Uber Technologies Inc.

Uber, a company providing peer-to-peer shared car rides through a smartphone app, was founded by Travis Kalanick and Garrett Camp in San Francisco, California, in March 2009. Within four years, by June 2014, Uber was operating in 130 cities, garnering $2 billion in net revenue, and was valued at $18.2 billion. With these impressive statistics came an aggressive international expansion plan. Traditional transportation methods such as taxis and other conventional pick-up services, including Express Shuttle, were quickly being overtaken by this innovative car hire transportation service.[1]

As Uber pursued multiple international markets, the ride-sharing company quickly encountered a multitude of lawsuits, competitors, and idiosyncrasies of local transportation markets. As of 2015, Uber was engaged in 173 lawsuits within the United States alone, as well as a litany of foreign government backlashes including raids in the Netherlands, a criminal trial of two top executives in France, proposed new regulations in London and Toronto, and an all-out ban of all services in Rio de Janeiro.[2] Many of these lawsuits and outcries were attributed to illegal actions by Uber-employed drivers, such as sexual assault, theft, and even murder, casting a negative light on the overall image of the innovative company.[3] Furthermore, Lyft, a new entrant in 2012, had successfully muscled its way into a position of 20 percent market share.[4] By branding itself as a more community-oriented and friendly alternative to Uber, Lyft made a more trustworthy impression on the international community, even partnering with Chinese powerhouse corporations Alibaba and Tencent to produce the China-operated Didi Kuai to compete directly with Uber in China.[5]

In spite of the competition, in early 2016, the popular ride-sharing app had close to 8 million users in 58 countries and more than 300 cities worldwide. Speaking at a private event in Vancouver, British Columbia, in early 2016, Travis Kalanick, Uber CEO, made a solemn admission. Because of fierce competition in the Chinese market, he announced, Uber suffered losses of more than $1 billion in 2015.[6] This severe loss underscored the daunting task the company faced in overcoming its tarnished image and responding to increased competition. While Kalanick remained hopeful, by 2017, the ride-sharing company faced new challenges to secure its position and its future (See **Exhibits 1** and **2** for select financial information).

Uber Company Background

While attending the LeWeb conference in Paris, France, old-time friends Travis Kalanick and Garrett Camp stumbled upon the idea for Uber.[7] Travis had recently sold his company Red Swoosh to Takamai Technologies for $19 million, and Garrett had sold his company StumbleUpon to eBay for $75 million and was doing "hard time" at a big company.[8] During the conference, these two friends engaged in a pleasant conversation regarding the many inconveniences in life, the most poignant of which was waiting for a taxi in the rain in San Francisco, unable to waive down a vacant one. The entrepreneurs immediately began to brainstorm solutions to this problem. They quickly became convinced that the transportation industry was long overdue for an innovative makeover. Although the details remained clouded, it was clear that the solution needed to be fast and mobile.

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EXHIBIT 1 **Key Financials – Uber, 2014–2016 [$ million]**[70]

	1st half of 2014	1st half of 2015	1st half of 2016
Net Revenue	247	663	2060
Total Cash	980	4150	~8000
Gross Bookings	1470	3630	8800

EXHIBIT 2 **Selected Costs – Uber, 2014–2015 [$ million]**[71]

	1st half of 2014	1st half of 2015	1st half of 2016
Sales & Marketing	123	295	
Research and Development (R&D)	32.95	94.7	
General and Administrative	58.85	178.7	
Operations and Support	79.95	159.1	
Promotions and Price Cuts	28.65	72.0	
Driver Incentives	43.3	130.1	

Following the conference, Garrett spearheaded production of the idea, working earnestly to figure out what an iPhone app might look like and taking the name UberCab for the project. Despite sizeable progress, UberCab remained a side project for Garrett, who had again become CEO of StumbleUpon following its spinoff by eBay. This required Kalanick to ramp up his involvement. Taking the role of UberCab's chief incubator, Travis was to run the company temporarily, get the product to prototype, and see Uber through its San Francisco launch. In January 2010 after $200,000 in seed funding and months of development, UberCab performed its first test run. With three cars cruising the Union Square, Chelsea, and Soho areas, UberCab had officially begun. With only the push of a few buttons, customers could download the Uber app to their phones, submit general personal and credit card information, and "order an Uber" from any location. Each ride required a pickup and drop-off address and in turn provided an estimate of the cost of a customer's trip; all payments were handled through the app. No cash or even tips were exchanged between the driver and the customer during the ride.

By the end of March, and with an expanded core team that included Oscar Salazar and Ryan Graves, Uber had successfully performed a beta launch in San Francisco, garnering enough interest to generate $1.25 million in additional funding. By the end of 2011, Uber had raised $44.5 million in funding. That same year, the company changed its name from UberCab to Uber.

In May 2011, Uber commenced its aggressive expansion plans, opening in New York, Chicago, and Washington, D.C. The company continued to expand in smaller US cities, as well as overseas markets throughout 2012-2013, building a presence in European cities, including Paris and London, as well as Toronto, Canada, and Sydney, Australia, and later moving into the Asian cities of Seoul, South Korea, Beijing, China, and New Delhi, India. In India, Uber launched a new pricing option known as UberX, a lower-cost alternative in which the passenger was picked up by a driver in a typically modest sedan.[9] Uber also expanded to less-developed countries, including Mexico, Pakistan, and Nigeria (See **Exhibit 3** Uber rides by city over time).

