



Uber Pricing Strategies and Marketing Communications

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Target Customers & Brand Positioning

Target Customers

- “Willing Drivers & Needy Consumers”

Customer Classifications

- **UberX** – Least expensive (economy customers)
- **UberXL** – For larger groups (moderate customers)
- **UberBlack** – Black town cars only (roughly 35% higher fares); Targeted customers who could not afford a full-time driver, but who wanted more luxurious transportation than a taxi
- **UberSUV** – Worked well for large parties; priced higher than UberBlack
- **UberTaxi** – Connected users with a regular taxi

Positioning Statement

- Uber provides “willing drivers and needy consumers” that have access to a smartphone and credit card, the ability to quickly find (or offer) a local ride that is more convenient than conventional taxis because our app “connects you” to the closest option for a moderate price, is easy to use and is completely reliable to both drivers and consumers.



Value Uber Customers Pay For

Consumers Value

- Functional Value
 - Easy to use app (Simplifies, Connects)
 - No cash needed (Avoids Hassles)
 - Background info/rating (of driver) ahead of pickup (Informs)
- Emotional Value
 - Short wait times (Reduces Anxiety)
 - Clean cars (Attractiveness)
- Life Changing Value
 - No need to “worry” about finding a taxi (Provides Hope)

Drivers Value

- No kickbacks to human dispatchers
- Guaranteed payments
- Better pay than standard taxi drivers



True economic value = price of the next-best alternative + value of the performance differential compared to next-best alternative

Surge Pricing

SURGE PRICING x

Demand is off the charts! Fares have increased to get more Ubers on the road.



How Uber's Surge Pricing Operated

- Fares calculated according to algorithms, which helped match supply with demand
- Higher prices during peak usage/demand
- Fares continually adjusted (+/- seven or eight times the normal Uber rate)
- Benefited passengers by incentivizing drivers to make more pickups

Pricing Concepts to Support Uber's Pricing Model

- **Perceived Value:** Uber is reasonably priced compared to the "next best alternative", creating a **True Economic Value**
- **Price Customization:** To control supply/demand, pricing will fluctuate to during peak hours.
- **Price Sensitivity:** Moving to quoted prices (without mention of "surges") should reduce any price sensitivity

Surge Pricing vs Value

- With close competition (from Lyft), and customer "friction", **surge pricing is becoming problematic**



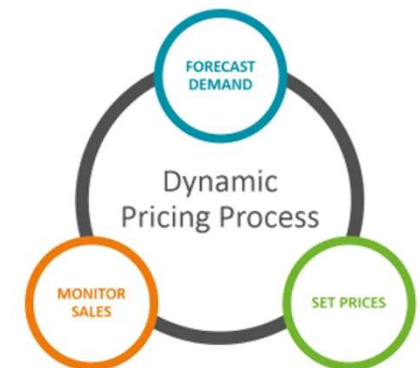
Factors Challenging Uber's Pricing Strategy

■ **Factors Challenging Uber's Pricing Strategy**

- Regulators & Legislators
- Municipal taxi and/or state limousine regulations
 - Strict guidelines regarding passengers, fare structure, appearance of vehicles
- United States Taxicab, Limousine & Paratransit Association
- Competition entering the market (Lyft)
- Psychological effects (customers thinking they are getting "ripped off" during peak demand)
- Ridership demand decreases (7% - 27%) during price surges

■ **Adapting Pricing Strategy**

- Moving to pricing quotes (without a multiplier displayed)





Uber's Profitability

2016 Financials

- \$5.4 billion (gross bookings 2016)
- \$1.7 billion (net revenue – Uber's share)
- \$2.8 billion (losses – taxes, expenses, depreciation)

Is Uber's Pricing Strategy Sustainable?

- Although Uber has yet to make a profit, their losses are historically decreasing annually
- As the company grows, overhead will become less expensive
- **Over time**, there is still an opportunity to be profitable using their current pricing strategy by lowering spending costs/expenses, and updating their app display to not show the multiplier (price quote only).





Bibliography

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