CUSTOMER EXPERIENCE | HOW UBER WON THE RIDESHARE WARS AND WHAT COMES NEXT

How Uber Won The Rideshare Wars and What Comes Next

How Uber won the first phase of the rideshare war and how cabs, competitors, and car companies are battling back.

BY ELYSE DUPRE — AUGUST 29, 2016

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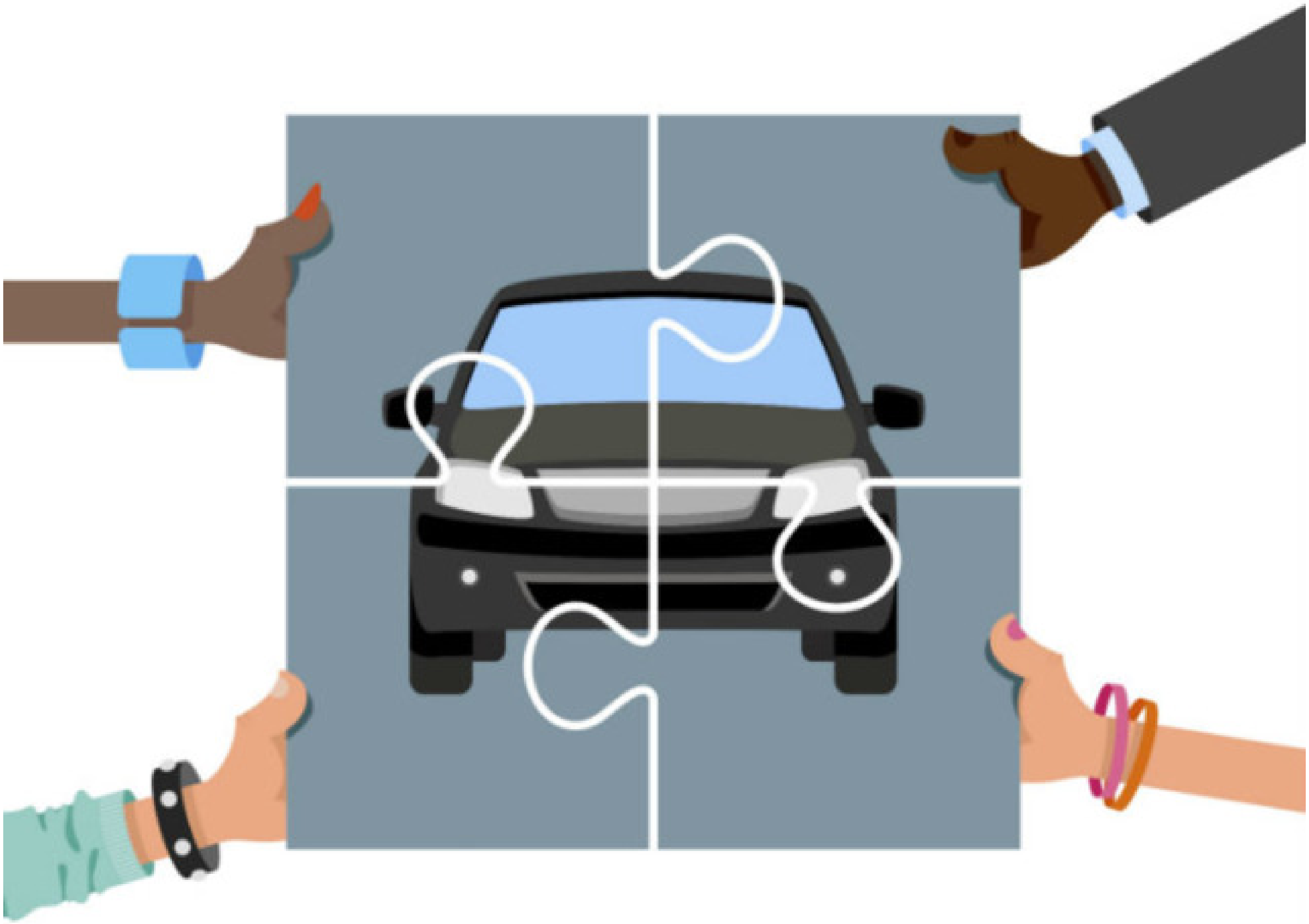

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In 2011, two University of Michigan alums Adrian Fortino and Jahan Khanna partnered with venture capitalist Sunil Paul to revolutionize how people got from point A to point B quickly without having to do much.

The company was Sidecar, and the idea was simple: "We're going to replace your car with your iPhone," Fortino explains.

Sidecar did not lack competition. Around this time, the taxi industry was experimenting with new ways to make it easier for individuals to summon cars. And entrepreneurs, frustrated with wait times, imagined new ways to hire someone to drive them around. Multiple companies formed to solve this need, including one that is now considered a global powerhouse: Uber.

By the time Sidecar went into beta testing in February 2012, Uber, or UberCab as it was originally known when it was founded in 2009, had raised at least $37.5 million at a $330 million post-money valuation, according to VentureBeat. Lyft followed shortly after when it went into beta in mid 2012, boasting more than $7 million in funding, according to TechCrunch's figures.

