

How does Uber work? - Decoding Uber

In this article, the author will give a little-known number about Uber along with detailed explanations about the model that Uber uses to make money. Uber's customer segmentation, value proposition, key issues, solutions, cost structure and Uber revenue model are all discussed.

Uber is a demand-based shipping service that has brought **a revolution in the taxi industry around the world** . Uber's business model allows everyone to call a taxi to their address in the shortest time with just one smartphone in hand. **Uber is one of the few technology companies in the world that is valued at more than \$ 50 billion** , receiving a capital contribution of \$ 8.2 billion and is present in more than 60 countries. Those numbers show us the confidence that investors put in Uber's business model as well as help us easily figure out how much revenue Uber can generate.

In this article, the author will give a little-known number about Uber along with detailed explanations about the model that Uber uses to make money. Uber's customer segmentation, value proposition, key issues, solutions, cost structure and Uber revenue model are all discussed.

Numbers related to Uber

1. Founder: Travis Kalanick and Garrett Camp.
2. Corporate headquarters: San Francisco, California, USA.
3. Capital received: \$ 8.2 billion (as of September 2015).
4. Company valuation: Over 51 billion dollars.
5. Number of users: Over 8 million (as of the end of 2014).
6. Number of registered drivers: 160,000 (until January 2015).
7. Number of new registered drivers: 50,000 per month.
8. Average number of trips per day: 1 million (as of January 2015).



THE SUCCESSFUL TIMELINE



STILL GROWING

Timeline of Uber's success path

1. March 2009 - Uber was founded under the name Ubercab.
2. July 2010 - Uber first operated in San Francisco.
3. January 2011 - Uber called \$ 11 million in Series A.
4. May 2011 - Uber operates in New York.
5. November 2011 - Uber called \$ 37 million in Series B and expanded to Paris.
6. July 2012 - Uber announces UberX and launches in London.
7. August 2013 - Uber calls \$ 258 million within the C Series and extends to India, South Africa.
8. June 2014 - Uber called \$ 1.2 billion within Series D.
9. July 2014 - Uber officially opened in China, Laos and Nigeria.
10. August 2014 - Uber announced the launch of Uberpool - an application that connects people on the road.
11. December 2014 - Uber called \$ 600 million in the E Series.
12. January 2015 - Uber called \$ 1.6 billion and officially launched Uber Cardo .
13. February 2015 - Uber calls 1 billion dollars in the E Series.
14. July 2015 - Uber calls 1 billion dollars in the E Series.
15. August 2015 - Uber calls \$ 100 million from private equity fund (Private Equity Funding).
16. September 2015 - Uber calls an additional \$ 1.2 billion from private equity funds.
17. January 2016 - Uber receives \$ 2 billion from private equity funds.

Uber revenue creation model

If you've ever traveled by taxi, you'll know that at the end of each trip, you have to pay the driver. The money for each trip is the only revenue source for traditional taxi businesses. Uber is no exception. **Uber not only does not have a different revenue model from the above model but so far there is no other revenue source** . Imagine the number of 1 million trips every day, you can calculate the sizable amount that Uber earns. But dig a little deeper to understand Uber's revenue stream.

What makes Uber so successful? That's because Uber's revenue model is as unique and unique as its business model. This can be explained as follows.

