



# A Post-Uber Ecosystem: *Smarter Transit Solutions*

White Paper

# Introduction

When Uber first launched in San Francisco in 2010, it was a disruptor in the market. Its goal: to replace the existing passenger transportation system with a more progressive startup model. Having the first-mover advantage gave Uber a strong start, and no one can deny they've had an impact—but they have yet to meet the expectations they set out for themselves. After over a decade of unprofitable operations, Uber reported its first profitable quarter at the end of 2021, and the transit industry has much to learn from their trajectory.<sup>1</sup>

Without competition, the taxi industry was stagnating, and failing to meet customers' needs. Uber filled the gap with lower costs, shorter wait times and simpler billing. They made a clear point of putting the customer first in an industry that has traditionally prioritized its drivers instead. The results were decisive: after Uber launched in Southern California, taxis in LA saw a 42% drop in pre-booked trips and a 30% drop in trips overall.<sup>2</sup> The vast majority of Uber's passengers were picked up within 10 minutes, compared to less than 40% of those taking traditional taxis.<sup>3</sup>

Smart taxi companies got the message. Leaders in the industry have responded by striking a balance and focusing more on delivering a great passenger experience, without losing sight of their drivers' needs. From corporate accounts to paratransit services, more taxi companies are expanding their offerings and embracing collaboration to stay competitive in the transit ecosystem. They're also incorporating user-friendly technology (e.g. Passenger Apps, Automated dispatch) to stay up-to-date. Taxi companies are in a position to make a strong comeback as they integrate with other systems and offer better services.

Uber's failures to generate profit in the first decade were not unexpected. As a first-mover in the space, Uber had specific disadvantages that they've had to overcome. While they've overlooked some key considerations, they've also helped push the transit industry towards new models and systems that are long overdue.

1. <https://www.businesstravelnews.com/Procurement/Uber-Posts-First-Profitable-Quarter>

2. <http://www.latimes.com/local/lanow/la-me-ln-uber-lyft-taxis-la-20160413-story.html>

3. <https://www.forbes.com/sites/ellenhuet/2014/09/08/uber-lyft-cars-arrive-faster-than-taxis/#429b01d6f2cb>

## Uber's PR Nightmare

Since the beginning, safety has been a big concern for Uber's customers. Unlike taxi companies, the ride-sharing platform does not adhere to standard regulations and procedures. The result has been a string of high-profile horror stories about the company from passengers, drivers and employees.

- **Abuse of passengers.** Uber drivers have been accused of [kidnapping](#) and rape. In the latter case, they allegedly [mishandled medical records](#) in an attempt to reframe the attack as a conspiracy theory.<sup>4</sup>
- **Sexual harassment and lack of diversity.** In February 2017, an engineer at Uber revealed rampant sexism within the company culture, which eventually led to an internal investigation and the [firing of 20 employees](#)<sup>5</sup>. This followed in the wake of a diversity report that showed that [88.7% of the leadership at the company were men](#),<sup>6</sup> and [one board member's resignation](#) after making a sexist comment in a meeting.<sup>7</sup>
- **Data privacy issues.** The company's intrusive tracking software aims to get maximum revenue from their users, going so far as to ["fingerprint" their users' phones](#) even after they delete the app.<sup>8</sup>
- **Spying on competitors.** Using a tracking software called "Hell," Uber allegedly [created fake Lyft accounts](#) between 2014 and 2016 to obtain a better view of where its competitors' drivers were operating in the city.<sup>9</sup> The company was also accused of requesting rides on Lyft and then cancelling them, and of trying to poach Lyft drivers.
- **Poor prioritization.** In 2016, Uber [lost a staggering \\$2.8 billion](#),<sup>10</sup> a figure that's incredibly high even for much larger companies like Apple, Amazon and Google. These losses weren't a result of things like paying their drivers fairly, or protecting their customers—a large portion of Uber's expenses go to product placement and marketing.
- **A lack of collaboration.** With stunts like the Lyft tracking scandal and the alleged [theft of Google's self-driving car tech](#), Uber has focused too much on attacking their competitors, when they could have accomplished much more as allies.

Ultimately, Uber's CEO Travis Kalanick was [forced to step down](#) in June 2017 as investors attempted to get the ailing company's image back on track after [leaked footage of Kalanick](#) showed him in a heated conversation with an Uber driver.

