Case Study: Applying FiDA's Platformization Lens to Uber

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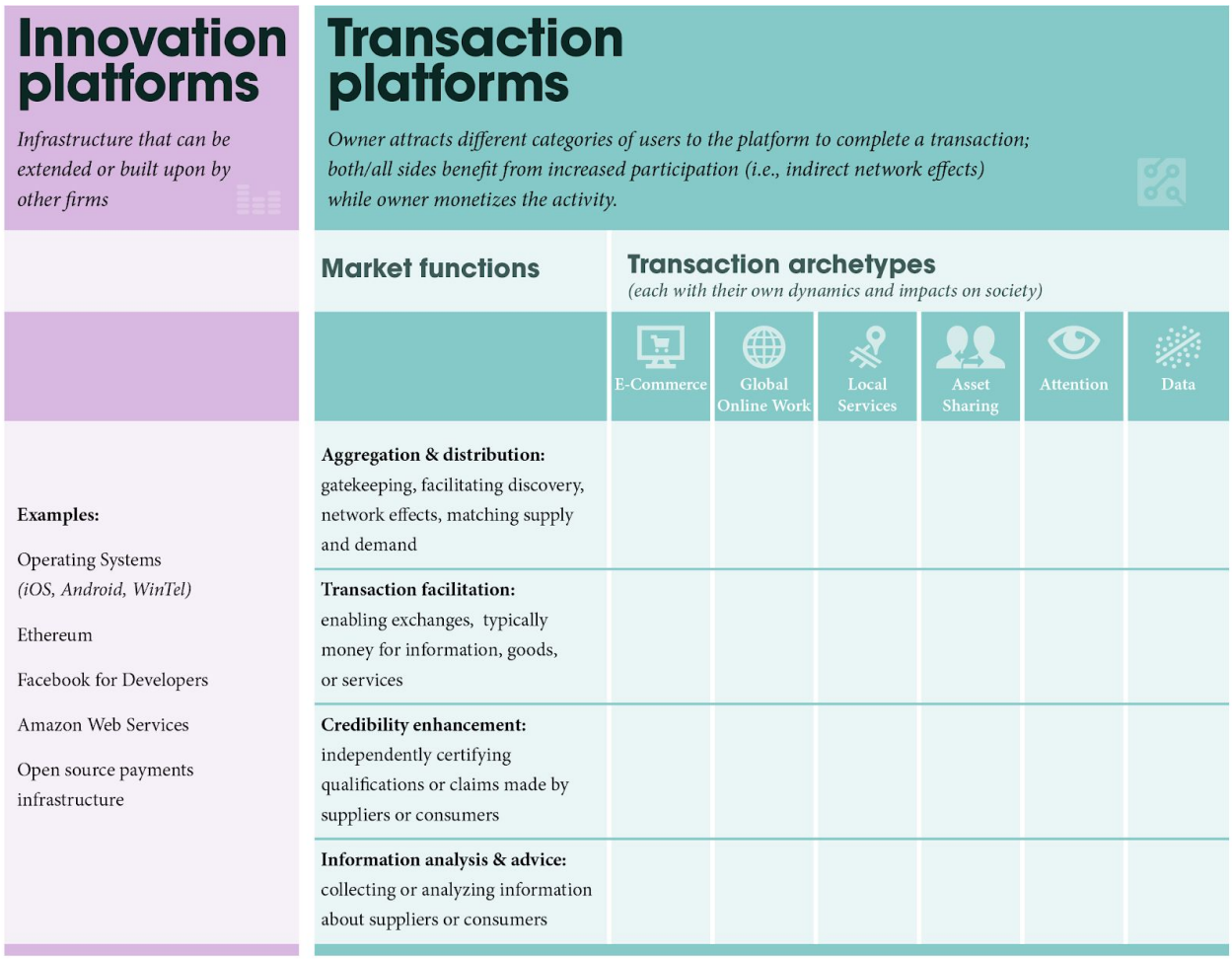
Some elements of Uber's business model have implications for financial and economic inclusion. This brief case study applies **FiDA's Platformization Lens** to Uber's business model, exploring how **digital platform organizations' actions create opportunities for development.**



Sources *Cusumano, Gawer & Yoffie (2018)—platform types; Drouillard (2017) and Palepu and Khanna (2010)—market functions in transaction platforms; Caribou Digital Analysis–sectors* *Figure by Caribou Digital, 2019,*

Uber

uber.com

REGION

Global, with top countries in Africa including South Africa, Kenya, Ghana, and Nigeria.

