Uber’s uber dilemma

QUT CONSULTING
Overview

- Your current challenge
- Imagine this future...
- External trends & internal capability
- Options
- Recommended approach
- Implementation Plan & Financial analysis
Introductions

- QUT Senior Consulting team:
  - Justin Bindman
  - Arbess Balbarias
  - Sarah Goulding
  - Cameron Jones
Your current challenge

- You’ve entered the S.A. market
- But you’re facing some significant challenges
- The key question is...

What’s Uber’s best strategy going forward in the South African market?
Issues and Consequences

**Issues**
- Taxi turf warfare
- Many people don’t have access to credit card
- Safety issues when taking Ubers

**Consequences**
- Increased anger for drivers; passengers deterred
- Large market segment is inaccessible
- Public deterred

Forced out of the market place within 6 months
Imagine this future…

Uber is South Africa’s preferred mode of transport

1.5M passengers

Profitable, sustainable business

A safe transport option
Our strategy for you

For a safer South African Service...

goUber
External Environment
External Environment

Trends

Social
- Connectivity demand increase
- Increase in demand for personalized transport

Economic
- Transition towards cashless services
- Rising trend in living expenses
- Disruptive services causes market expansion

Technology
- Smart devices breaking traditional barriers
- Smart devices more affordable
- Increase in demand for real-time services
<table>
<thead>
<tr>
<th>Influence</th>
<th>Importance</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred method is public transport</td>
<td>Substitution and market share</td>
<td>Potential to capture bigger market share</td>
</tr>
<tr>
<td>Taxi industry conflict</td>
<td>Competitive rivalry</td>
<td>Potential to disrupt operations</td>
</tr>
</tbody>
</table>
## Internal capabilities

<table>
<thead>
<tr>
<th>Capability</th>
<th>Valuable</th>
<th>Unique</th>
<th>Organised to expand</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Infrastructure – software and hardware</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Low cost business model</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Global experience – incl. In developing countries</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Innovative and adaptive to the market</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
</tr>
</tbody>
</table>

**WIN** – You

**WIN** – Customers

**WIN** – Drivers
Options

1. Withdrawal from the market
2. Business As Usual
3. Alternative Business Model
Options

1. Withdrawal from the market
   - Potential to miss a great, and lucrative opportunity?
   - ❌

2. Business As Usual
   - What if things don’t change?
   - ❌

3. Alternative Business Model
   - Time to innovate... goUber
   - ✔️
Recommended Approach

**Review -> Improve -> Realise**

- go Uber - cashless card
- Focus on relationships
- Infrastructure/ software upgrade
- HRM strategy
- Marketing campaign - safety first

Alternative Business Model
Value to customers

Affordable, personalized transportation
Other than train, bus, walking

Value

Accessible for everyone
irrelevant of whether you have a credit card or not
What does this mean in real life?

Maria
Age: 53
Prof.: Cleaner
Preference: bus/walking
Access to credit card: no

Uber is now the MORE convenient mode for Maria - simple, and on demand

Andre
Age: 30
Prof.: Tradesman
Preference: Train
Access to credit card: Yes

Faster, more cost effective, flexibility in destination
# Risk Analysis

## Table

<table>
<thead>
<tr>
<th>#</th>
<th>Risk</th>
<th>Initial Score</th>
<th>Mitigation</th>
<th>Residual Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Changes in government Regulation</td>
<td>High</td>
<td>Meet with local government bodies to review policy.</td>
<td>Low</td>
</tr>
</tbody>
</table>

## Diagram

![Risk Analysis Diagram](image-url)
## Risk Analysis

<table>
<thead>
<tr>
<th>#</th>
<th>Risk</th>
<th>Initial Score</th>
<th>Mitigation</th>
<th>Residual Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Changes in government Regulation</td>
<td>High</td>
<td>Meet with local government bodies to review policy.</td>
<td>Low</td>
</tr>
<tr>
<td>2</td>
<td>Zebra takes market share</td>
<td>High</td>
<td>Improve service through HRM strategy, improve marketshare through GoUber</td>
<td>Low</td>
</tr>
</tbody>
</table>
# Risk Analysis

<table>
<thead>
<tr>
<th>#</th>
<th>Risk</th>
<th>Initial Score</th>
<th>Mitigation</th>
<th>Residual Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Changes in government</td>
<td>High</td>
<td>Meet with local government bodies to review policy.</td>
<td>Low</td>
</tr>
<tr>
<td>2</td>
<td>Zebra takes market share</td>
<td>High</td>
<td>Improve service through HRM strategy, improve marketshare through GoUber</td>
<td>Low</td>
</tr>
<tr>
<td>3</td>
<td>Reputation of danger of</td>
<td>High</td>
<td>Heavy marketing regarding safety of GoUber</td>
<td>Low</td>
</tr>
</tbody>
</table>
## Implementation Plan

