



Uber's Competitive Advantages of Its Direct Competition in the Private Transport Business in Guadalajara, Jal.

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Abstract

The objective of this article is to reveal information about the Uber company in Guadalajara, Jal. and its foray into the Mexican private transport market. To begin with, the document presents a general description of the strategic aspects of Uber and the service it provides. At this point, a description is made of how it has entered the Mexican market and has entered into direct competition with the conventional taxi service and other firms. with a platform model similar to Uber. In the same way, the present document deepens in Uber from a strategic and economic point of view, where an approach is made to the service that this firm provides through its platform, could conceivably be a part of the same important market of different types of transport private in the cities of Mexico. As a result, the analysis of this work shows the determining factors that have placed Uber as one of the leading companies within its area of influence and ends with some recommendations on the conflicts that the firm presents when entering a new market in location.

Keywords: Uber, Competitive Advantage, Private Transportation, Platform, Application.

1. Introduction

Uber is currently an international firm that offers its customers a private transport service, through its platform, an application for smartphones, which associates travelers with drivers of vehicles registered in the system to offer a service of private transportation through vehicles to people. The organization classifies travel in many urban communities around the world and its headquarters are located in California. Initially, drivers had vehicles that the company certified as appropriate. After 2012, Uber includes a broader determination of cars for the market. The cars are assigned with the portable application. With this application, customers can track the area of accessible cars and the qualities of both the car and the driver. The company's operations begin in July 2014 in Mexico and Guadalajara, according to its official website.

The qualities of this organization are the association between the driver of the automobile and the traveler who requires the benefit of the vehicle. Operating simultaneously, and also a stage of virtual private connection and not as a taxi organization. His method of connecting the customer and the supplier has been a progressive path for the market and has changed the big point of view of transport to a creative method of world rivalry. The entry of the firm in Latin America has caused an extraordinary confusion in the organization of the relationship of the taxi drivers with the commercial risk implied by the prominence that Uber obtains step by step. Therefore, there is a solid resistance.

The objective of this work is to reveal information about the Uber mobile application and its foray into the Mexican open transport market, in particular from Guadalajara. To begin with, the article shows a general outline of the idea of Uber and the administration it provides. First, there is a brief synopsis of how it has entered the global transportation showcase. In addition, the document delves into Uber from a strategic and competitive point of view (especially the taxi service), where an attempt is made to discover if the administration that provides this service, with its particularities and its competitive advantages, could possibly be considered as a component of the same important market of different types of public and private transport. It is intended to raise the advantages and disadvantages of this company in the market and what measures should be taken to solve the latter, as well as raise some competitive advantages that could be beneficial for the firm.

2. Background of the problem

A. Market studied

In the beginning, the sector to which this company is directed should be established. Uber, in the country has three modes of service: UberX, UberPool and UberBlack; the two initial benefits are accessible or, rather, are typically taken by individuals who tend to use typical services, large space or shared use; UberX: it is Uber's most well-known and recurring alternative, it incorporates vehicles with a maximum 10-year model, although this depends on the Uber criteria for each city, it recognizes a maximum of four passengers and, alternatively, it allows the distribution of load between the traveler, Uber Pool: it was a simultaneous launch of UberX, delivering the door open to 3 customers from several areas to request an exit to a typical target that is close to all the customers who share the trip, thus saving a considerable sum of monetary resources.

On the other hand, UberBlack is a Premium administration, it was for clients with greater resources, it is part of the latest model of luxury cars, with a limit of four passengers, it is frequently used by associations and organizations for the transport of personnel (Uber, 2016).

Complementary to the above, the market area and its geographical coverage are clarified, for this case. In July 2014, Uber arrives in Guadalajara and later in other states of the Republic, where people can enjoy the benefits provided by the Uber application, registering on the Uber website. It is worth mentioning that the service is currently present in more than 38 cities in Latin America (Ferrer, 2016).

3. Theoretical-conceptual review: Competitive advantage

A. Actors studied

The characteristics of current and potential consumers are defined by the fact that Uber, all over the world, is a company that functions as a link between the driver and the customer. Whoever requests it has a need: to be transported. But not only a few individuals must be transported, as a whole. This type of service is required by society sooner or later, on a day-to-day basis. It is at that point, while there are alternatives to how to do it, for which numerous factors intervene, among which is the measure of cash that we can pay for the service, the speed of travel, comfort and security (Ávalos, 2015).

