

# UBER SLAMS INTO WALL IN VANCOUVER, CANADA

---

March 2017

Roadblocks and Strategic Marketing Decisions by Uber in Vancouver, BC with Interviews from City Councillor Geoff Meggs, and Uber Public Policy Manager Michael van Hemmen.

**Authors:** Al Leong, MBA and Jean Lachapelle, M.Eng., MBA

## Uber's Attempt To Disrupt Vancouver Stalls

*Uber's global expansion met with resistance from taxicab companies in various cities around the world, including Vancouver, Canada. Uber's technology is innovative but technically not disruptive, as it does not change the way taxi services are provided, but it does create more efficiency. By contrast, digital photography completely disrupted and destroyed the film and photofinishing industry. And ride sharing between cities has been around for at least two decades. Uber's disruption to the taxi industry may come because it bypasses transportation and taxi bylaws, regulations, and barriers to entry (such as training, fleet costs and insurance, plus the cost of medallions).*

### BACKGROUND

Uber's company story began in December 2008 when Travis Kalanick and Garrett Camp went to Paris, France, to attend a LeWeb technology conference. When they decided to take a cab, they both realized how difficult it was to get one. Shortly after they returned home, they developed an app for the iPhone that would help people get around. In January 2010, Uber's first prototype test ran in New York City and then San Francisco.

Although the company operates in the transportation industry, the folks at Uber would say that Uber is not a transportation provider, nor does it employ cars and drivers. Uber operates a system, or platform, that connects passengers to drivers via smartphone. A mobile app sends an email to a car, based on the passenger's location. Transactions are automatically billed to the rider, who has a credit card on file with Uber, allowing for cashless transactions. The company's business model is simple. Uber recruits drivers and pays their commercial taxi licence. It then connects those drivers with local rental companies. Drivers receive passenger requests via the Uber real-time app.

For Uber, the strategic and



capital asset management advantages of this model are significant. The crowdsourced Uber driver bears the burden of car ownership, maintenance and costs. Moreover, Uber owns no fleet, which expands and contracts based on supply and demand. Uber is the world's largest taxi company, but it owns no vehicles.

The company has received billions in funding from numerous investors and venture capitalists. Despite this tremendous success in raising money and its fast expansion plan, Uber has strong competitors in various geographical markets worldwide: Lyft and Curb in the USA, Grab in Southeast Asia (Malaysia, Singapore, Thailand, Vietnam, Indonesia and the Philippines), Ola in India, and Didi Chuxing in China.

### **EFFICIENCY—BUT WITH RISKS**

The Uber system is efficient and cost-effective. Rides are requested by customers on the app and drivers are crowdsourced using their own personal vehicle. Fares are set by the company, prepaid by customers with a credit card or PayPal, and are typically 20% to 50% less expensive than those of a taxicab ride. Cars are clean, if not cleaner, than taxicabs. Riders can select from several types of transportation options available: cars, minivans and luxury cars (“UberSELECT”). In communities with populations over 30,000, getting an Uber takes as little as three to five minutes, depending on the time of day. Fares are pre-set and prepaid, and routes are mapped with GPS. Passengers no longer have unscrupulous taxicab drivers who take the long route or drive in circles to increase the fare. Assaults on Uber drivers are uncommon, since customers must register their identity and have a valid credit card or PayPal account to get a ride (there's an audit trail).

However, as of December 1, 2016, as reported by WhosDrivingYou.org, there have been 46 alleged assaults by drivers, 206 alleged sexual assaults and harassments, 9 alleged kidnappings and 10 deaths.

The BBC reported that an Indian Uber driver was charged and subsequently convicted of rape in 2015,

and Bloomberg reported a study from Christopher Knittel, a professor at the MIT Sloan School of Management, which found racial discrimination by Uber and Lyft drivers against black passengers (pickup failure). The study found that Uber drivers disproportionately cancelled on riders with “black-sounding” names, even though the company penalizes drivers who cancel frequently.

### **THE MARKET UNIQUENESS OF VANCOUVER, BRITISH COLUMBIA**

But what has happened in Vancouver? And, in fact, in the entire province of British Columbia?

Vancouver city councillor Geoff Meggs describes the unique situation that Uber faces in B.C. and in the Greater Vancouver Regional District (GVRD). A primary reason for Uber's lack of adoption is legal and related to insurance for prospective Uber drivers; he stated that Uber drivers can't get insured throughout B.C. because the Insurance Corporation of British Columbia (ICBC), a Crown corporation, has a legal monopoly on auto insurance in the province. However, drivers can get an insurance policy on the ICBC website—it just appears to be expensive, and it's rated at the same class as limousine and cab drivers.