CORE BUSINESS

Marketplace for ridesharing and food delivery. Monetizes through transaction fees.

SECONDARY

New mobility (dockless e-bikes and e-scooters) and marketplace for freight (Uber Freight); autonomous driving.

Uber launched as a marketplace for ridesharing and has recently integrated food delivery into its marketplace. Drivers on the site are matched with riders or food delivery requests. The app and background algorithms makes the matching seamless, and Uber derives tremendous value from the perception of being an "on demand" company, that is, by having drivers ready and available to fulfill customer requests.

Aggregation and distribution market functions:

Uber links drivers with riders they have never met before. This expands trade rings for drivers, particularly in Kenya, beyond their own networks and makes the process of being discovered and matched seamless.

Uber has added financial services that complement driving and expand opportunities for their driver-partners. For example, Uber has partnered with Jubilee in Kenya to make affordable insurance available for drivers. This both reduces gatekeeping barriers (since having insurance is a requirement for driver-partners) and protects driver-partners against risks associated with driving commercially. Uber has also partnered with Branch to provide qualified drivers (500 trips and average passenger rating score of 4.6 out of 5) starter loan of KES 30,000 ($300) at a 1.2% interest rate to help them pay for their business permits, NTSA (National Transport and Safety Authority) stickers, or buy new phones and a data plan.

Transaction facilitation market functions:

Uber is standardizing on-demand ridesharing and meal delivery (everything from UI, to fees, to quality expectations); in doing so, Uber attracts consumers to ridesharing and meal delivery platforms expanding earnings opportunities for drivers on the platform.

In Kenya, Uber accepts both cash and mobile money, reducing payments friction for customers which impacts the overall number of transactions. Cash payments were actually pioneered in

Nairobi, and later expanded as an offering in cities worldwide. In fact, as a result of tremendous uptake of cash and M-Pesa payments (business tripled), Uber had to find a new way for drivers to pay their service fee back to Uber because it couldn't be deducted from net fares earned by driver-partners that did a lot of cash business.

Credibility enhancement:

While Uber drivers are strangers to riders, Uber's platform enhances their credibility by independently verifying every driver's identity documents, driver's license, and other required information before they join the platform.

Information analysis & advice functions:

Uber worked with financial services providers to help them understand how to interpret their driver quality data (number of trips, ratings) which FSPs have now standardized into various vehicle finance offerings (described below) that, in turn, help drivers increase their net earnings from driving on the platform:

1. Stanbic offers qualified drivers (those with three months earnings of KES 300,000 [$3,000] and an average passenger rating score of 4.6 out of 5) full vehicle financing up to KES 1m at 14% interest rate over three years.
2. Sidian offers qualified driver-partners (500 trips and average passenger rating score of 4.6 out of 5) loans of up to 1.5m KES at 10.5% interest rate over three years (much lower than the 18% interest rate most Kenyan's face).
3. Jumo's Drive program uses Jumo's unique data prediction capabilities to incorporate driver behavioral data into their credit scoring and offer Jumo Drive to qualifying driver-partners. The credit risk score of the driver-partners is determined by the driver's earnings, trips, and behavior patterns ensuring that each driver receives offers that are individually designed. Finance for the vehicles is provided by bank partners on the Jumo platform.

Concluding thoughts

Any one of the discrete functions offered by Uber or other "on demand" platforms could be an anchor point for an intervention designed to promote financial inclusion and broader-based economic participation in sub-Saharan Africa. The lens provides a guide to unpack the details of the business model, especially beyond transactions and payments.