Uber's continued accusations of business malpractice have all added up to a damaged brand. However, it isn't just Uber's image, or their unconventional operational tactics, that are causing problems. It's their business model.

4 <https://www.nytimes.com/2017/06/15/technology/uber-india-rape-lawsuit.html>

5 <http://www.vanityfair.com/news/2017/06/uber-fires-20-employees-harassment-investigation>

6 <https://www.theguardian.com/technology/2017/mar/28/uber-diversity-report-white-male-women-minorities>

7 <https://www.nytimes.com/2017/06/13/technology/uber-sexual-harassment-huffington-bonderman.html>

8 <https://www.wired.com/2017/04/uber-didnt-track-users-deleted-app-still-broke-rules/>

9 <https://www.theinformation.com/ubers-top-secret-hell-program-exploited-lyfts-vulnerability>

10 <http://money.cnn.com/2017/04/14/technology/uber-financials/index.html>

## Lessons the Transit Industry Needs to Learn

Clearly, there's a need for a new approach to transit management. Uber may not have gotten everything right, but the whole transit industry has a lot to learn. What we need is a new way of thinking about transit through a collaborative people-first framework.

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## Putting People Over Product

When it comes to transportation, customers really don't care about branding. In general, people don't value transportation the same way they do a consumer good, and they want to pay as little as possible to get around. When companies put product over people, there's no customer loyalty—people will choose whatever method is the quickest and cheapest.

## Providing Adequate Support for Drivers

No matter how much money a company spends on advertising and marketing, its branding will not improve if drivers and employees are not treated well. A more sustainable approach to spending is to invest money in long-term benefits (such as driver training and insurance), and take steps to care for its employees.

## Understanding the Importance of Collaboration

As stated above, customers don't care what brand of transportation they take—they just want the quickest, cheapest ride to their destination. This makes it easy for unwary transportation companies to take a "race to the bottom" approach where they undercut each other until no one is profitable. Instead, effective transportation companies need to cooperate to create an integrated transport network where each company focuses on their strengths.

## The Real Solution for Transit Companies

Ultimately, the services that will win are ones that offer a fully integrated network of transportation services. Instead of seeing themselves as separate players, companies should consider their role as part of a larger transportation system.

## A Seamless Transit Network

A successful transportation company should aim to interface with as many networks as possible. This includes investing in things like self-driving cars, universal apps and an efficient taxi management system through tools that streamline taxi scheduling and dispatch.

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A comprehensive transit network is composed of many different parts, from taxis and light rail to biking and paratransit. Unfortunately, the progressive startup model doesn't take into account the bigger picture of mobility within the local transportation network. For the transportation industry to stay ahead of the curve, it will need to invest in creating the most fully integrated system of transit services in the market, which will allow many different players to participate in a singular platform. The regions that are most likely to succeed have forward-thinking authorities that work together with their organizations and governments.

Uber failed to make that connection in China, where they [lost \\$2 billion in two years](#) before getting bought out by Didi Chuxing, the biggest ride-hailing service in the country.<sup>11</sup> Uber's acquisition of paratransit service provider, Routematch, didn't deliver the expected results. Routematch's service offering for Massachusetts Bay Transportation Authority (MBTA) resulted in [significant degradation of service for paratransit riders in Boston](#)<sup>12</sup>. MBTA had to switch back ADEPT, a solution provided by StrataGen (a DDS Wireless company)<sup>13</sup>. However, they may be on the right track in Canada. In Innisfil, Ontario, Uber struck a deal with the municipality to [integrate with its public transit system](#),<sup>14</sup> allowing residents in the geographically distributed town to travel to train stations and other hubs with Uber. This is the kind of collaboration that is needed to secure healthy local transportation industries and ensure success for all transport providers.