Ridesharing had quickly become the VC-backed battle for the future. So why launch Sidecar in the face of such competition? Fortino says he wasn't concerned at the time.

Uber focused on providing a black car service (using high-end cars) with professional drivers, whereas Sidecar enabled anyone with a car–any car–to pick up passengers.

Fortino says the thought at the time was there seemed to be enough space in the ridesharing market for more than one player. They were not alone. Many players started up during the late 00s, early 10s, looking to own a city or gobble up market share as urban dwellers without cars flocked to the ease of mobile car hailing.

“We didn't think of it as ‘Oh man, we're going to go after a Goliath,” he notes.

But a Goliath it did encounter.

Uber, worth $62.5 billion based on Bloomberg's 2015 estimates, is now considered one of the most innovative and powerful companies in recent memory: this generation's Amazon in terms of its ambitions and scope. It has a presence in about 500 cities worldwide, and in July, Reuters reported that Uber had completed more than two billion rides—a feat that it achieved six months after hitting its first billion.

Ultimately, the competition would prove to be too much for Sidecar. And by the end of 2015, it announced that it was ceasing all operations. Then in early 2016, Sidecar revealed that General Motors (GM) had acquired some of its assets and would be hiring a number of Sidecar employees.

Indeed, the marketplace has contracted in the face of Uber's dominance. The second largest player, Lyft, is burning through cash in its fight for marketshare, too. In April 2016, Bloomberg reported that Lyft had promised investors not to exceed $50 million a month in losses. Lyft is still humming along, though media reports say it has hired Qatalyst Partners, an investment bank offering merger and acquisition consulting.

Although Uber started as a black car service, it has expanded into a logistics network—one that now transports food, deliveries, and passengers and is a contender in the autonomous car market. As Travis Kalanick, CEO and cofounder of Uber, once told TechCrunch, “Uber is ultimately a cross between lifestyle and logistics. Lifestyle is ‘Give me what I want,’ logistics is ‘How do I get it?’”

But its march to world domination isn't without hiccups. According to Reuters, Uber is still losing money—at least $1.27 billion in the first half of 2016. It also recently ceded the Chinese market—long the major global expansion goal—to rival Didi Chuxing. If it couldn't beat them—and regulation and inability to scale up drivers made that a reality—it would join them. In August, Uber announced its intention to merge its Chinese operations with Didi Chuxing while investing in the competitor—bringing Didi Chuxing's valuation up to $36 billion, according to The Wall Street Journal.

So, how did Sidecar, once considered a top competitor in the U.S., end up closing its doors while Uber, a company Fortino failed to recognize as a force to be reckoned with, build up a brand that is now seen as a titan in both the ridesharing and logistics industries? And can any of its competitors dethrone the king?

Uber declined to talk to DMN for this feature so we have pieced together some of the reasons through interviews with competitors, industry watchers and analysts, and public documents.

The birth of Sidecar

Like many startup stories, Sidecar's story is one of humble beginnings. In 2009, Fortino and Khanna founded a fleet management software company called Shepherd Intelligent Systems (SIS). The SaaS tool allowed managers of transit buses, shuttle fleets, or taxi services to monitor where its vehicles were and how their drivers were performing. The company also offered consumer-facing technology to inform passengers when their ride would be arriving.

"We built that up into a nice, little company," says Fortino, now a partner at venture capital firm Mercury Fund.

That "nice, little" company started generating nice results. Magic Bus—a student project turned SIS app that allowed University of Michigan students to track the school's bus transit system—had an 85% penetration rate, according to Fortino. So, he and Khanna decided to expand the company and sought out investors. Paul agreed to invest in Fortino and Khanna's vision, and the three of them cofounded Sidecar in San Francisco in 2011.

Given the funding and technology available, Fortino knew that the company had to narrow its focus if it was going to succeed. So, he transformed the B2B business into a B2C brand. Instead of targeting fleet managers of various train and taxi systems, Sidecar's cofounders decided to target consumers with instant rideshare.

After Sidecar rolled out in June 2012 following months of beta testing, Fortino decided that he'd had enough. His commute between Silicon Valley and Ann Arbor began to take a toll on him, and at the end of that year he left the company to spend more time with his family. Still, he felt confident that Sidecar would succeed.

"I hired the marketing guys; I pulled in some operational people. I felt really good about it," he says.

The rise of an industry

Many of the ridesharing companies' origin stories hatched when serial entrepreneurs had to wait a long time for cabs. For Gett, it was founder and CEO Shahar Waiser's 30-minute wait for a cab in Palo Alto; The lightning bolt for Kalanick and Garrett Camp, Uber's other cofounder, was the result of a long wait for transportation in snowy Paris during the LeWeb conference.

Ridesharing was a response to the frustrations of getting a cab, which required people to wait outside and watch off-duty or passenger-filled cabs speed by—or worse have someone walk in front of them and steal their cab. So perhaps it's ironic that the taxi industry was the one taking steps to provide mobile ridehailing before any of these other companies were founded. RideCharge (which later morphed into Taxi Magic and then Curb) had been around since 2007, and brands Cabulous (which later became Flywheel) and GetTaxi (which eventually became Gett) entered the scene in 2009 and 2010, respectively.

