

## Uber or the irresistible rise of global digital firms

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On September 26, 2016, Uber made public its project to commercialise passenger drones, allowing airborne commuting. A few days earlier, the company launched an experimental driverless taxi offer in Pittsburg. Along with its classical chauffeured car service, the company plans to develop in the transportation sector through innovation.

### Historical background

Founded in 2009, San Francisco by Garrett Camp and Travis Kalanick, the start-up flourished quickly and reached in 2015 a sales revenue of 1.5 billion dollars. It developed swiftly within 66 countries and more than 500 cities, claiming a leadership in overland transportation solutions. Through its online platform, it connects passengers or transport sponsors with drivers. Aiming to attract more web users, this mediation service provides 20 different offers such as professional taxi services (Uber X), saloon cars (Uber Berline), private drivers (UberPOP), carpooling (UberPool) and food delivery (UberEats). Moreover, it has multiplied experiments in logistics and mobility. The company has recently signed partnership agreements on smart, autonomous and electric mobility, with two major car constructors, Volvo and Toyota. Following bright perspectives of profitability and growth, Uber's valuation is estimated to 70 billion dollars, although the firm has lost more than one billion dollar in 2016 first semester and totalises a 15 billion dollar debt. To finance its ambitions, it has collected funds from risk capital investors and web operators such as Baidu, Google and Amazon. It is notable that opposition from numerous professionals, in particular taxi drivers, has not stopped its ascension. However, the firm faces powerful competitors such as Didi, in China, with which its Chinese branch has recently merged, and Lyft, as the car sector is more and more coveted by the Web giants Google and Apple.

### Theoretical framework

**1. The United States' structural power.** Following the distinction established by Max Weber, Susan Strange defines this notion as « *the power to choose and fashion structures of global political economy in which other states, their political institutions, their companies, and their scholars and other professionals have to operate* ». Henceforth, we have to examine closely the redefinition of the system and the rules of business management led by Internet firms, to understand how they contribute to American supremacy.

**2. The digitalisation of the economy.** Within a few years, the expansion of the Internet has certainly brought industrial transformations but has more fundamentally impacted consumption behaviours. In fact, it has upset interactions between buyers and sellers, in which now dominate unprecedented models of what is commonly referred to as management.

### Analysis

As Schumpeter's creative destruction, the emergence of innovative models through digitalisation constitutes a revolution that has disrupted many sectors. Concentrating industries on the cutting edge of research and economic evolutions, the US (United States) stays ahead in market

transformation, and secures a substantial part of the value created through innovation together with an attractiveness that regenerate its soft power.

The Silicon Valley companies, to which Uber is akin to, disorganise the global economy as they create online platforms that connect demand and supply. These disrupt the business world, as they undermine established players and seduce numerous consumers. As the production process is traditionally organised through a value chain, the novelty resides in the attraction of a platform that simplifies, makes more efficient and secures exchanges at lower costs. Likewise, instead of focusing on economies of scale for supply, economies of scale for demand become a key challenge. Numerous users are lowering their break-even position, or profitability threshold, and increase the platform's efficiency. Thus, by centralising most of the traffic through a network effect, these companies establish themselves as key brokers. In this context, traditional chains of production are either forced to compete against each other or are rendered useless. Moreover, the societal ubiquity of the Internet implies a dependency to this medium for their external image.

These operators have also a competitive asset in less workforce and other profitability sources. This new reality makes them invulnerable, such as Airbnb in the hotel industry and Amazon in the publishing sector. As they constitute real digital marketplaces on a global scale, they are not limited by shopping zones or physical locations. Furthermore, they do not buy the goods they offer, and they avoid stocks and working capital. In addition, they sell consumer knowledge, visibility and publicity to vendors. In fact, their revenues result as much from fees related to the supply-demand transactions they organise than from consumer knowledge they trade to other firms. Moreover, being located in the digital sphere allows them to bypass national legal frameworks and to reconsider the rigid division between consumers and suppliers.

Finally, behind the fun and relaxed image of these organisations, their managers have kept the « *start-up* » spirit of the beginning. This provision counts with the wholehearted commitment of the employees, together with working conditions kept out of any labour union framework and a rapid turnover of the workforce. In addition, this pressure put on the human capital comes also from risk capital investors whom expectations regarding valorisation are growing commensurately to the amounts injected and the timeframe. As a consequence, entire segments of the global activity are threatened by the onslaught of these entities, that offer a surplus of value, efficiency and flexibility to their clients, benefit from abundant funds and ask more effort from their employees. To sum up, the expansion of these digital companies has a political outreach that testifies of the United States' structural power. Through economic, non-State actors, the US has fashioned lifestyles, market conditions and collective representations. It has eventually asserted itself as a model and steers the evolution of societies.

## References

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