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Tactic</th>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Review It</td>
<td>2017-1H</td>
<td>2017-2H</td>
<td>2018-1H</td>
</tr>
<tr>
<td><strong>Even Playing Field</strong></td>
<td>Regulation review with government</td>
<td>$175,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Driver Safety</strong></td>
<td>GoUBER distribution channel development</td>
<td>$85,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HRM Recruiting for Marketing Team</td>
<td>$225,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Marketing Campaign for GoUBER</td>
<td>$225,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GoUBER System Launch</td>
<td>$1,800,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customer Safety</strong></td>
<td>HRM Strategy for driver diversity &amp; training</td>
<td>$125,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td>$2,635,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Strategy Costs

<table>
<thead>
<tr>
<th>Tactic</th>
<th>Tactic Cost</th>
<th>Strategy Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulation review with government</td>
<td>$175,000</td>
<td>3.9%</td>
</tr>
<tr>
<td>GoUBER distribution channel development</td>
<td>$85,000</td>
<td></td>
</tr>
<tr>
<td>HRM Recruiting for Marketing Team</td>
<td>$225,000</td>
<td></td>
</tr>
<tr>
<td>Marketing Campaign for GoUBER</td>
<td>$225,000</td>
<td></td>
</tr>
<tr>
<td>GoUBER System Launch</td>
<td>$2,700,000</td>
<td>88.7%</td>
</tr>
<tr>
<td>HRM Strategy for driver diversity &amp; training</td>
<td>$125,000</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$4,440,000</td>
<td></td>
</tr>
</tbody>
</table>
# Implementation Plan

## Even Playing Field
- **Tactic**: Regulation review with government
- **Phase I**: 2017-1H
- **Phase II**: 2017-2H
- **Cost**: $175,000

## Driver Safety
- **Tactic**: GoUBER distribution channel development
  - **Phase I**: $85,000
- **Tactic**: HRM Recruiting for Marketing Team
  - **Phase I**: $225,000
- **Tactic**: Marketing Campaign for GoUBER
  - **Phase I**: $225,000
  - **Phase II**: $455,000
- **Tactic**: GoUBER System Launch
  - **Phase I**: $1,800,000
  - **Phase II**: $900,000

## Customer Safety
- **Tactic**: HRM Strategy for driver diversity & training
  - **Phase I**: $125,000
  - **Phase II**: $75,000

## Totals
- **Phase I**: $2,635,000
- **Phase II**: $1,430,000

## Strategy Costs
- **Even Playing Field**: $175,000 (3.9%)
- **Driver Safety**: $85,000 (3.8%)
- **Marketing Campaign for GoUBER**: $930,000 (88.7%)
- **Customer Safety**: $325,000 (7.3%)

**Totals**: $4,440,000
## Implementation Plan

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Tactic</th>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
<th>Tactic Cost</th>
<th>Strategy Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Even Playing Field</strong></td>
<td>Regulation review with government</td>
<td>$175,000</td>
<td></td>
<td></td>
<td>$175,000</td>
<td>3.9%</td>
</tr>
<tr>
<td><strong>Driver Safety</strong></td>
<td>GoUBER distribution channel development</td>
<td></td>
<td>$85,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HRM Recruiting for Marketing Team</td>
<td></td>
<td></td>
<td>$225,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Marketing Campaign for GoUBER</td>
<td>$225,000</td>
<td>$455,000</td>
<td>$250,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GoUBER System Launch</td>
<td>$1,800,000</td>
<td>$900,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customer Safety</strong></td>
<td>HRM Strategy for driver diversity &amp; training</td>
<td>$125,000</td>
<td>$75,000</td>
<td>$125,000</td>
<td>$325,000</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

| Totals                 | $2,635,000                                                             | $1,430,000| $375,000  |           | $4,440,000  |

## Financial Analysis

<table>
<thead>
<tr>
<th>Metric</th>
<th>2017-1H</th>
<th>2017-2H</th>
<th>2018-1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quintile 1 Extra Rides</td>
<td>856,500</td>
<td>1,070,625</td>
<td>1,348,988</td>
</tr>
<tr>
<td>Quintile 2 Extra Rides</td>
<td>844,000</td>
<td>1,063,440</td>
<td>1,350,569</td>
</tr>
<tr>
<td>Quintile 3 Extra Rides</td>
<td>806,000</td>
<td>1,023,620</td>
<td>1,310,234</td>
</tr>
<tr>
<td>Total Extra</td>
<td></td>
<td>651,185</td>
<td>1,503,290</td>
</tr>
<tr>
<td>Forecasted Extra Revenue</td>
<td>$0</td>
<td>$5,209,480</td>
<td>$12,026,319</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>$2,635,000</td>
<td>$1,430,000</td>
<td>$375,000</td>
</tr>
<tr>
<td>Forecasted Extra Profit</td>
<td>$0</td>
<td>-$127,630</td>
<td>$2,631,580</td>
</tr>
</tbody>
</table>
Total Number of Taxi Trips per Demographic

Quintile 1  Quintile 2  Quintile 3

2017-1H  2017-2H  2018-1H
Call to action

- Unique internal capabilities that can be translated into a WIN, WIN, WIN
- Potential for 1.5M passenger uptake within 18 months
- But there's work to do:
  - build relationships
  - implement goUber card
  - focus on reputation for safety and reliability

For a safer South African Service...