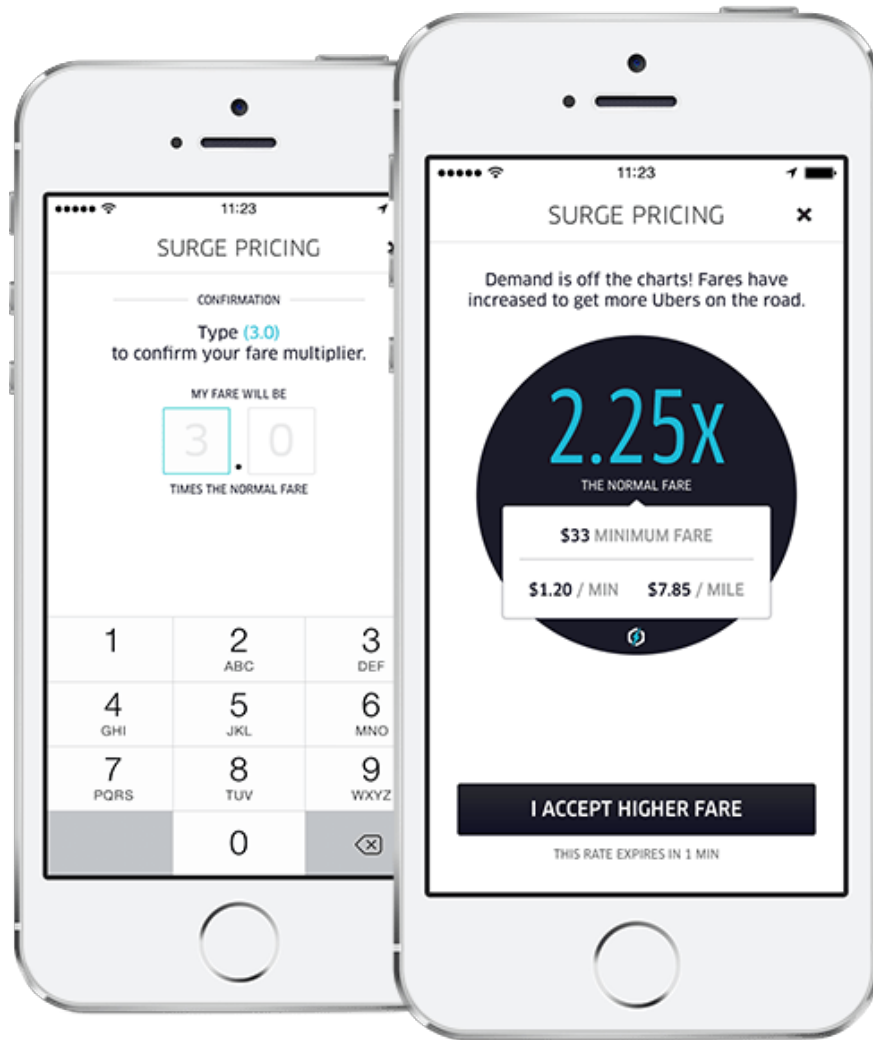
1. Different models to serve everyone

Uber does not limit itself to a certain segment of the car or segment. The company has Uber X, Uber Black for those who prefer black cars, Uber Taxi for those who want to choose low-cost solutions or Uber SUB for those who want more luxury.



2. Model Surge Pricing Technology - price increase when a car is missing

Taxi prices fluctuate depending on different situations, which is one of the important aspects of Uber's business model. When demand is high, unit prices per mile will also increase automatically. The new price also depends on the number of existing drivers and the number of requests of car callers. Uber has also registered copyright for this model in the US.



3. Other Uber vehicles

Uber has gone beyond traditional taxi facilities. Now the company also provides boats, helicopters and several other means of transportation on demand. Uber already has a Paris bike service, a San Francisco transportation service and an ice cream truck service in 7 other cities. Although these services are only available in selected locations, it also provides additional revenue for Uber's business model.

See also: Understanding the business model in just 2 minutes

Uber's outstanding features

1. Users can call a taxi to their place by smartphone.
2. The driver may agree or reject the trip.
3. If the driver agrees, the driver details will be sent to the customer along with ETA - the estimated arrival time.
4. Customers can follow the driver until he appears at mifh's location.
5. The driver can accurately track the customer's location and go there.

6. Payment process is handled through Uber.
7. In some countries like India, Uber also accepts payments directly to the driver.
8. Uber's business model uses the rating system for drivers from the beginning, allowing customers to evaluate the driver after the trip.

Declare Uber's value

Customer:

1. No waiting for a long taxi.
2. Free shipping in certain cases and there are many discounts.
3. Prices are cheaper than traditional taxis.
4. Uber's tagline is - Your Personal Driver (translated as "Your Own Driver", allowing customers to travel more stylishly).
5. Fixed price for popular places like airports .

Driver:

1. Add 1 source of income.
2. Flexible working hours, can be done part-time or whenever they like.
3. Simple payment process.
4. Those who like driving can both earn money and pursue interests.
5. Uber pays online drivers even if they don't require them.

Uber customer segmentation

Uber customers are:

1. There are no private cars.
2. Don't want to drive yourself to parties or other situations.
3. Want to move with style and be treated like VIP.
4. Want to use cheap taxis right at your door.

