Uber: The South Africa Experience

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Abstract

Disruptive technology has received much attention as it has changed how consumers consume tourism offerings by creating new companies such as Uber. Technology remains the most powerful external force that is shaping the world today, impacting on all aspects of life. The technology used by Uber is smartphone compatible and this means that the taxi is requested at ‘the palm of a hand’. The velocity of change brought about by information technology has unleashed the forces of disruptive technology such as Uber which has challenged the hegemony of the meter taxi drivers specifically and the public transport system generally. The South African transport system is dominated by the minibus taxi industry. South Africa’s transport system has been changed by the Bus Rapid Transport Systems (BRT), with the first of its kind called “Rea Vaya” which linked Soweto and the centre for Johannesburg, which started in 2009 to operate. South Africa does not have an efficient public transport system, which remains a huge cost to the South African economy. Uber has been used by locals and tourists as a cost effective and safe transport system. The cost-leadership pricing strategies of Uber has meant that it has created a critical mass of customers, just like low cost carriers (LCCs) and accommodation platforms such as AirBNB.

Keywords: Tourism, Uber, tourist transportation, management, minibus-taxi’s, tourism service delivery

The Context

According to Nzama (2010) the South African government has become aware of the potential for tourism to play a meaningful role in contributing to the economic development of the country. As a result, tourism has been identified as the engine that would drive the South African economy, and it is thus identified as a priority sector in economic development policies. The post-1994 era has been defined by an upward trajectory in the growth of tourism arrivals to South Africa. The arrival of tourists at a destination improves the inward migration of money into the local economy as tourists consume a multiplicity of services such as accommodation, food and beverages, shopping and in the context of this article, transportation. Mwaura (2016) has defined disruptive technology as a technology that significantly alters the way that business operate. “The disruptive Uber example demonstrates the effectiveness of the “on-demand economy” (Mwaura, 2016: 3). “Uber is just one example of disruptive innovation that brings huge increase in efficiency, as well as real social and regulatory challenges...And, in fact, Uber is one of the less problematic innovations, because it is a net job creator; the rise of the computers capable of replacing call-centre workers, is resulting in large net job losses” (Dervis, 2015: 2).
Research Methodology

This article is based on a literature review and meta-analytical approach methodology and we describe the phenomenon of Uber in a South Africa Experience context as well as its characteristics. We have established the context and related theories and ideas to it while rationalizing the significance of Uber in South Africa.

According to George (2014) secondary data is information that already exists, having been collected for another purpose. “Its primary purpose is to provide the reader with a comprehensive background for understanding current knowledge and highlighting the significance of new research” (Cronin, Ryan & Coughlan, 2007: 38). Hart (1998) acknowledges that a literature review is an objective, thorough summary and critical analysis of the relevant available research and non-research literature on the topic being studied. The research methodology that was used was secondary data research, which sought to fill a gap in scientific body of knowledge with reference to Uber. The lack of academic gaze on Uber, curtails the understanding of this technology disruptor in the African context. A plethora of sources were consulted during the secondary data analysis process, to fill the paucity on academic gaze on Uber within an African context.

Introduction

According to Sekhonyane (2004), the minibus taxi industry has been beset with violence from the beginning, with taxi wars that have claimed many lives. Worse, the industry is notorious for institutionalised poor service towards customers and reckless driving. ENCA (2016) acknowledges that the South African National Taxi Council (SANTACO) and the National Taxi Alliance (NTA) during the taxi indaba indicated their dissatisfaction with the presence of Uber in South Africa. “A taxi medallion authorises a given automobile to operate as a taxi within a given area. Historically, cities have sold a limited number of medallions in order to restrict the number of taxis. This policy was adopted in order to reduce traffic congestion and to maximise the revenue obtained through the sale of medallions “Gabel (2016: 529). The taxi industry has always operate using operating permits which were issued out by the state, which was both a source of revenue and a mechanism to control the taxi industry. “In essence, metered taxi drivers have been fighting for the last six months to get Uber drivers to comply with the same rules, regulations and licenses that they have to” HTXT Africa (2015: 1).