Meggs stated, “Unlike Montreal, Ottawa, Toronto or Edmonton, the City of Vancouver has an overlapping jurisdiction with its provincial counterpart. This means that both the city and the province have their rules and requirements, mostly complementary but not always, in the transportation sector. For example, the provincial regulators set the number of taxis in each jurisdiction and issue passenger transportation licences, while the city adds rules such as a criminal background check and a chauffeur permit from the Vancouver Police, as well as a low-emission vehicle requirement (which favours such vehicles as the Toyota Prius). The additional uniqueness of Vancouver, besides the fact that the city is not an amalgamated municipality, is that its auto insurance is regulated and controlled by the provincial government, i.e., ICBC.”

Furthermore, there are safety and service quality concerns regarding Uber drivers.

Taxicab companies argue that established protocols for criminal background checks and taxicab driver screening, as well as licensing, eliminate these issues of public safety and discrimination. The added cost of licensing (arguably quality control) is included in the taxi licensing fee, which runs upward of \$1 million, and that's why a taxicab ride costs almost twice as much as one from Uber or Lyft. Councillor Meggs stated, "The City of Vancouver's position was that we wanted to move to ride sharing in a way that protected the assets that we feel we have as a result of the taxi system. So we think there's some real benefits to it." He characterized Uber as "very pleasant people, but the overlying message was rude".

The additional regulations from the City of Vancouver in the tourism sector, as well as in the transportation industry, stem from the fact that "the stakeholders are extra-fussy," says Meggs. "If there is an opportunity for the taxi industry to innovate and meet this competition, we would welcome that."



## UBER'S RESPONSE

During an interview with Michael van Hemmen, public policy manager at Uber, we asked specific questions about the company's market entry into Vancouver and their approach to marketing in this unique environment. We asked about their approach to managing not only ICBC and the insurance policy issue, but also about lobbying governments to change rules about insurance.

Van Hemmen stated, "So the insurance regime is different in B.C. than that in other provinces. From a policy perspective, the mode that we see best is coalitions. It's one thing for a single company to say, "We want you to change these rules," but what we're also doing is we're going around to a variety of stakeholders, including the Vancouver Board of Trade, the Suzuki Foundation and other types of organizations, such as tourism and the cruise ship industry, and highlighting the benefits that this improved urban mobility provides not just for Uber, but for their organizations, their stakeholders and society more broadly. As government hears from a wide variety of stakeholders that this actually should be done and it should be done sooner rather than later, that's when government starts to pay more attention and it starts to act."

And when probed about whether he thought marketing efforts in Vancouver were different from those of other jurisdictions that do not have these policy issues, van Hemmen elaborated on the subject. "These challenges arise everywhere. So there's truth in that. We're continuing to iterate and evolve products. There's politics associated. In many ways, it's the same. When you're looking to change

or update rules, the way that you encourage that chance to happen is to engage potential customers or partners, and in that sense, it is marketing.”

“You have to remember, we’re a very young company,” said van Hemmen, who seemed to suggest that policies, plans and strategies were not fully in place and Uber was learning as it acted, or reacted, to governments and markets.

### **GENERAL RECOMMENDATIONS: WHAT COULD UBER AND TAXI COMPANIES DO NOW?**

Some existing Uber drivers might argue that the quality of work and revenues are no better than those associated with driving a regular taxi, but besides creating jobs, Uber might consider the following:

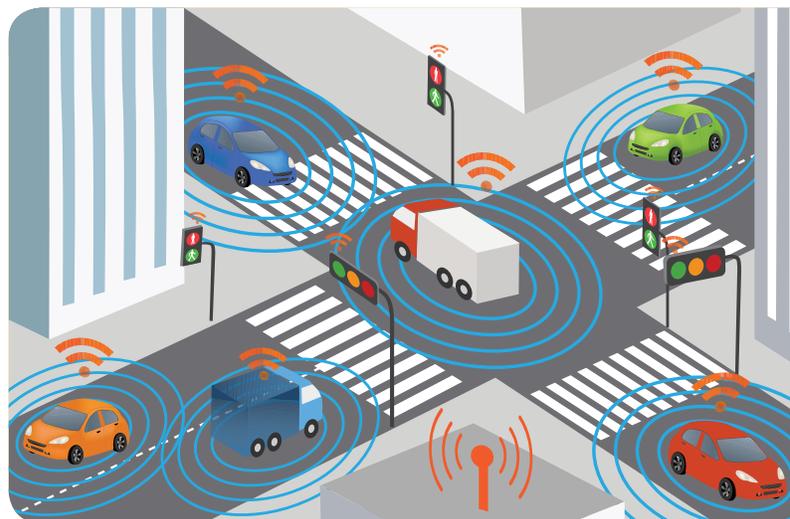
- *Sharing its data from its big data analytic tools with local city government to improve transportation planning*
- *Reinvesting some of its profits in local charities and giving back where it operates (TELUS’s Day of Giving motto We Give Where We Live is a great example!)*
- *Engaging in a friendly and open way with all levels of government, not just provincial, and demonstrating collaboration with stakeholders, including taxi companies*