11 <http://www.cnbc.com/2016/08/01/chinas-didi-chuxing-to-acquire-ubers-chinese-operations-wsj.html>

12 <https://www.wcvb.com/article/mbta-squanders-2-million-failed-bid-improve-the-ride/40232969#>

13 [https://www.linkedin.com/posts/dds-wireless\\_transit-paratransit-schedulingsoftware-activity-6944750063864745984-zYFv](https://www.linkedin.com/posts/dds-wireless_transit-paratransit-schedulingsoftware-activity-6944750063864745984-zYFv)

14 <http://www.ctvnews.ca/canada/ontario-town-partners-with-uber-to-provide-public-transit-service-1.3414379>

## Integration with Technology

For many years, the taxi industry relied on the same dispatch model. Customers called a central dispatch number, and dispatch sent a car when possible. But passengers today expect faster, more streamlined service. The majority want to press a button in an app, or send a text, and have a car arrive in just a few minutes.

Uber pioneered this approach, but forward-thinking taxi companies picked it up fast. They are improving their offering with tech solutions that make life easier for passengers, drivers, dispatch and administrators, such as:

- [Passenger apps](#) to order cars and track bookings
- [Driver apps](#) to track flags and bookings and suggest the fastest route
- [In-vehicle technology](#) with GPS vehicle tracking and voice and data communications

Another smart approach for taxi companies is to partner with popular apps to offer built-in taxi booking for users. For example, a link in the NFL or PGA app would allow sports fans to book a car immediately following big events.

## Considering the Driver, the Passenger, the Dispatch and the Administrators

Taxi companies have historically focused on keeping their drivers happy. Uber's approach has been to satisfy the passenger instead, which is why they were able to build popularity and grow a user base so quickly. Ultimately, neither approach is sustainable.

A driver-first approach to transportation fails to address the needs of the paying customer, and a passenger-first system makes it too challenging for the driver to profit. Instead, transit companies and regulators need to take a blended approach that considers context and works to satisfy all parties involved: not only drivers and passengers, but also dispatch and administrators.

Part of that approach is taking a fair look at the regulations in the transit industry. In the past, taxi companies have been held to a set of strict regulations, but Uber has been allowed to operate outside of these rules. To make things fair and safe for all parties, cost structures and insurance requirements need to be consistent across all passenger transportation operations.

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Taxi regulations were initially established in the 1930s, when taxi supply outstripped demand. The regulations were a necessary step to ensure drivers could make a reasonable income. Individuals who want to become taxi drivers are responsible for paying fees, passing a criminal background check and having a clean driving record. In many areas, taxi drivers also require a chauffeur license or permit, and are vetted by taxi companies prior to starting work. Ridesharing alternatives may need to take a similar path as their supply of drivers rises and impacts driver profitability. Particularly as the transit industry shifts towards a codependent ecosystem, driver standards must be consistent across providers.

When it comes to transportation, it isn't as simple as being passenger- or driver-focused. From the driver and passenger, to the dispatch and administrator, every party involved is interconnected and codependent. As the industry shifts towards a cohesive ecosystem, driver qualifications and passenger experience standards must be consistent across providers.

# Summary

As a first-mover in the space, Uber has run into some challenges. Meanwhile, the taxi industry has had to make adjustments since Uber's launch, which have elevated the caliber of the industry and the service it provides. Most fleets offer better customer service than they used to, and widespread [mobile booking apps](#) make it easy for passengers to find, book and track a car. The taxi industry was stagnating, and the threat of competition forced taxi fleets to do some serious self-reflection, even in cities where Uber doesn't operate.

Regardless of its own long-term success, there's no doubt that Uber effectively changed the transit industry. Uber forced its competitors to reassess and adapt in a way they had not been challenged to do in decades, and inadvertently taught smart transit companies that they must serve every stakeholder in the equation in order to succeed. After all, transit isn't just about one party—it's about everyone working together to get people where they need to go.

*Connecting people through on-demand transport. With industry-trusted tools, [DDS](#) makes life easier at every step of the journey.*



## About DDS Wireless

At DDS Wireless, we are passionate about leveraging technology to provide intelligent solutions to the transportation sector. With our revolutionary AI (Artificial Intelligence) driven routing and scheduling software, we enable transportation providers to offer highly efficient and cost-effective services to their customers.

DDS Wireless is an international company based in Vancouver, BC, Canada and offices in the USA, Finland, the UK, and Sweden. Our cloud-based SaaS offerings are used by numerous paratransit, demand response transit, school bus, and taxi operators around the world. We are proud to support some of the largest operators in the passenger transportation industry including North America's largest transit authority offering service to over 30,000 paratransit riders every day.

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