The above described consumers are around 18 to 40 years of age, since they are the closest to effectively manage the application that interacts with the driver. These customers are willing to pay for a trip at a reasonable price, as well as ready to share the road. In Mexico, more than half of the population agrees to travel with another person. No doubt, Uber came to achieve the Mexican market will pay through debit cards, understood that not all customers could access a loan, so, in its progress, has begun to cash in real money. At the end of the day, the buyers of this service are and have a habitual monetary position (Pallares, 2016).

It is worth mentioning that more than half of current customers, instead of using Uber, would use their own car. All consumers have a smartphone, less than half have a credit or debit card, however, they all have cash available. On the other hand, a relevant fact is that more than half would drive in a drunken state if it were not for Uber, implies that through this benefit accidents and conceivable deaths that happen every day are reduced. In the United States, Uber has coverage of 75% of the population, of which 22% of active drivers are women. In Mexico, more than 500,000 clients have joined the service (Pallares, 2016).

The company has recently implemented the issuance of invoices, that is, it still has this benefit unlike the competition, which different organizations need to produce charge credit, so current customers may require this voucher, be they moral persons, as well as to individuals, and thereby achieve a superior position in the market.

B. Conflicts studied

The dangers that threaten this company as an organizational entity that provides a private transport service, in the first place, is the professionalism with which it is handled, there is no guarantee that the driver can complete an expert driving, as is hypothetically guaranteed by the certification and in contrast to taxi drivers. The problem of the driving test and the basic requirements to acquire a driver's license in the corresponding modality shown to offer the service of taxis and other permits that are essential to deal with this specific car, which evidences legal shortcomings that decrease the safety of the traveler (Hernández, Galindo & Vicente 2015).

Another conflict is the certified identification of the driver, even though the driver must be a member of the firm and be registered as such in the application and the system, sometimes abusing the stipulated conditions, some drivers subcontract to others, to generate a business model in which the cars work on behalf of someone else and generate greater profits to the owner. On the other hand, another problem is the insurance coverage, since as the service provides a

private car that is granted private transport benefits, the company's protection covers the accidents of the driver and not of the passengers in some cases (Hernández, Galindo & Vicente 2015).

According to Ávalos (2015), "another inconvenience is the lack of loyalty that some leading partners can have towards the company. Some taxi drivers claim that there is an unjustifiable lack and disadvantage, since Uber would not be obliged to accept all the needs that are expected from the other organizations that report to the SAT (Tax Administration Service). "

4. Review of the empirical literature

A. Strategic reasons

Some of the competitive advantages that belong to Uber have to do with the fact of the price that the customer is willing to pay, and the methods of payment. In addition, requesting a taxi in Mexico, includes numerous circumstances. The first is the fare, in many parts of Mexico, including Guadalajara is common to be familiar with the idea that taxis have an excessive rate, since drivers not only take advantage of the lack of time that the traveler has, also of the region and the time for which the trip is made. A taxi does not charge the same in case it is requested in different areas of the city.

The Mexican, therefore, pays a taxi of about 40 pesos when talking about a reasonable trip. In any case, normally the benefit is not what is really worth, since travelers run the risk of being robbed or arriving unpunctually at the established place. This is a serious disadvantage with respect to services such as Uber, because due to this circumstance of stress and uncertainty, it achieves its objective in the quality, speed and convenience of transport (Barranco & González, 2016).

Regarding the issue of the terms in which the payment is made, it must be emphasized that Uber (whose number of members increases at a rate of 20% each week in Mexico) only allowed payments with debit or credit cards and for that, the card should be linked with the application. But recently, Uber also cashes in cash, this is due to the way in which Mexico generally cannot get a payment by card or by fees and that the money used for transportation is a part of their daily spending plan (Uber, 2017).

Another important point that has been a strategic feature of Uber is the growth trend in the market. The development of Uber around the world has been exponential. It is available in more than four hundred cities, in seventy nations and makes more than five million departures per day. In Mexico, the company is available since 2014 and from then on its development is no less amazing. Each week the number of downloads of its application increases between 10% and 15%. It is also taken as a competitive advantage of the company's performance that around 30% of the drivers complement their common salary working with Uber (Ávalos, 2015).

For the case of the components that allow their development in the market, emphasis should be placed on the use of innovation. All consumers of the service in Mexico have a cell phone and know how to use it. From that point of view, where are the cars that work as Uber, it can be chosen a traditional car or a larger one, as mentioned above. In addition, the application allows to see the brand of the vehicle, the color and the image of the driver. It can also be seen the progress before and during the trip on the map of the application. The foregoing is how, progressively, Uber has taken this strategy to reach the client (Barranco & González, 2016).