These taxi companies made up one of five categories in the ridesharing industry: There were the established self-drive, car-sharing players like Zipcar, which launched in 2000; the startups reimagining the black car experience (Uber); the startups looking to pair people together for long trips (Zimride – which became Lyft); the startups looking to build software to improve the taxi industry (GetTaxi, Cabulous); and the startups creating a whole new marketplace – where normal citizens could treat their cars as inventory and make money through providing rides to those in need (Sidecar).

Because their intended audiences were different, their approaches were different, too.

Whereas Uber originally relied on chauffeurs to transport customers from point A to point B, Sidecar leveraged a peer-to-peer model.

There was also a difference in payment. Uber calculated fares based on passengers' mileage and time spent inside of the vehicle. Sidecar's fee, however, was completely donations-based. The Sidecar app would present travelers with a suggested donation based on what other passengers had paid. But at the end of the day, it was up to the passenger to determine the fare.

Fortino admits that he and his cofounders were concerned about freeloaders; however, they found themselves with a much bigger—albeit nicer—problem: Most passengers were paying 20% more than the suggested price, he says. So, the company transitioned to a minimum fare model in 2013—one that calculated passengers' cost based on distance, time, and traffic, according to PCWorld. It then switched to a marketplace model in early 2014 that allowed drivers to set their own rates and enabled passengers to pick their drivers based on factors like estimated time of arrival, price, and past favorites, PCWorld writes.

“At some point you're like, ‘You shouldn't be paying somebody $35 for two blocks,'” Fortino says.

There was also a difference in branding. Uber focused on offering consumers a luxury, on-demand black car service, complete with high-end SUVs and sedans. Sidecar, contrastingly, focused on providing a friendly, more informal experience—asking drivers to use their own cars to tote around other passengers and invite their guests to sit in the front seat.

Sound a little bit like Lyft? Fortino thought so, too when the pink mustache company rolled into the market in August 2012 after three months in beta.

“We said, ‘Oh wow. Huh. Doesn't that look familiar?'” he recalls. “I think it's pretty obvious that they did a very impressive fast following.”

A new player emerges

Founded by John Zimmer and Logan Green, Lyft, a spinoff of long-distance carpooling service Zimride, beta launched in the Bay Area in May 2012, officially launching months later in August. By August 2013, Lyft reported that it was in seven cities and had completed one million rides.

Lyft declined to talk to DMN for this article.

Lyft and Sidecar shared many similarities: Both were peer-to-peer networks; both accepted payment in the form of donations; both put an emphasis on community and friendly experiences. Lyft even dubbed itself "your friend with a car" and had its drivers fist-bump passengers and invite them to sit in the front seat.

But there was one thing that distinguished Lyft from Sidecar—and from the entire ridesharing community, for that matter: its fuzzy pink mustaches. The ridesharing company encouraged drivers to adorn the front of their vehicles with these plush facial hair figures.

"It's part of the fun; it's part of the whimsy," Zimmer told *Inc* back in 2014. "It's trying to get people to smile. Even if a driver won't put it on his car, he's probably smiling about it and talking about it. The mustache is a symbol of trying to connect and to have fun."

Indeed, while there were no doubt people who enjoyed the whimsy of Lyft, others found it to be annoying or, less charitably, stupid.

"Some of it was dorky," said Courtney Buechert, CEO of Eleven (Lyft's creative marketing agency from 2014 to the end of 2015). "Not everyone wanted to do a fist bump or get into a car that had a droopy pink mustache hanging off the front of it. But the heart of it was very, very powerful and very very genuine."

Uber's private-driver brand and Lyft's friend-with-a-car persona leads customers to develop an almost Coke-versus-Pepsi-like preference. As Dava Guthmiller, founder and chief creative officer of Uber's former brand strategy agency Noise 13, points out, both were essentially delivering the same product, yet people aligned themselves with one brand or another.

"I think the extreme difference of black car versus pink mustache was a brand differentiator that people really connected to one way or the other," she says. "Even as the price point became more and more identical and surge pricing became more identical, I think that there was a personality difference between the two....The difference in the product is so minimal, but it's really about the marketing, brand loyalty, and all of those kinds of things."

Buechert says the press and business world wanted to build a narrative that cast Lyft as Uber's number one competitor.

"The business press in particular loves a good two horse race," he said.

Marketplace intersects

As Lyft specifically ramped up its following in San Francisco, Uber was not going to idly stand by with its high-end product.

"If somebody's out there and has a competitive advantage in getting supply, that's a problem," Kalanick told TechCrunch back in September 2012. "I'm not going to just let that happen without doing something about it."

Uber launched a cheaper alternative, UberX, in July 2012. This offering allowed passengers to ride in hybrid vehicles for less than its black cars. UberX would become Uber's golden child, especially after the company decided to forgo its professional-driver only approach and enter the peer-to-peer space in 2013.

By launching services like UberX, Uber gave drivers and consumers more options for how to travel from point A to point B and, perhaps more importantly, a cheaper price point. Now, they could order a town car with UberBLACK, hail a taxi via UberTAXI (which it launched in several cities in 2012), or summon a hybrid with UberX.