Uber's customer segment is so vast that its services seem to cover everyone. From Uber Taxi to Uber Black, from Uber X to Uber SUV, the company has a very large customer base and so has more options. Uber also serves people who need professionalism because they hire a Uber taxi to work. With this object, Uber connects with the business from the beginning and does the same when they expand in other cities and other countries. Besides, Uber also brings many other services such as:

1. **Uber for Kids** (Uber for children) - a special service aimed at parents who want children to go to school, go home safely with a uber taxi.
2. **Uber for Senior Citizens** (Uber for the elderly) - Uber's service is aimed at the elderly. According to statistics, elderly people account for 30-40% of total urban trips. This has led to Uber bringing some incentives for this group and thereby attracting more older people.



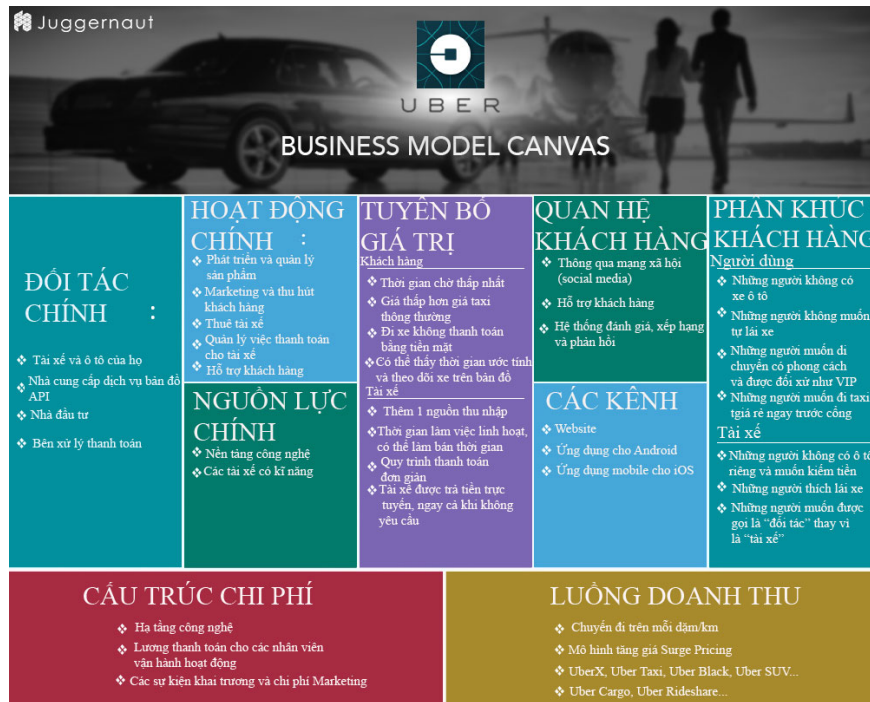
All of these things may raise a question in your mind - how do Uber find customers and how can they market to their target customers? The article will expand beyond Uber's business model and come with this company's growth model.

Growth model - How does Uber find customers?

In less than 6 years, Uber tries to be the best mobile city service provider. Let's decode Uber to see how they did when "opening" a new city or country. The deep rule is that for every new city, Uber faces the same "egg and chicken" problem. The advantage that Uber has over other startups is:

1. There is a lot of money to encourage both drivers and customers.
2. The firm process is increasingly strengthened through the gradual presence of 311 cities.
3. The brand is well known for curious early adopter.

Everything starts with a group in a small city. In every city, there is a manager who is responsible for attracting drivers and customers. The first "front-end" taxis were often professional drivers, having a relationship with local taxi companies and having their own cars. The first customers from broadcast channels such as FM radio, newspapers, online advertising . Uber is a big name that everyone expects their service to appear in their city. live.



Uber - Business Model Canvas business model

4-step model of how Uber works

- Step 1 - Call the car** - The first step in Uber's business model is when creating demand. Anyone who has a mobile application in their hands can request a taxi to get to them immediately or reserve a certain time.
- Step 2 - Pairing** - As soon as the request is made, a detailed notice of the customer will be sent to the nearest driver. The driver has the right to accept or refuse to accept guests. In case he refuses, the notification will be sent to another driver in that area.
- Step 3 - Driving** - Customers can track the vehicle when it is coming and the estimated arrival time (ETA) is also displayed. The meter starts to measure when the customer sits in the car and then tracks it through the client's application. The driver will also ensure a comfortable ride for his passengers.
- Step 4 - Payment and evaluation** - At the end of the trip, customers can choose to evaluate the driver. The rating system is an important feature of Uber's business model because it allows a person to know about his driver before placing a car and helping him trust the driver.