Another factor that is additionally significant is the dynamism, transparency and accessibility of the rates, and these cannot change once the trip is accepted, these are not established through the channel. The cost of the trip is estimated not by meter, but by the GPS of the app, and the course is recorded in the application. When the consumer pays, as a client of Uber, when the company

entered the Mexican market, it was important to enter a bank card number and at the end of the service, the application charged the agreed amount at the beginning, with the objective that the clients do not should deal with cash or stress over the fee or if the driver has enough change.

Likewise, in Mexico Uber saw that a large part of the clients could not access a credit, so the payment method has been updated to make it in cash. If the trip is shared, the application also allows to separate the passage. This clearly draws attention on the basis that the fees never exceed the desire to pay for a typical taxi (Barranco & González, 2016).

In the daily life of the consumer, when it is transported and the service provided causes some dissatisfaction, the company gives the option of accessing a driver rating system, an innovative and really useful aspect, which is that, upon completion of the travel, the app asks the consumer to value, through stars, how was the provision of transport service. With which, the company system records and evaluates the conditions and opinions of the consumer, in addition to checking if there is a conflict, taking some measures to receive the full satisfaction of the user, and can even reimburse the payment if it is the case. It is noted that these features are in no way presented in the taxi service.

Another factor that impacts its performance in the market is the advertising coverage it has. Uber manages the promotion through social networks, and with a recommendation method, and much of the Internet. The models and conditions of the cars also impact on the way to reach Mexican consumers, in contrast to taxis. Uber offers distinctive car models, regularly ventilated and substantially more current than regular taxis (Ferrer, 2015). The competitive advantages that Uber has play an extremely important role, since derived from them this company is positioned as a leader in the market. The drivers enjoy that there are no established hours to work, also that the commission charged for the use of the platform is about one fifth of the ticket and a part is involved in the promotion costs with the objective that the system keep working.

The assignment of orders for trips is done automatically as the system will request the service depending on the vehicle that is closest to the customer. There are no fees for opening or registration fees. The collection of services is typically week after week and with automatic deposit. Finally, it provides a reliable environment for the driver, because the trip is recorded in the system and who is the passenger.

The consumer also has several strategic advantages that the company has established, for example, through the app that is user friendly and easy to use, the cost for the service is specified and does not change before requesting it, in addition the application is accessible to change the route. The client can also evaluate and provide feedback to the service. On the other hand, Uber intends that the user is in a reliable and comfortable environment, because whoever takes it knows that his order, the trip and the driver are registered in the system. It also allows to monitor the trip. And finally, a vehicle is available quickly.

On the contrary, to the above, it is relevant to establish what competitive disadvantages Uber has and analyze later what it can do to solve them. The driver may appreciate that, for example, he has no labor protection, unlike taxi drivers. The type of coverage provided by insurers in a lawsuit may be uncertain. One aspect that usually occurs when Uber enters a new city is that the company has to negotiate with the corresponding authorities, since they do not have the proper regulations for this type of service at present. Another disadvantage is that it is necessary to have data to connect with the platform.

5. Research method

A. Analysis of competitiveness in the private transport business

For the projection of demand of the company to study, it is proposed to take as a reference the city of Guadalajara, which has a population of approximately 3 million citizens. It is in this sense that the projection of interest is expected to increase by one year around 35% in terms of the people who need and use the Uber in Guadalajara, as well as in different urban areas where the benefit of Uber is accessible (Uber, 2016).

Regarding the competence analysis, it is established that Uber works in a similar way to that of traditional taxis, causing direct rivalry with this type of transport; Be that as it may, it is not your most important rival. New applications that offer a feature such as Uber, for example, EasyTaxi or Cabify that have a place with a similar rank, qualify as immediate rivalry; It can also be said that car manufacturers could be displaced by this service, so they run the risk of reducing consumer demand.

Normally, in the market of public and private transport, the offer or chooses the places where the traveler is picked up and left, while, on account of the taxi, the client decides them. In other words, there are some significant differences between the types of public transport, for example, the train, the trolleybus, the ecobici or the buses, the taxis differ by choosing the stops. The variables that impact when choosing the service type of any option, for example, Uber, lie in the season, the amount of traffic and the speed of the service.

EasyTaxi or Cabify are not transport companies, they are organizations that grant the delivery of private vehicles (which can be registered as taxis) and, from time to time, process this modality. Be that as it may, a similar passenger transport benefit is given by an alternative legal person to these organizations, that is, the driver of the vehicle.