From the launch of UberX to the end of 2014, Uber grew its number of U.S. active partners—those who offered to provide rides via their own vehicles—to more than 160,000, according to data from the report "An Analysis of the Labor Market for Uber's Driver Partners in the United States."

Madhavan Ramanujam, partner and board member for consulting firm Simon-Kucher & Partners, says Uber's ability to productize around different customer segments is one of its best attributes. While UberBLACK may be too expensive for some customers, he explains, UberX may better suit their needs.

"In any market, a one-size-fits-all product never works," he says. "The best companies always do products around different customer segments, And by segments, I really mean identifying customers that have certain needs [and] value and [what] they're willing to pay for that."

The line of demarcation that Sidecar believed would separate it (and Lyft) from Uber had been eliminated. The Goliath was now in their marketplace.

As their presences grew, Sidecar and Lyft started taking ideas from each other and Uber, too. Lyft introduced surge pricing, or what it gently referred to as Prime Time Tips, in 2013, and did away with its donations-based model that same year—adopting a minimum fare model. Sidecar switched to a mandatory fare model, too around the same time before introducing to a marketplace model in 2014. In addition, all three companies announced the debut of their respective carpooling services—UberPool, Lyft Line, and Shared Rides—within days of each other in August 2014; however, Sidecar had been testing the service in San Francisco since May and had 13,000 people use it by the time of the announcement. And after Uber introduced its delivery service UberRUSH in early 2014, Sidecar announced that it was moving into the delivery business in early 2015.

But it wasn't just the product offerings that were changing; the brands themselves were evolving, too. At the beginning of 2015, Lyft dropped the giant pink mustaches that it was known for donning on the front of its vehicles and replaced them with smaller, light-up "glowstaches" that could fit on drivers' dashboards, according to Wired.

"It was this big giant fuzzy thing," Zimmer told the magazine in regards to the former 'stache. "If you were going to an important business meeting, it might not be the best way to roll up."

The brand's tagline also changed. What started out as "your friend with a car" turned into "more than a ride" in 2014 and then "riding is the new driving" in 2016.

Sidecar bows out

Sidecar lasted another couple of years as a solo operation, but the competition with Uber proved too difficult. The company eventually ceased operations and sold some of its software, programming, and rideshare intelligence assets to GM or gave the automaker permission to use certain assets. GM also brought on many of Sidecar's employees. Paul, Sidecar's cofounder and CEO, did not make the move to GM, and Khanna quickly left the automaker for Uber, according to Fortune.

“We were unable to compete against Uber, a company that raised more capital than any other in history and is infamous for its anti-competitive behavior,” Paul wrote in a blog post. “The legacy of Sidecar is that we out-innovated Uber but still failed to win the market. We failed—for the most part—because Uber is willing to win at any cost and they have practically limitless capital to do it.”

This competitive nature is something that has dogged Uber throughout its history—the reckless and ruthless desire to win. From an employee hypothetically threatening to spy on journalists to drafting and giving to drivers a “playbook” on how to beat Lyft, which included ordering and then cancelling Lyft rides and attempting to recruit their drivers.

Noise 13's Guthmiller acknowledges that Uber would receive criticism in the press “all of the time,” yet the company would rarely respond.

“They tend to not react very heavily to the press in those situations and just let it run its course,” she says.

Clearly, negative press did not slow down the Uber growth. Nor would anything else.

Uber: the building of a behemoth

Uber's metamorphosis into a brand that's now synonymous with ridesharing didn't happen overnight.

The best explanation for how Uber won is four-fold. First, they raised money more quickly. According to The Wall Street Journal, Uber had raised more than $5 billion by July 2015. Lyft announced that it raised $1 billion in January 2016.

This money enabled Uber to do three other things: build the tech and analytics it needed to improve pickup time—which was “hanging by a thread” in 2015 due to rampant growth, according to The Information, launch in more markets than their competitors, and scale up drivers to meet the efforts of their consumer marketing. Riders and drivers increased in percentages that ensured quick pickups and available drivers.

“Uber definitely has the fastest pick-up times because they have the most drivers AND the most riders,” says Harry Campbell, founder of podcast and blog The Rideshare Guy and driver for Uber and Lyft.

Indeed, fastest pickup time, from Fortino's perspective, is what ultimately led to Uber's victory, which it was able to achieve through its funding.

"Uber has won because they consistently deliver the fastest pick-up time," he says. "That's because, in hindsight, they raised the most money. That money goes toward data science; it goes toward obviously driver adoption....To me, it's just a singular competitive dynamic: pick-up time. How quickly do I get picked up? That's it."

Establishing itself as a leader early on in the marketplace was crucial. As Campbell points out, consumers and drivers have little motivation to try other ridesharing brands that are simply trying to replicate the Uber experience. Why? Because Uber already exists.

"If you're providing the exact same opportunity and the exact same experience as Uber and trying to compete on all of those aspects that Uber already mastered, there's not a whole lot of incentive for me as a consumer to go try out this product or me as a driver to go drive for this service," he says.

Basic beginnings

When Kalanick and Camp launched UberCab in 2009 their idea was fairly straightforward: Create a black-car service that people could order from their phone on-demand. Customers could open the app, login, set their location on a map, and tap a button to request a car to pick them up. Once the request had been sent, customers could look at the map to see where the nearest UberCab was located and its expected arrival time.