- *Proposing a partnership or alliance strategy with taxi companies to avoid competition, which would result in lower wages, as the success of Uber lies in the promise of always having passengers*

- *Incorporating a feature on the app to provide riders with the option of choosing a standard taxicab*

Taxicab companies might consider the following:

- *Improving customer service and metrics for service quality*
- *Increasing vehicle comfort and learning about best practices in the retail, banking and travel sectors, for example; customers are always willing to pay more for a premium experience, better services and safety*
- *Eliminating the need for a dispatcher and developing their own platform*
- *Implementing a marketing program to develop repeat customers and thus customer lifetime value, rather than one-off transactions*
- *Using digital technologies and learning about the wants and needs of millennials and iGen (or Cloud Gen), namely, access, experience and sharing, which appear to replace the concept of ownership*



- *Reviewing the entire cost structure and eliminating steps or activities that bring no value to riders*

In addition to these general business recommendations, we have identified three specific marketing ideas that may or may not have been considered by Uber, but which we believe would facilitate Uber’s market entry into Vancouver.

### TOP THREE MARKETING RECOMMENDATIONS FOR UBER

1. View marketing for Uber to include public lobbying and demand generation, combined to showcase voter enthusiasm to change legislation and policies that prohibit Uber’s operation in B.C.
  - a. Develop an integrated media campaign (TV, radio, print, social media, etc.) to both register support for Uber and lobby government officials; the cost of this campaign should be equivalent to, or less than, the lost opportunity cost of revenues derived from Uber services in a city or jurisdiction equal to the size of the GVRD or B.C.
  - b. Dedicate a legislative or lobbying campaign to businesses wanting to partner with or who would benefit from Uber’s market entry (travel & tourism)
2. Create a pre-marketing campaign aimed at Uber users and drivers that funnels them to the mobile app and website to solicit further action.
  - a. Lobby government and ICBC, as well as their partners and associations
  - b. Get the public to sign a petition (by riders) to lobby government to change rules
3. Launch educational campaigns (surrounding issues, legislation, service, benefits, myths and laws).
  - a. For Uber drivers, dispel the myth that ICBC is not providing insurance. In fact, drivers can already get ICBC coverage if they have a Class 4 licence. They can be insured to drive for Uber in Vancouver.
  - b. Increase the number of Uber drivers by creating a taxi driver “switch” campaign to encourage taxi drivers to drive for Uber; facilitate market entry by increasing the supply of qualified drivers
  - c. Start Uber app services in the GVRD and throughout B.C.



In conclusion, Uber attempted to enter the Vancouver market without understanding the impact of government-controlled (monopolistic) insurance and other legal issues not found in other jurisdictions. While it has attempted to lobby the local city and provincial governments on changing

rules and bylaws regarding car-sharing services, it has failed to develop a comprehensive and focused strategy to enter this highly regulated market.

The authors have provided eight strategic and tactical marketing recommendations for Uber to accelerate market entry in the GVRD.



Al Leong is a former contributor to Techvibes. He earned a Bachelor of Commerce in Marketing from UBC; an MBA in Global Management, Strategy Consulting and Technology Innovation from the University of Toronto; and a Certificate in Managing Complex Product Development Projects from MIT, Sloan School of Management. He has consulted for clients and projects including Adobe, Apple, IBM, Motorola, Disney, Estey-Hoover/Deloitte, IDC/IDG Canada, Microsoft, Ogilvy & Mather/Direct, Siemens, Sony and the US Department of Defense. If you need consultation or advice, or assistance with developing powerful, elegant and innovative solutions, contact him at 1 604 781 4470 or at [alleongvbc@gmail.com](mailto:alleongvbc@gmail.com).



Jean Lachapelle is a strategic and hands-on marketing leader with a track record of value creation in the B2B and B2G global market landscape. Quantitative approach to sales, demand generation, competitive strategy analysis, customer mapping and segment selection, branding, product and service positioning. Focused in creating and delivering customer value, ROI and market success in small to large organizations, more recently at TELUS and a number of technology firms in Ottawa, Montreal, Quebec City and Silicon Valley, California. He holds an MBA in Strategy & Marketing from HEC Montréal, a Masters of Engineering from McMaster University, and is a business Coach and Mentor at Futurpreneur Canada and the University of British Columbia.