6. Analysis of Results

For the analysis of Uber's competence from a global point of view, it can be understood that Easytaxi is broad in 420 urban areas and in 30 countries, close to where Cabify has a reach only in Latin America, Spain and Portugal. Uber is on the five continents since 2011 and is developing as one of the most revolutionary organizations in the world sector. This firm registers a growth of 10% around the downloads that are made of the application.

In the case of allude to the classification of requested cars, it can be reasoned that there are two groups of consumers, the principal obtains the car by necessity and the second simply requests the car to acquire social status. The customer of need looks for a car for safety, comfort, quality, space and a lower price, so when choosing a car depends on the costs. However, the customer who only needs to have the car by status does not focus on the cost alone in the comfort and image of a luxurious year-round car.

On the side of the prices of the use of taxis in Guadalajara depend on many variables such as the price of gasoline, distance, time, supply, demand, traffic expectation, the area, the state of the car, insurance, etc. In a general average, the price per kilometer should be around 7.25 pesos with an increase of approximately one fifth at night. The tariffs in the different platforms are based on 5 variables mainly: time, distance, efficient route, traffic and demand.

According to Uber's behavior as a company, it is within an oligopolistic market structure. An oligopoly is a market governed by few organizations specialized in the sector. As a result of having two members in this type of market, each oligopolist knows the activities of its rivals. Since the choices of an organization influence or cause effects on the choices of others, a circumstance of equilibrium is established by the companies, with which the rivalry will not be

exhibited. It is worth noting that, in an oligopoly of this type, there is no evident rivalry for the fact that organizations can collude to leave no space for another firm to position itself as a contender and to have communication between the companies involved in the oligopoly process can get the best benefits, or on the contrary if they compete with each other, what the leading company does will impact and cause a specific response from the rival.

According to what the game theory establishes, if an organization is a pioneer or leader (Uber) instead of waiting for an equilibrium in which all competitors simultaneously reach an equilibrium (Nash, for example), the advantage of the leader company over the followers, that is, having a dominant business advantage over the other firms, which results in first making a decision to which they respond, that is, they take it later, the followers. A clear example in this model is the decision Uber made when agreeing to an alliance with cell phone companies (Telcel and Movistar) to offer their free wireless Wi-Fi service with customers who hire a rate plan.

This leads the leader to consider, for each election, that the followers will react according to their decision, so they correct their method of positioning themselves in the market, taking into account what the others' choices will be, as if in some way I could control them and result in their own advantage.

One strategy of the oligopolies, in recent times, is to reduce the cost below costs in order that the other companies cannot compete and once they are built, they raise their prices indiscriminately. By establishing the oligopoly as a conceivable case, there would also be the possibility of collusion. This happens when the firms in the oligopoly agree to act in a planned manner when they offer their products or services and increase costs, in this sense they achieve a greater advantage more important for each of them than when they act independently.

If Uber or other platforms were prohibited, the oligopoly of the taxis would be maintained since they would impose their prices according to their criteria. In case they were allowed to enter these platforms without restrictions, either fiscal or monetary, these would include the new oligopoly that would replace the conventional taxi service. In this sense, it is understood that, in some way, no measure is reasonable for the current financial situation. In spite of the above, it is not the only answer that could be shown by a competitor, it should be considered the scenario where Uber develops exponentially and becomes an imposing business model, that is, a Monopoly.

Limited to the above, it would be normal that, once the taxi service and the different contenders were eliminated, Uber will raise its rates and the commission it charges drivers. Most likely, as has happened with the taxi, the absence of rivalry will have an opposite effect on the nature of the company's initial. From the perspective of travelers and drivers, the situation of a private tax business model may not be entirely different from what was previously established with taxis.

Beyond Uber building its market control as a monopolist, it is currently smaller and should be considered. Particularly in the possibility that the firm has strategies to evade rivalry. For example, the imposition of UberPool (accessible in Mexico City) represents a significant disadvantage for rivals with smaller market scales.

A relevant aspect related to the analysis of prices, the rates are different in each city. in Guadalajara the rates vary due to the types of trips, these are estimated by base rate, distance and time. The standard fare is 7.25 pesos per km and 3.50 pesos per minute, where Uber charges by commission between 20% to 25% of the final fare of all trips. The cost of the fare also depends on the type of car chosen, of which the most relevant ones were already mentioned.

This type of services uses the dynamic rate, which applies when there are numerous trips requested in a specific area of the city and there are not enough drivers. For example, if there are

a couple of cars and numerous requests, the service estimate will be doubled by the estimation of the dynamic rate. The dynamic rate is calculated by increasing the base rate of the service by estimating the current dynamic rate.