But in October 2010, San Francisco Metro Transit Authority (SFMTA) and the Public Utilities Commission of California issued a cease and desist order, claiming that it wasn't following the same permit regulations as other charter party carriers and wasn't allowed to promote itself as a taxicab service. So, UberCab became Uber.

The company positioned itself as "everyone's private driver" and continued to tout its service, availability, and convenience. In 2012, Uber hired Shalin Amin to serve as Uber's head of design and build out its product, marketing, and brand design. Amin gave Uber's iPhone app a complete makeover by the end of that year, but he needed external help to keep up with the company's rapid growth (a March 2013 article by The Next Web estimated that Uber was in approximately 30 cities). So, he reached out to his former employer, Noise 13, for assistance at the beginning of 2013.

"When we were handed the brand, we were literally given a logo, three colors, a font, and a grid and that is it," Guthmiller recalled.

The two companies formed an agreement: Uber would sign a retainer with Noise 13 and work with the company from March 2013 to June 2015. During that timeframe, Noise 13 would work on the day-to-day tasks associated with marketing and corporate materials, as well as new city launches. This gave Uber the freedom to concentrate on its app and website, home in on its brand values and positioning, and build a marketing and design team of its own. As Uber expanded its team, Noise 13 would transfer responsibilities back to the brand.

"Because they were in growth mode, it was a lot faster for us to hire a couple of extra people and provide those services while they were strategically building their internal teams," Guthmiller says.

A lot of the creative that Noise 13 worked on was centered on helping people understand Uber and getting them to convert. For instance, Guthmiller recalled walking through Uber's offices at the beginning of the partnership and being given a card containing a $20 plastic ride credit card inside. This little card became one of Uber's primary customer acquisition tools, she says, and Noise 13's team members would hand these cards out in target markets and at launch parties, and send them to influencers through direct mail.

But there were a few catches: The individual cards and their envelopes were expensive, costing Uber between $2 and $3 a pop based on Guthmiller's estimates. Once customers received a card, they would often throw away the envelope and stick the card in their wallets. The only problem is they wouldn't know how to use the card or redeem the credits because all of the information was on the discarded envelope.

“The turnover on those was quite low,” Guthmiller says.

To drive volume of new customers up while keeping acquisition costs down, Guthmiller and her team changed the plastic card to a paper piece—one that was small enough to fit inside of consumers' wallets but big enough to list instructions on how to redeem ride credit. She says that this effort helped Uber lower its printing costs by almost half. And because consumers had a clearer understanding of how to use the cards, new rider acquisition rate increased.

In addition to utilizing these customer acquisition cards, Guthmiller says Uber's developing growth team prioritized using Facebook posts to push specific promotions, such as new city launches or events like Ice Cream day. She adds that existing riders would sometimes share their discount codes on Facebook, which would help increase rider acquisition.

But the brand needed to onboard drivers, too, which required a different form of messaging. While Uber touted ease-of-use and convenience in its consumer marketing, it focused on the freedom to set one's own schedule and earn extra money in its driver marketing.

Winning over drivers quickly and consistently not only allowed Uber to achieve a faster pick-up time, but it also gave the brand a fleet of ambassadors.

“I know that there are drivers who have named their kids after the Uber services just because they've been able to grow with the family and do great things,” Guthmiller says.

To foster this brand enthusiasm, Uber referred to its drivers as “partners” and provided them with a high-touch experience. For instance, when new drivers signed up for Uber, they were invited to visit Uber's offices and receive a bin full of equipment, including a phone, phone charger, and card explaining how to get started, Guthmiller says. If a customer signed up online, they received these materials via a manila envelope.

As UberX became more popular, Uber also featured a more diverse range of drivers in its advertisements to show that anyone could become a driver. Furthermore, Guthmiller says that the brand started to soften its language and focus less on portraying a private driver image after looking at its demographic data and realizing that it was harder to onboard luxury vehicle drivers because not everyone could afford a high-end car. Facebook ads were also a popular way Uber could recruit a wide pool of UberX drivers and promote its freedom and flexibility messages.

But Guthmiller says there was a time when Uber became so obsessed with onboarding as many drivers as possible that it lost the high-touch messaging. Knowing that these drivers were the backbone its operations, Uber decided to bring that high-touch, partner experience back. So, with the help of Noise 13, it replaced the former manila envelope starter kits with branded partner boxes. According to Guthmiller, these boxes offered new drivers a wealth of information, including a manual, a list of best practices, an iPhone, and chargers.

“I think it was just a change in messaging,” she says. “They really went from this word of mouth, high-touch, high-service, to ‘Oh my God! We grew too fast!' to reorganizing and coalescing around their vision there. It's just like any startup. They grew really fast and they learned as they went.”

That was the beauty of working with essentially a blank branding slate: Because Uber wasn't locked in to a certain brand vision or ethos, it could adjust its positioning and marketing as it grew. This especially came in handy as Uber expanded into new cities.

When Uber entered a new market, the brand and its agency would ensure that there were representatives, or “launchers”, on the ground to run promotions, host parties, and distribute marketing materials. It would also provide targeted collateral, such as customized maps or unique color patterns, to give each market its own individual feel.

