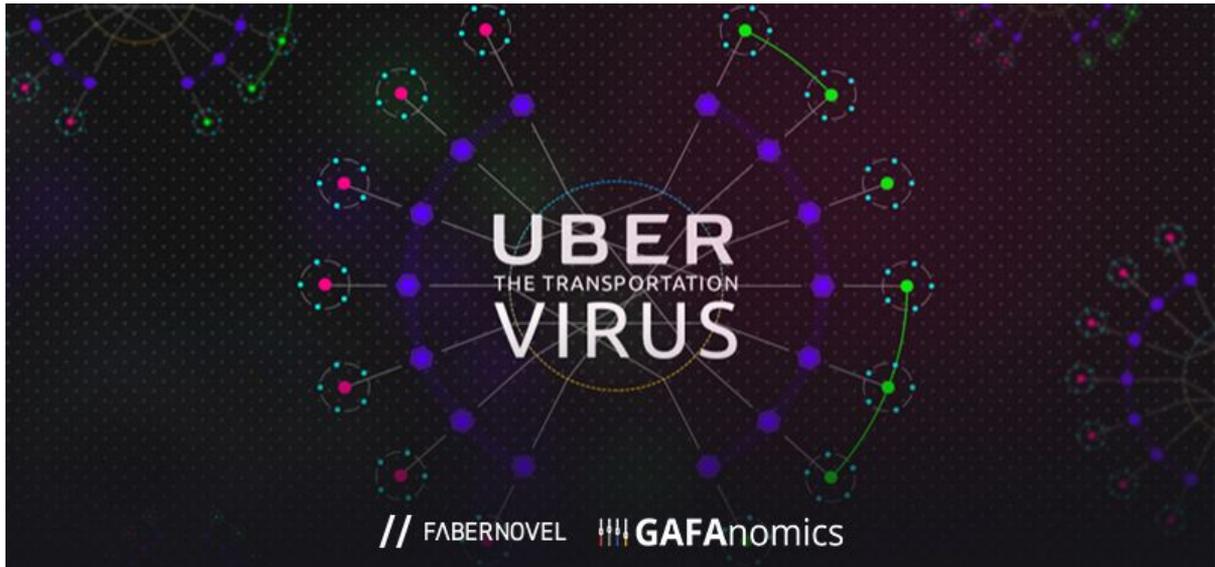


UBER : The Transportation VIRUS

A new Study by FABERNOVEL about the unicorn UBER



Everything has already been said about Uber. Or has it? Both fascinating and repulsive, closely watched by the media and politicians, the Californian unicorn's growth model hasn't been spared any sort of criticism.

And yet, valued at \$68 billion, the firm mesmerizes VCs as never seen before and inspires every week countless articles, op-eds, infographics and columns – not including numerous bills... It's because, just like the whole digital revolution, Uber questions every habit, system, model and belief.

In order to go beyond these debates, FABERNOVEL offers an analysis devoid of any political or ideological consideration, a study to understand Uber's growth model – that we see as viral – and to delve as much as possible into its success factors.

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[UBER: THE TRANSPORTATION VIRUS](#) from [FABERNOVEL INNOVATE](#)

Uber, 3 counterintuitive revolutions

1. While the digital economy had so far focused on the online world as the ultimate market for growth, Uber has tackled a tangible market, the transportation sector, with cars and drivers involved. And the company managed to reach a \$50 billion valuation in just 5 years, when Facebook had needed 7.
2. Uber distributes unique services, providing a remarkable and identical user experience everywhere in the world (more than 470 cities) but it also adapts to local ecosystems. In India for instance, users can pay with cash. 50% standardization, 50% adaptation.
3. Contrary to what is often said, Uber's market is not limited to private passenger transportation. Uber also deals with last-mile logistics, occupies transport time (Spotify partnership) and will turn into a powerful marketing tool for brands (through subsidized rides bringing consumers to shops).

Uber, 5 steps for an exponential growth model

At a rate of a new launch every 5 days since 2010, Uber has been through an extremely fast growth trajectory. A viral one. In 5 steps:

SYNTHESIZE IT: Uber solved the incompatibility triangle that defines the taxi market: no solution had been able to offer a reliable service, a low price and an excellent user experience at the same time. This solution leverages a platform matching drivers and passengers in real time. With no need for a middle management layer nor a sizable operational support – if Uber had the same phone operators to drivers ratio as a taxi company, that would take 5 times their current global staff.

SEED GERMS: Uber looks for the best environments to incubate its service. In every city, after hiring a tightly knit team able to launch in less than 2 months (with a record in less than 5 days), the firm doesn't spare any expense, so as to build in a record time both supply (up to \$500 offered to drivers coming from competing ride-sharing platforms) and demand.

BECOME CONTAGIOUS: once Uber has reached a critical mass in a given market, network effects start to kick in for both supply and demand – and Uber also makes use of financial incentives (referrals) to accelerate its virality. That explains why 95% of its riders heard about Uber from other riders.

MUTATE FAST: Uber has never stopped pivoting. This is obvious when considering the evolution of its mission statement, from “*Everyone’s private driver*” in 2010 to “*Moving bits and atoms*” today. First a black car service (UberCab), then tapping into privately-owned idle cars (UberX), collective transportation (UberPOOL) and even logistics (UberEATS) since... Uber has morphed into a transport infrastructure, a real alternative to car ownership for individuals. Amounting to 3 million rides every day.

DEFEND: even if Uber strives to convince public opinions and administrations of its positive impact, both on its riders and its drivers (called “partners”), a bunch of initiatives could challenge its model: head-on competition from its direct rivals, exemplified by the alliance between Lyft in the USA and DiDi and its 11m daily rides in China; differentiation through other transportation models, such as ride-sharing services (e.g. BlaBlaCar) or carmakers’ connected vehicles; finally, more integrated partnerships, in the way Lyft and GM are contemplating a network of autonomous GM cars managed by Lyft.

5 rules to act like a virus

1. Forget about CAPEX. Networks are the new asset.
2. Forget about first mover advantage. It’s all about first settler.
3. Forget about marketing. Users are the new media.
4. Forget about cash cows. Perpetual innovation is the only path to success.
5. Forget about direct competition. Differentiate or partner up to remain in the race.

Conclusion

The virality of Uber is undeniably critical to its success, in conjunction with a strong execution. Large incumbents are left with two choices: becoming viruses themselves, or developing their own antiviral drugs. Never forgetting that, beyond matters of competitive strategy, the best user experience will make the difference. That being said, if the network structure combined with a viral growth model is so powerful, it’s not impossible that a newcomer – a strain even more resistant as well as a champion of the network economy – could overtake Uber. What if the real threat for Uber was Google or Baidu and their networks of autonomous cars?

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