Uber is in the Driver’s Seat

Uber is a classic disruptive business model, offering a service of convenience and generally lower prices to their passengers and additional work for their “partner drivers”. Taxi drivers are protesting as the value of their “plates” suffer from structural decline.

Demand:

Alan Krueger is the Bendheim Professor of Economics and Public Affairs at Princeton University. The noted labour economist together with Judd Cramer have released a study, “*Disruptive Change in the Taxi Industry: the case for Uber*”.

The study says that in most US cities for which the data is available, UberX drivers use their carrying capacity better than taxis do. They have passengers in their car much more often than taxi drivers, whether on a time basis or a distance travelled basis.

The authors suggest four factors are behind Uber’s success:

* Ride share services have more efficient technology for matching drivers with passengers
* Ride-sharing services are bigger than taxi companies
* Taxi regulations are relatively inefficient
* Ride-sharing services offer a flexible labour supply and change their prices depending on supply and demand, which generally works better throughout the day.

Supply:

In late 2015, Beneson Strategy Group surveyed the Uber “driver partners” in the US, which now number over 400,000. <https://newsroom.uber.com/driver-partner-survey/>

Some of the finding included:

* 67 per cent of drivers didn’t earn any income from driving prior to “partnering with Uber”
* 69 per cent of drivers have other full-time or part-time work outside of Uber
* 91 per cent of drivers were “satisfied with the ability to balance their work with Uber and the rest of their life”
* 19 per cent of drivers are women and 29 per cent who stated driving with Uber in the past three months are women

Uber’s take (from an LA driver partner’s viewpoint):

After a deduction of the $1 Rider Fee, Drivers keep 80% of the total fare price for a given ride. Uber takes 20% of the fare.

So here is the math for an $18.42 fare.

$18.42 – $1 Rider Fee – ($17.42 x 0.20) = $13.93 to driver; $4.48 to Uber.

This is how much the driver is paid *before* any expenses. My rule of thumb (this may not be an accurate number for you) is that I spend about 10% on gas and other vehicle expenses and 10% on taxes on average (after all the deductions). Which in this case is calculated as follows:

$13.93 x 0.80 = $11.14

This is the approximate net income from the 30 minute-ride.

Two rides an hour would equal $22 for the driver partner and $9 for Uber. And the power of the Uber network effect is illustrated through the 169 million trips booked on a worldwide basis in March 2016 alone.