One of the major perks of entering a new city was that it offered a testing ground for new products or services, such as the Uber ice cream trucks, UberCOPTER, and UberEATS. Uber could simply add the new feature to its in-app menu bar and remove it from the platform once the test was over, Guthmiller explained. Or, if it generated high-demand, the company could roll it out across several cities. Either way, it provided Uber with valuable data into which spinoffs would drive the most revenue.

“Every single one of those [initiatives] that they've done has been very much a single market test,” Guthmiller says. “If it works, then they look at the demographics in the cities and roll it out as appropriate.”

Now that Uber has more robust marketing and design teams of its own, the brand no longer works with Noise 13. Guthmiller said that Uber's internal team handles most of the day-to-day activities, but the company still works with outside agencies.

But what does she think of the Uber brand now that the baby bird has flown from the nest—especially after Uber rebranded at the beginning of this year? She says she's a fan of the new colors and patterns Uber has integrated into each city's branding to provide a more local feel. However, she says the new app icon missed the mark.

In a press release, Kalanick explained how Uber's new design is made up of bits and atoms. The bits symbolize Uber's technology and how it's complex from a backend perspective, but seamless from a consumer perspective. The atoms symbolize the people and products Uber transports throughout its network of cities and gives the brand a more personalized feel. When combined, these building blocks create Uber.

Still, Guthmiller isn't convinced that the app icon—the primary consumer touchpoint—connects with the rest of the branding.

“I think [Uber] went a little bit too far down the route of the bit and atom and the core of who they are internally as a company,” she says, “and I don't think that [it] was communicated clearly to the customer.”

And if there's one thing Guthmiller would advise Uber to adopt a little bit more of, it's heart.

“On the marketing side and the messaging side, I think, as a company, everyone would love [for] them to have a little bit more heart, I guess—if that's a good word,” she says. “They do feel like this behemoth that's just pushing people over and taking names, but they are still providing a service that everybody wants. I think that there's a balance there....It's almost like they're putting on the outer shell while they power through and make change. Not everyone is going to like you all the time; you just have to let it go.”

The marketplace in 2016

Data from the NYC Taxi and Limousine Commission (highlighted in this *Quartz* article) shows that Lyft's weekly volume in New York grew 20% last April while Uber's remained stagnant; however, it also indicates that Lyft's best performance in New York during the last week of April (200,000 trips) was still less than one fifth of the number of trips Uber took in that same period (1.1 million).

Uber's footprint is bigger, too. While Uber is in about 500 cities internationally, Lyft has a presence in only about 225 cities in the U.S. To grow its global positioning, Lyft partnered with international brands—and Uber rivals—Didi Chuxing, Grab, and Ola. Through this partnership, Lyft users will be able to open their app and see Didi Chuxing cars when visiting China, Grab cars when visiting Southeast Asia, and Ola cars when visiting India. Didi Chuxing's, Grab's, and Ola's customers will also be able to hail a Lyft car through their respective apps in the U.S.

However, The Verge notes that Lyft may have to “evaluate” its partnership with Didi Chuxing now that Uber has sold its Chinese operations to the company.

The Information also recently reported that Lyft declined an acquisition offer from GM and The New York Times cited Amazon, Apple, Google, and even Uber and Chinese ridesharing company Didi Chuxing as potential buyers.

Bloomberg claims that Uber informed investors that it would not pay more than $2 billion to buy its competitor; although no formal offer was made and Kalanick has said that he wouldn't back such a deal due to potential regulatory issues.

Despite the rumor mill, Zimmer told Business Insider that while Lyft has reviewed offers presented to the company, it has not been actively looking.

Eleven's Buechert suspects that Lyft isn't "chasing Uber's scale." While he assumes that the company would like to expand its business model and value propositions to more places, he says being as big as Uber might not equal success for Lyft, especially considering their differences in vision. As Uber continues to become more ingrained in the logistics market and Lyft remains focused on the transportation sector, the companies will become more divergent, he says, and their key differentiators will become more apparent. For instance, he suspects that Amazon and the USPS will be more direct competitors to Uber than Lyft in the future.

"[It's] the belief that Lyft will be a transportation company 10 years from now [and] Uber will be far more than a transportation company 10 years from now," he said.

However, he wouldn't put it past either company to be involved with mergers, acquisitions, or other forms of collaborations. Although, despite the press's murmurings, he says Lyft is more likely to be the one doing the acquiring.

"Uber is a very aggressive M&A kind of culture and Lyft really isn't," he says. "But it doesn't mean that Lyft is incapable of acquiring or collaborating with other companies and it doesn't mean that Uber is heartless or ruthless either. It just means that, culturally, the Uber guys look like Wall Street and the Lyft guys look like Silicon Valley."

Lyft isn't the only one fighting for marketshare. Other companies in the ridesharing space are attempting to hang on by highlighting key differentiators between themselves and Uber. Gett, a black car app, is going about it in a very deliberate way. The company launched a campaign this June that takes direct jabs at the Uber brand, specifically its surge pricing.

“We want New Yorkers to know that there is an alternative to Uber's surge pricing (us!) and that they can get around Manhattan for only $10 if they use Gett,” says Nathan Roth, global marketing for Gett. “We are committed to providing our growing community of riders with affordable prices they can rely on, no matter the weather, traffic, or demand.”