The provision of this type of service works according to the law of supply and demand. The more consumers there are, the higher the cost to achieve a balance in the offer, or there would be an unstable demand. For example, if the cost is the same, but there are limited service providers. The waiting time would increase considerably, to the point where it will be unreasonably expensive, and customers would not wait much longer. This is solved by increasing the cost, so that customers who travel value the service even more. The above is shown in the following graph.

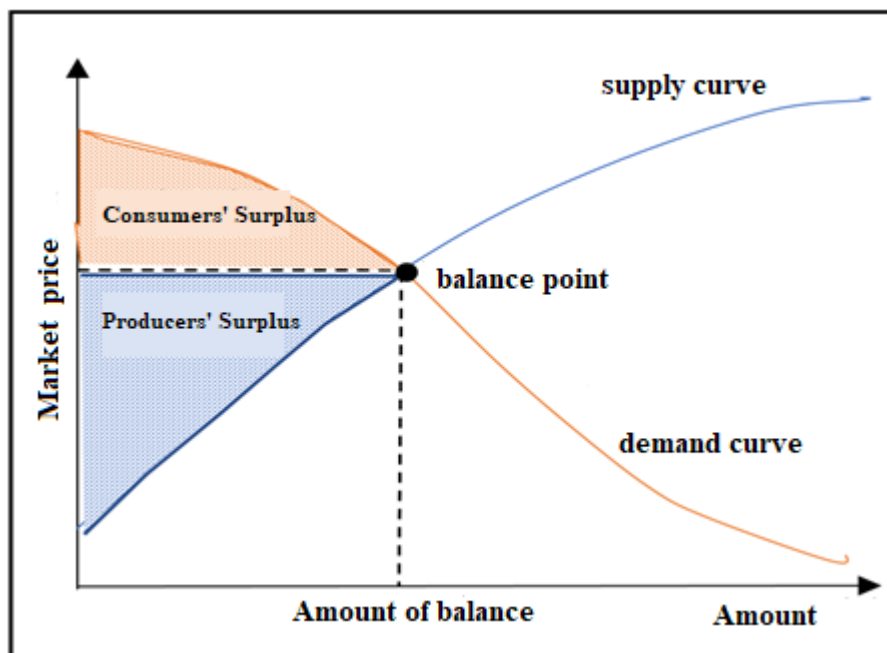


Figure 1. Balance point regarding supply and demand (Own elaboration with data from the MTJ, 2011)

The company has reasons to increase costs, and that means it can put more cars available for use, since drivers would get more cash on each trip, and they will be encouraged to activate the app and provide the service. That would suggest an expansion in the offer, so more users could travel, and therefore, Uber will have more benefits. Prices can go up well in times of high activity of people, big events. There are several cases of people who have paid four times more than normal for not risking public transportation in Guadalajara.

7. Conclusions and recommendations

The netizen who has used applications that provide the private transport service, offered by organizations that work with pairing between the user and the driver, has clearly changed the act of its urban versatility. Therefore, these organizations are also designing another method to offer the benefit of transportation, even though, first of all, the service was considered elitist and selective for a part of the population in its beginnings, for example, because of having credit cards. From now on, with the modifications and changes according to the collection system, the market opens up for a more prominent number of people,

Taking into account the previous analysis, it can be affirmed that Uber in the Mexican market has placed itself as an oligopoly that, little by little, has managed to control its competitors (followers) that provide a similar service. Without a doubt, the market that Uber covers to provide this

service maintains the specific attributes identified with the simplicity of its platform, through the app, the low cost, the comfort it offers, its service monitoring interface, and its attention to the client. The latter is what differentiates it mainly from the taxi service. The above added to the effectiveness of the service have allowed users to start adopting this service from casual to usual.

Apart from the fact that Uber has its own market, it is not the only solution to satisfy the demand for transport, an example of this is its direct competitors. The economic theory of the producer, states that these options are called substitute goods and are one of the components that affect the demand for the service. For this situation, the demand for Uber could have been met with these substitute goods, for example, taxis, trains, trucks, or ecobici.

However, in the event that the client considers that the cost, ratio and quality of service are insufficient to choose another option, he chooses to pay the increase in the cost created by an increase in Uber's demand. The theory of the producer mentions that, instead of establishing a maximum tariff for the benefit of the consumer, the entry of competitors should be encouraged and the conditions of the alternatives improved. It is concluded that a maximum rate does not solve the problem of excess demand, competition does.

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