

The decline of Uber

by Raymond Ernest Brunton

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An academic research study on

'The decline of Uber'

Raymond Brunton – student number 1919672



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Executive Summary

This report was designed to discuss the journey and decline of Uber - the transport and delivery company. It highlights the issues faced by the company and the steps taken to get passed them. It analyses the past 4 years of turmoil wherein a CEO was fired and moving onto the laws and regulations which have been passed and recently reversed in a multi-million-dollar court battle. The report found that huge tech companies like Uber and Lyft have done everything they can to secure their right to register their employees as independent contractors. This movement is now under attack from politicians including the incoming Biden administration.

Finally the report concludes that although they have done many great things - Uber is once again facing more court battles globally from politicians pushing for stricter regulations allowing greater work initiatives and benefits for the “gig economy” who themselves according to a recent vote in California don’t agree.

Introduction - Uber's Timeline

- The idea for Uber was born in December 2008 by 2 men called Travis Kalanick and Garrett Camp, after Travis was unable to get a cab one cold evening in Paris.
- March 2009 - The 2 entrepreneurs decided to develop a smartphone app that allowed people to get a cab at the tap of a button, that month in San Francisco Uber was officially founded. Over a year passed until the first Uber ride was initiated, the ride took its occupant on a journey across San Francisco.
- December - 2011 Uber was launched globally including in Paris where the idea was created 3 years earlier.
- July 2012 - Uber created the option for app users (or 'RIDERS' as they're known in America) to request on-demand ice cream deliveries in 7 cities across the US.
- October 2013 - In collaboration with animal shelters across America, they launched UberKITTENS. App users could pay for 15 minutes of snuggle time with a furry friend, and all proceeds benefited local animal shelters.
- May 2014 - Uber makes its mark in over 100 cities doing numerous charity events and giveaways, supporting the LGBTQ+ community with sponsored weddings and over £5000 of clothes donated by app users towards the #UberSpringCleaning cause.
- August 2014 - Uber initiates UberPool allowing "Riders" to share journeys to cut the journey cost. Riders would share the same journey in the same car and split the cost between them calculated on the app.
- April 2015 - UberEats came alive and made its debut in L.A, NYC and Chicago allowing app users to order food deliveries each night.
- September 2016 - The self-driving pilot programme was launched in Pittsburgh. An extremely innovative idea which allows riders to travel without a driver in the car as it is completely autonomous.
- November 2017 - Uber donated \$1 million to the Meals on Wheels cause which helps deliver meals to senior citizens.
- 10 June 2018 - A huge Milestone was reached at 10 billion trips! In more than 21 countries across 5 continents, 173 trips and deliveries started simultaneously. And the journey to the next 10 billion trips began.
- Side note - The introduction above is only half the story, since 2015 there has been a lot of controversy surrounding Uber which has been involved in numerous court cases and disputes involving one of the CEO's Travis Kalanick and some damning events which could have ruined the company.

Main Findings

Uber has done many great things but also faced a myriad of problems over the past 4 years and has apparently made it through the storm by firstly reinventing themselves after one of the CEO's was involved in sexism disputes, caught on dashcam furiously shouting at an employee and also the company being caught using cloaking software which enabled them to operate in cities they weren't supposed to be in. After an internal investigation, multiple employees were fired including co-founder and CEO Travis Kalanick, this led to the reorganisation of the company's leadership through Dara Khosrowshahi. He has been tasked with picking up the pieces of a damaged reputation and had to battle accusations of shabby work standards, which apparently he's done a great job of managing even though he has had unhappy employees and supporters gathering outside his family home to protest over these work standard issues. The problems stem from Uber's determination to capitalize on the "GIG COMMUNITY", this introduced flexible work hours allowing drivers to choose their shifts, use their own cars and swap between apps. Whether delivering food or chauffeuring people across cities the demand for 0-hour independent contracts and freelance work has boomed, meaning that Uber has been able to tap into this work force and pay the employees less than the national minimum wage, even against legislation which was passed into law. This created huge controversy and court battles costing in the hundreds of millions have been happening away from the mainstream media's attention. Multiple protests and employee strikes have destroyed Uber's reputation along with the loss of their license to operate in a major city like London not once but twice although recently having it granted again. Petitions were made to save Uber and reverse the ban gathering more than half 500,000 signatures.