Relative newcomer Juno (launched in NYC in May 2016 on an invitation-only basis) is also emphasizing differentiators, mostly from the driver side. The company aims to bring some actual substance to the theory of drivers as partners. According to TechCrunch—Juno is basing its entire business around superb treatment of drivers, mostly by offering its drivers equity in the company.

The New York Post also reports that Juno just completed its one millionth ride.

However, it looks like Uber is starting to offer drivers more benefits. The company recently announced that its giving drivers the opportunity to open an IRA or Roth IRA account. Its commitment to drivers is likely for as long as it needs them, of course. The Verge notes that this announcement comes after Uber revealed that its autonomous taxis would be hitting the roads in Pittsburgh this month.

But standing out from Uber isn't the only struggle new or smaller brands face. They also have what Campbell referred to as the chicken-or-the-egg problem where they need drivers to serve customers and customers to satisfy drivers.

Campbell estimates that 50 to 60% of his readers drive for both Uber and Lyft, himself included, and have both apps open at a given time. And while he prefers driving for Lyft (because of factors like its tipping function or driver culture), he says that he'll often accept more Uber requests because it has a larger customer base and, as a result, Campbell gets more requests.

"It gets hard to sit there and not make money when you know that you could go make a little bit less with Uber but at least you'll be giving rides," he says.

And while one would think Uber's fundraising largesse, global footprint, and brand recognition would scare off any new competitors, this isn't the case. The "niche-fication" of ride sharing has begun. Want to transport your children? There's HopSkipDrive. Want to get to the airport? Wingz. Elderly: Lift Hero.

The taxi comeback & today's marketplace

But what about the taxis? After all, they were the ones that started this mobile ride-hailing mania. How do they navigate the rise of rideshare and what is next for them?

Jason Gross, global head of product and marketing for Verifone Taxi Systems (a provider of electronic payment solutions that are used in 120,000 taxis in more than 160 cities globally) remembers when the company launched the app Way2Ride in August 2013. The app enabled passengers to preset their credit card information and pay for their ride via their mobile phone. And after seeing the growth of the ridesharing industry, the company decided to add an e-hailing function to the app and began testing it in February 2015 before rolling it out that September.

"It was one of the things that we got asked [for] most by our users," Gross says. "We also saw the rise of the transportation network companies [and] that there's definitely a lot of demand for the ability to book your cab with an app, see it coming, and it's another one of those use cases where Verifone as a payments company is helping make the whole process of paying for a ride more efficient."

In October 2015, Verifone acquired Curb—the original ride-hailing app previously referred to as RideCharge and then Taxi Magic. Curb, which made its New York debut in July, allows passengers to hail a taxi from a variety of fleets electronically and for Verifone to scale. Consider: Curb is in 65 U.S. cities and connects to more than 50,000 taxis and 100,000 professional drivers, according to a July 2016 press release.

Gross argues that taxis offer both passengers and drivers a lot of benefits that the ridesharing industry can't replicate. On the passenger side, they have peace of mind that they're riding in a regulated vehicle, he says, and that they never have to worry about surge pricing.

"If you're OK with a four-time or eight-time surge price when you want to get somewhere, by all means that's up to you to do," he says. "But I think that there [is] a large number of people—and our data shows—that people continue to use taxis because they like what taxis provide them in terms of that trust factor."

Plus, consumers still have the freedom to hail a ride on the street if they so choose.

On the driver's side, the same holds true: Drivers have the option to pick up rides either on the street or via the app. And while Curb asks customers to rate their drivers, Gross says that the company isn't “aggressively maintaining a system of driver ratings” that could prevent drivers from working if they receive a low score, as is the case with Uber and Lyft.

“We don't in any way control what the drivers do,” he says.

He also says that the taxi infrastructure itself has advantages. For one, the taxis, fleets, and dispatch groups are already in place, he says, so the company doesn't have to spend as much time recruiting drivers to meet demand. And because the taxi industry is a regulated one, they don't have to worry about upsetting local authorities—a cross Uber and Lyft have had to bear time and time again.

“We think that there's plenty of room to operate within the law,” he says.

Still, that's not to say that the taxi industry hasn't faced its fair share of challenges. For one, taxis are forced to abide my stricter regulations than Uber or Lyft. In San Francisco, for example, the SFMTA requires potential taxi drivers to do the following: receive a pre-driver screening, attend taxi training school, undergo fingerprinting and background checks, pass a drug screening, obtain a 10-year printout of their driving record, pay a new driver SFMTA application fee (although this fee is currently being waived due to a shortage of drivers), take another class and test, receive a temporary permit, and then pay for an A-card and badge eight weeks later—and these steps are in addition to the city's prerequisites (including meeting age, residency, state license, and criminal history requirements).

Uber drivers, contrastingly, only need to meet a handful of these prerequisites (age, state license, clean driving and criminal background), have at least one year of driving experience for partners 25 or older or three years of experience for partners 21 to 23 years old, and complete an online background check (which scans the driver's records for drug offenses, fatal accidents, reckless driving history, and criminal record).