In June 2014, Uber was valued at more than $18.4 billion. Less than a year later, in May 2015, the company announced that it planned to raise roughly $2 billion in funding, which would skyrocket the valuation to more than $50 billion.[10]

With its aggressive international expansion tactics cutting into domestic taxi markets, some regions pushed back on Uber. Spain, two cities in India, Berlin, Milan, Sao Paulo, and other cities banned the service.[11] Taxicab drivers all over the world called for a ban against Uber in their cities as well, in some cases organizing large-scale protests and even bringing lawsuits against the company.[12]

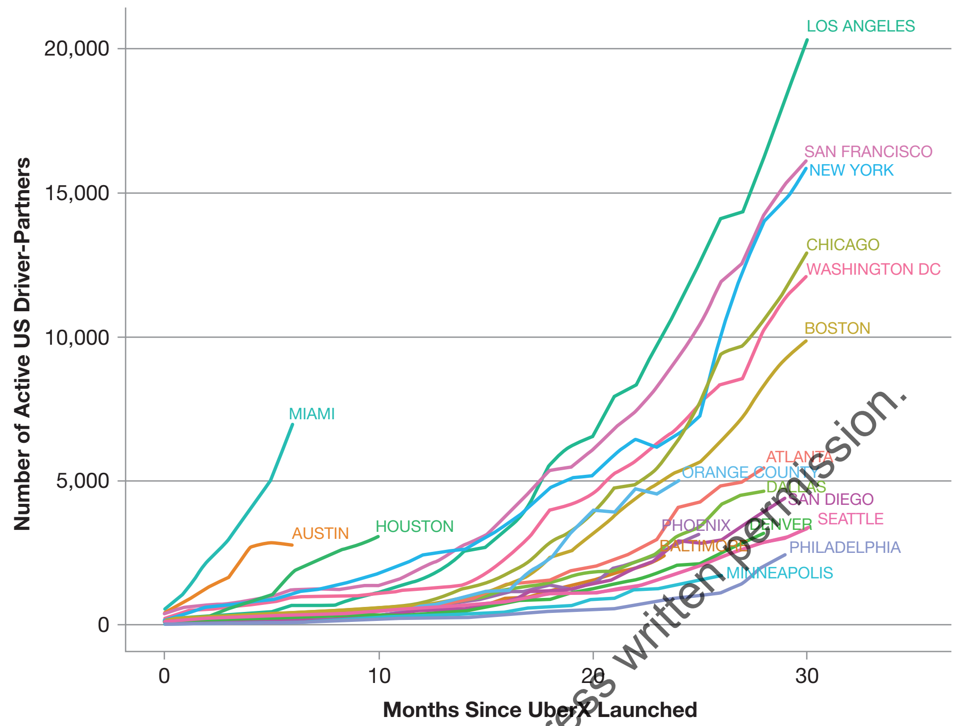

EXHIBIT 3 **Uber Rides by City over Time**[72]

Note: Drivers making at least one trip in the specified month

Source: http://billypenn.com/2015/08/27/new-bill-seeks-to-legalize-rapidly-growing-uber-in-philadelphia/

History of the Sharing Economy

The success of Uber was part of the rise of what had been dubbed the "sharing economy," the concept that each person possesses unemployed resources that can be rented to peers through a coordination mechanism, such as a smartphone app. With the technological boom came a massive drop in coordination costs, which made the possibility of sharing or renting personal assets an increasingly convenient reality. In addition to cars, the sharing economy promoted a wide variety of asset sharing, including homes, washing machines, office space, surfboards, loft storage, boats, lawn mowers, and even cocktail dresses.[13]

The sharing economy had grown at an astonishing rate. Airbnb, founded in 2008, totaled 155 million guest stays by 2014, whereas Hilton Worldwide, founded in 1919, reached only 127 million total guest stays by the same year.[14] Projections by PricewaterhouseCoopers (PwC) showed that global revenues from the top sharing economy sectors could jump from $15 billion in 2016 to $335 billion by 2025.[15]

Beyond Airbnb, which offered more than 250,000 rooms in more than 30,000 cities in 192 countries, many other firms in the sharing economy had extensive offerings.[16] Within retail sharing, Yerdle was an app designed to enable people to give away their "stuff" for credits on the app, which could then be used to buy other peoples' "stuff."[17] Similarly, Poshmark promoted the exchange of unwanted clothing, essentially allowing users to shop other users' closets.[18]

While these companies were expected to achieve high growth rates in the next ten years, many complications arose for firms in the sharing economy. In a survey of end customers who had tried the sharing economy, 57 percent agreed that they were intrigued about the idea but held reservations and concerns about some of the companies; 72 percent believed that the sharing economy experience was not "consistent;" 69 percent refused to use sharing economy companies until they were given a positive recommendation by a trusted acquaintance.[19] Richard Steinberg, CEO of DriveNow at BMW, summed up the largest problem facing sharing economy firms: "The biggest challenge all of us have in the shared economy is insurance. And insurance—whether it's your house, your car, your driver—is really a fragmented