disruption is a key to Uber's model.
2. Is there an alternative way that Uber could have catered to the needs of customers without putting the drivers at risk with the introduction of cash payments?
 - Yes, encouraging customers to move toward digital currencies through mobile payments.
3. Is there a strategic approach that would have supported the new cash payment plan whilst safeguarding the Uber driver?
 - Yes, continue to choose cash payment upfront
4. What can Uber do to reassure drivers and passengers of their safety?
 -
5. What can be done in the wake of competition from Zebra Cabs?
 - Zebra is unlikely to present a threat without the technological capabilities and operational efficiencies of Uber
6. What is the recommended overall strategy for Uber going forward in the South African market?
 - Address the concerns of the South African market, but continue to focus on what has made Uber successful globally.

YOUR DESTINATION

ALLISON WILL WRAP UP



REMEMBER THE ROADMAP

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