Trials and Tribulations

On November 3rd 2020 a Californian referendum was held named "Prop22" which was to determine whether app based transport and delivery companies should be exempt from the law passed in 2019 by Governor Gavin Newman (then reinforced in August 10th 2020 by California superior court judge Ethan Schulman) code name 'AB5' - which stated such app based companies must register their workers as 'employees' rather than independent contractors. The recently passed "Prop22" essentially reverses those laws and enables Uber and or companies like "Lyft" and others to continue to employ workers without offering them any benefits such as healthcare or pensions, as they are basically registered as self-employed or independent contractors. The Biden administration is was initially divided over the AB5 legislation as members of the Biden campaign had ties to the Uber corporation in advisory roles and helped them through the initial battle against it. Once passed relations were intensified and solutions were worked on. 'Prop22' was the solution and it worked for the giant transport tech company thus enable them to continue operating under the radar of the 'Fair labour standards' act. This has gained the attention of politicians and legal proceedings are once again taking shape now that Biden is in power and supports the AB5 act.

An Uncertain Future

- At the height of the pandemic, bookings dropped by 80% as customers avoided public transportation and Uber was forced to axe 7,000 jobs. This led to some serious questions and doubts for the companies CEO's.
- ¹ On Friday, a court ruling in the UK ordered Uber to recognize drivers as staff and not contractors. Meaning drivers are entitled to the minimum wage, holiday pay and for idle time while they wait for bookings.
- In Paris, France's highest court has also granted the legislation put forward by the government forcing homeowners renting out their properties to holidaymakers to register their properties for tax and limit rental duration to 120 days per year. (Fenn. A, Feb 2021, How COVID halted the rise of Uber and Air BnB, www.Newseu.cgtn.com, Feb 2021)
- ⁴ Dara Khosrowshahi is waiving his base salary for the rest of 2020, according to the Securities and Exchange commission filing. His base salary was about \$1 million in 2019, CNBC reports. (Togoh. I, May 2020, Uber slashes 3,700 jobs, CEO waives salary, Forbes.com, Feb 2020)

PESTLE Analyses

Political

There have been numerous political discussions about Taxi companies including Uber to see whether they were adhering to national minimum wage laws and Uber's biggest obstacle has been politicians loyal to labour unions and industry incumbents. Unions want to reclassify drivers as employees and they request a more explicit definition for 'employee' in the fair labour standards act, seeking to hide in the grey areas. President Biden was explicit during his campaign about what he regarded as the abuses of the 'gig work model' yet his administration is still divided creating an unforeseeable future for the gig community.

Economic

It can be said that Uber has positively contributed to the economy by providing hundreds of thousands of jobs which fit people's schedules and forget the strict routine of a 9-5. Study groups analysed the effect of Uber on the economy and found that many employees were earning considerably less money before driving for Uber, on the contrary other employees said they had left higher earning jobs in favour of working for Uber, attracted to the flexibility and independence the jobs comes with.

Socio-cultural

The impact Uber has had on communities all over the world is immeasurable, bringing people together with others or new places to explore. There has been a boom in social interactions via 'VLOGGING' on Youtube and other large social media platforms - whether it be riders going live on Facebook showing the world their journey sharing experience with another random rider, or the Driver documenting their journeys and interactions with customers. There are online forums where drivers lead classes and promote books on how to succeed at Uber, help employees with any issues and allow for employee feedback which is important.

Technological

It's safe to say that Uber need no introduction to technology seeing as they created their innovative app which has a net worth of in the tens of Billions. In 2015 previous CEO Travis Kalanick hired Thuan Pham, only after calling him on the phone every day for two weeks to quiz Pham on recruiting and management. This shows the rigorous hiring process and attention to detail. The company's engineering staff has grown to 1,200--a quarter of Uber's workforce--from just 400 people. Pham said is goal is to reduce Uber's downtime on the app to just 50 minutes a year--to hit 99.99% reliability, so the app is nearly always working

Legal

There is plenty to analyse when it comes to Uber and legal issues. There are over 170 lawsuits to choose from including misleading slogans, misclassifying drivers as independent contractors, failing to report operational data and wrongful death among many more. The most notable being the lawsuit which began with 3 drivers who sued Uber as because they believed they should be classified as employees and not independent contractors.

Environmental

On top of losing billions over the past few years to lawsuits and the app usage plummeting due to COVID, further costing Billions, one of the biggest factors Uber will face environmentally is the firstly price of gas and oil and secondly the expanding government initiatives to reduce greenhouse gases and the carbon footprint to 0 by 2050.

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PESTLE ANALYSIS

Element	Factor	Business Impact
	<i>The element that has been identified</i>	<i>What is the business impact of this factor</i>
Political		
Economic		
Sociological		

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Technological

--	--	--

Legal

Environmental

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