How and why is Uber so successful?

It can't be said that I have completely understood Uber's business model and revenue model if I can't answer the question of why Uber has become such a "successful journey". Below is a brief description of Uber's journey from its inception. Any startup that wants to grow like Uber can try this journey



Problems with local taxi firms

Previously, people had to stand on the street, waving their hands to signal the taxi to stop. Waiting time, inconvenience and high prices become problems for everyone. There are very few taxi companies and therefore taxi drivers or taxi companies often get a high price even if they think it is right or not. No one controls the price and the user has no other choice. Besides, the situation is worse than during peak hours when it is almost impossible to find an empty taxi.

The birth of Uber

Uber recognizes the problem of calling a taxi and providing a technology solution through the phone application. The solution to call a taxi by smartphone has revolutionized the taxi industry. Uber application was officially launched in 2010 and quickly became popular thanks to the value it brings to users.

Those who first approached

It is difficult to market a new product or service launch anywhere. What makes Uber beyond the usual boundaries is because it was first launched in San Francisco - the home town of tech connoisseurs. The first driver is approached by cold calling method - approach to potential customers by phone. Many of them are professional drivers at taxi companies or earn their living with taxi jobs.

To get first customers, Uber uses social media and mass marketing. The company offers discounted, free driving packages and lower prices than other taxi services in the city. Uber's first customers are those who are passionate about trying new services. Uber also offers cars from clubs to customers' doors, so partygoers love it. The company also serves a group of business customers who work in the workplace to help them save time.

mouth advertising

Anyone who participates in a trip with Uber must be amazed at the experience of "seeing the ears". This makes the first users become regular customers and they also help advertise through word of mouth. This advertising method is also one of the common transmission forces.

Uber's main development opportunities come from

1. Partygoers, like to go to clubs, parties and events.
2. Entrepreneurs and tourists often move.
3. People need taxis right in front of the door in bad weather.
4. Nightlife in the city.



Take a taxi in your own style

The problems still exist with Uber

Law - Uber is involved in lawsuits in New York and San Francisco. According to Uber, all their drivers are partners while the court says they are actually employees. Uber is not the only company that has this problem, but practically all companies that hire workers in the form of 1099 are controlled.

Chicken and egg problem (when launched in the new city) - Uber faces the chicken and egg problem when they start out in a new city. Attracting customers and partners is not an easy task. To solve this problem, the Marketing team started working by looking for professional drivers. Soon after, they started online and offline marketing methods. Discounting is also the main selling point (User Selling Point) to appeal to new customers in the early stages.

Trust and safety issues - There are cases where taxi drivers behave rude to guests. A few cases of drivers must be surprised when the reluctance of female passengers is exposed. This is a big challenge for Uber. Although the company has taken measures such as verifying their drivers and personal identities, there are cases that cannot completely eliminate the problem.

What to learn from Uber's business model?

1. Use the model with less control. Uber does not own any taxis but still carries over 1 million trips a day thanks to its partner network.
2. Select industry. Think about the most common problems that exist. Find solutions and intervene in existing models with technology infrastructure. That's what Uber does with the taxi industry.

3. Treat first customers like kings.They are very important for the development of the business.
4. Expanding step by step 1. Don't quickly add every try to the business model from the beginning.Uber started with a taxi, but now expanded to boats, helicopters, bicycles and many other vehicles.
5. The opportunity will not come to you but you have to find it.Uber creates the opportunity by offering discounts for specific events or party venues, and from there to get first customers.
6. Considering those who work for themselves are an important part of the company.Uber calls his driver a partner and gives them up to 80% of the driving fee.



There is no doubt that Uber has brought a revolution not only as a taxi company but also as a business model that can reach and serve customers in its area. Many startups have copied Uber's business model accurately and many others have taken repeated steps to start a business in many other vertical industries (industry vertical).

You finished reading the article "**How does Uber work? - Decoding Uber**" edited by the [TipsMake](#) team. We hope this article has provided you with many useful tech tips and tricks. You can search for similar articles on tips and guides. Thank you for reading and for following us regularly.