Needless to say, the lengthy onboarding process can deter people from becoming taxi drivers altogether, which can lead to a fail in the supply and demand.

In terms of performance, Uber certainly poses a threat to the taxi industry. An October 2015 post from statistical analysis publisher 538 claims that Uber gained 3.82 million additional pickups in core Manhattan from April to June of 2015 while taxis lost 3.83 million pickups; the total number of pick ups from 2014 to 2015 had remained stagnant (39.37 in 2014 versus 39.36 million in 2015). The Los Angeles Times also reported that the total number of taxi trips in L.A. has decreased about 30% over the course of 2012 to 2015. And earlier this year The Wall Street Journal reported that San Francisco's largest taxi company Yellow Cab Cooperative Inc filed for bankruptcy protection.

However, in some markets, cabs are still winning. Recode published a report from Morgan Stanley in July 2016 stating that the New York City Taxi and Limousine Commission dispatched 397,780 trips each day this past April while Uber had a daily dispatch of 168,528 and Lyft had 26,783.

The future

The number of available human drivers and car ownership limits ridesharing's growth. Lyft and GM are attempting to solve one of these problems by offering rental car services for rideshare drivers. Their Express Drive program allows Lyft drivers to rent vehicles in select cities for a weekly fee. This fee decreases as the driver's number of rides increases.

But when (not if) autonomous cars come and if car ownership decreases as a result, someone is primed to be the leading provider of all local transportation.

Companies like GM and Tesla Motors are fighting to be those leaders. In a July blog post, Elon Musk, CEO of Tesla, depicted the company's autonomous car experience as follows: “When true self-driving is approved by regulators, it will mean that you will be able to summon your Tesla from pretty much anywhere. Once it picks you up, you will be able to sleep, read, or do anything else en route to your destination.”

But it might be Uber that ends up being best situated to take advantage of this trend—mainly because it got so many things right from the beginning.

Sidecar's Paul once wrote that auto companies would become “Uber next kill.” Company valuations could support his theory. Data from Atlas, Yahoo Finance, and the following featured companies shows that Uber has a higher valuation or market cap ($62.5 billion) than Ford ($55 billion), General Motors ($51.6 billion), and Tesla ($29 billion).

But auto companies won't go quietly without a fight.

“An exciting new era of change is sweeping the global automotive industry,” Mary Barra, CEO of GM, said to the Chicago Economic Club in December. “In fact, I believe the industry will experience more change in the next five years than it has in the last 50 years.”

Just as how Uber offers UberX, UberPOOL, and UberBLACK to cater to different customer experiences, GM is striving to provide a range of products and services to best address various segments' personal mobility needs. As Vijay Iyer, director of global communications for GM's Global Connected Customer Experience and Urban Mobility unit, points out, Uber and Lyft didn't create ridesharing; taxis did. They just created a better ridesharing experience. So, why can't automakers do the same?

“It's truly about building relationships with our customer and having the right offering,” he says.

According to Iyer, there are four key areas within the personal mobility space that GM is trying to become a leader in: Vehicle connectivity (OnStar is already one of its subsidiaries); alternative or electric propulsion systems (as seen in the all-electric 2017 Chevrolet Bolt EV); car-sharing (as seen with the 2016 launch of its on-demand platform Maven); and autonomous driving (as seen through its partnership with Lyft to provide an on-demand network of driverless, shared vehicles and recent acquisition of Cruise Automation, a creator of autonomous driving technology).

Iyer suspects that factors like environment (urban versus suburban) and community adoption will influence which products are best suited for different segments. However, he doesn't expect automakers to disappear entirely.

“It's not as if cars are going to be gone,” he says, “because if you don't have any cars, then there's no ridesharing.”

Indeed, until Uber starts making its own cars, it's dependent on the industry it may try to replace. Toyota recentlyput a small investment into Uber, which was construed more of a partnership agreement than venture capital. For all intents and purposes, Uber is not wedded to any car manufacturer.

The same holds true for other rideshare contenders. Around the same time Toyota and Uber announced their partnership, Gett announced a $300 million investment from Volkswagen.

Uber, its competitors, and self-driving rideshare pioneer Zipcar have all forced car manufacturers to rethink their operations and, in some cases, even become service providers.

In addition to GM's debut of Maven, BMW has created ReachNow, a “ride-sharing” opportunity to rent usage of BMW and MINI cars, which it launched in Seattle and plans to roll out to 10 more US cities, according to The Verge. Ford has a similar service called GoDrive in London.

Uber has its own research and testing ground known as Uber Advanced Technologies Center and reported testing self-driving vehicles on the streets of Pittsburgh this past May. As previously mentioned, Uber intends to test autonomous vehicles in Pittsburgh this month. Lyft has partnered with GM (after receiving a $500 million investment this year) and intends to start testing its own fleet of driverless cars on public roads within a year, according to reports from The Wall Street Journal.

Of course, self-driving cars brings many of its own problems. The most pressing is the eliminating of an entire industry of jobs. Another looming issue is the liability of computers causing or being in involved accidents. One has already happened—involving a death.

Despite these huge issues, someone will perfect autonomous driving and get a huge competitive advantage on the other brands. While Uber has won round one, round two has begun with more competitors and much bigger stakes.

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