

The Uber Playbook

By: Chaz Wilke - Staff Writer



Few new companies in the past decade have grown as fast or elicited such heated debate as Uber. It was founded in 2009 as a tech startup in Silicon Valley. Uber has avoided regulation as a taxi service. It successfully argued that it is merely an app and should be regulated as any other technology company.

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For those unfamiliar with what Uber is: People with smartphones are able to download apps, short for applications. Each app functions differently. The Uber app allows users to signal a private driver, essentially a chauffeur, for pickup and enter an address to where they would like to be transported. All monetary transaction is handled within the app. This is essentially a digital version of hailing a cab.

The classification *ridesharing* is the largest difference between the standard taxi service and Uber. Uber drivers don't pay for the medallion license that is required by law for taxi drivers. Medallion licenses are expensive. In New York, the cost for one year of legal taxi operation, which is what a medallion license guarantees, will set the driver back over a million dollars (<http://wapo.st/1zM4f0i>). Many taxi drivers are forced to finance that cost much as a homeowner does with a mortgage.

Also, Uber does not provide the driver with a car. The driver must supply that himself along with the necessary insurance coverage. Although, Uber and most cities where it operates disagree on which insurance is necessary. Most cities have laws regarding commercial use of vehicles, requiring that drivers get a commercial license along with a much costlier insurance package.

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California's Department of Motor Vehicles issued an advisory to all ridesharing drivers declaring the edict: "Any passenger vehicle used or maintained for the transportation of persons for hire, compensation or profit is a commercial vehicle (<http://bit.ly/1zM4lo>)."

Competitors

Other competitors have risen to best Uber at its own game. Lyft and Sidecar remain in the fight, albeit with far less aggressive expansion than Uber. Uber has often responded aggressively to potential competition.

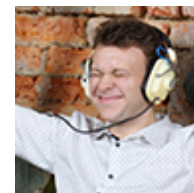
Lyft may be best known by the fluffy pink moustaches on the front grill of drivers' cars. Those moustaches have now been removed to compete with Uber's crisp black car private driver aesthetic. The actual services remain nearly indistinguishable from one another. Both have users signal for pickup through an app, both control payments digitally so no paper money exchanges hands for successfully completed rides.

It may be prudent to lump the tried and true taxi cab system in with these newfound competitors. Taxis have maintained market dominance for decades. Perhaps because of that, taxi service has been slow to adopt change. Many taxi cab pain points for customers looking for a ride had never been addressed. Dirty cars, broken credit card readers, and disgruntled taxi cab drivers have all paved the way for the new ridesharing companies to grab a sizeable portion of the driver-for-hire market.



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Lyft Scandal

Early in the fight for rideshare dominance, Lyft alleged that Uber flooded its systems with more than 5,560 (<http://cnnmon.ie/1vTCKqT>) fake ride pick up requests. Lyft alleged this left its drivers scrambling around town to find no one waiting for pickup. According to Lyft, this also left those looking for a ride with Lyft out of luck and given no choice but to use Lyft's competitor: Uber.

Uber allegedly contracted brand ambassadors who were given a number of phones and multiple credit cards to trick Lyft into validating each ride request as legitimate. According to these claims, Uber had internally called this operation “SLOG (<http://bit.ly/1CFhqoh>),” but publicly denied its existence. Uber’s statement to the press concerning SLOG was: “Lyft’s claims against Uber are baseless and simply untrue (<http://nyti.ms/1vD3ndU>).”

However, one unnamed contractor stepped forward to discuss the operation with *The Verge*. The contractor quickly dismissed Uber’s public disavowal of SLOG, “What’s simply untrue is that not only does Uber know about this, they’re actively encouraging these actions day-to-day and, in doing so, are flat-out lying both to their customers, the media, and their investors.”

Also, when Lyft expanded to New York City, Uber issued a statement to its drivers saying it was against city regulations to drive for both platforms. This was not true and Uber later retracted the statement, officially saying that drivers could operate under both platforms.

Taxi Reaction

The initial taxi cab industry reaction was one of disbelief and consternation. The first noticeable tremor in the status quo for transit services in many years was met with violence. Reports of Uber (<http://tcrn.ch/1L81UmO>) drivers and riders getting attacked (<http://bit.ly/1zM5Sv1>) by taxi drivers pocked the news.

Then the taxi drivers turned (<http://bloom.bg/1ELyNUm>) to litigation (<http://tnw.co/19tzx72>) in an attempt to stop their competitors. But this tactic hasn’t seen much success.

Now, it appears the taxi cab industry is starting to notice the groundswell of consumer support of Uber and other ridesharing startups. The Los Angeles Taxi Commission is looking in to creating an app that will be required for all taxi drivers to use. The app will function similarly to Uber’s by allowing users to hail a cab digitally. It will handle payment for the ride as well.

“These applications (<http://nyr.kr/1vTDYSM>) will require certification by the Taxi Commission, which can then specify things like pricing maximums and limits on hours worked in a single shift, and can perhaps even set up a rating and complaint system for passengers,” says Maria Bustillos of *The New Yorker*.



Changing Landscape

There were many years when it seemed like the new ridesharing phenomenon would just disappear. Through litigation or all-too-aggressive expansion, it seemed like these companies would go belly up like so many tech startups before them. But in the past year, it appears Uber is pushing humanity into a future where anyone with a car and a smartphone can operate as a taxi driver.

For conventional taxi cabs, the future is unclear. The Los Angeles Taxi Commission is on the right track by attempting to adapt to the changing market instead of attempting to stop progress through suing Uber. But, it still remains unclear if the taxi cab industry can shed its gruff demeanor and untidy yellow car image that had for so long been synonymous with hailing a ride in the city.

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