According to Rayle et al. (2016: 169) “ridersourcing allows travellers to request a ride in real-time through a smartphone application, which communicates the passenger’s location to nearby drivers. After a driver accepts a ride request, the passenger can view the vehicle’s real-time location and estimated arrival time. The app provides GPS-enabled navigation, which helps non-professional drivers to find destinations and reduces the changes of them taking a circuitous route. The payment-and sometimes tips-are automatically charged to the passenger’s credit card. The driver keeps a portion of the fare, with the balance going to the ridesharing company. Prices can respond dramatically to demand, which could increase the likelihood of finding a ride in peak times, but this can make prices less predictable. Drivers and passengers rate each other at the ride’s completion, creating an incentive system that rewards polite behaviour. Unlike taxis, ridersourcing services such as UberX, Lyft and Sidecar typically use drivers who lack a commercial vehicle license, drive their personal vehicle, and work part-time”. “Now, unlike in previous days when people had to stand on the street to hail a taxi, customers can now publish their travel demand to nearby taxis through a taxi hailing app, and taxi who are logged in the app can instantaneously receive the nearby demand and determine
whether they would like to take the e-hailing orders or keep cruising and look for roadside hailing customers” Wang et al. (2016:212).

One of the benefits of ridesourcing (Rayle et al. 2016) is that waiting time has been dramatically been shorter than waiting for traditional taxis. This can be as a result of managing supply and demand by using the smartphone applications. In research conducted by Cramer & Krueger (2016) UberX drivers have a passenger in the car about half the time that they have their app turned on, which means Uber drivers have a 30% higher productivity than traditional taxis. Wang et al. (2016:213) noted that “existing hailing apps can be mainly categorized into two groups. The first type works an information platform that distribute e-hailing orders to nearby taxis, and allows drivers to determine whether or not they take the order. The most popular e-hailing apps tend to adopt this model because it provides drivers with more freedom and is therefore more acceptable to drivers. The second type of e-hailing app works as a dispatching centre and assign orders to drivers based on matching algorithms. Drivers must take the orders they are assigned”.

According to Mwaura (2016), Uber made it onto the global scene in 2009, revolutionising how taxi business is conducted in general. Chafkin (2015) noted that Uber was a toy, developed in San Francisco as a personal limo service for the founders and their friends. Barry (2015) noted that anyone can own an Uber taxi and anyone can become an Uber taxi driver, it has effectively democratised taxi ownership. Eye for Travel (2015) acknowledges that all Uber cars in order to be accepted on the platform must be a 2012 model car or newer. This ensures that Uber only selects the best cars to ensure safety and security, and in addition, Uber partner drivers undergo stringent background checks. Uber does not own any cars, and does not regard the Uber taxi drivers as employees, instead as independent contractors. Uber partners are owner-drivers utilising the internet-based Uber platform.

According to Mwaura (2016), Uber does not own any cars, instead it relies on volunteers that subscribe to its mobile app and get connected to clients, who are competitively charged on a metered-cost basis. “By using a mobile app, Uber allows customers to submit a trip request that is then transmitted to nearby Uber drivers. These drivers use their own cars and their fees vary with the level of demand relative to the level of supply” (Gabel, 2016: 529). According to Cramer and Krueger (2016), Uber has four factors that increase its utilisation rate: 1) Uber’s more efficient driver-passenger matching technologies; 2) Uber’s larger scale, which supports faster matches; 3) inefficient taxi regulations; and 4) Uber’s flexibility labour supply model and surge pricing, which more closely match supply with demand throughout the day. Laurell and Sandstrom, (2016) noted that Uber is preferred than traditional taxis because of price, service, convenience, safety, punctuality, experience and trustworthiness.

**Uber in South Africa**

Uber has been operating in South Africa since September 2013, and has over 4000 Uber drivers, and the vast majority, 2500 are in Gauteng according to Munshi (2016). “Since launching in South Africa in August 2013, Uber has created 2000 jobs for drivers, mainly in disadvantaged communities, and it could easily create 15,000 over the next two years” (Eye for Travel, 2015). Uber operates in the South Africa cities of Johannesburg, Cape Town, Durban, and Port Elizabeth according to Djxubreakfastshow (2015). Uber has an exclusive urban presence, which means that it readily benefits urban dwellers than the rural inhabitants. Rayle et al. (2016: 168) “ the recent emergence of app-based, on-demand ride services have sparked great debate over their role in urban transportation. We refer to these services-provided by companies like Uber and Lyft-as “ridesourcing”.
The emergence of Uber has not been without market reaction, as Transactional Capital has emerged as South Africa’s homegrown competitor to Uber. In order to compete with Uber, deep pockets would be required as recognised by Tarrant (2016). According to Ziady (2016), Transactional Capital has spent around R6 million acquiring three small metered taxi business, including their fleet and call centre infrastructure to launch Zebra Cabs with a fleet of 100 Toyota Corollas operating in Gauteng, with a plan to expand to the Western Cape and KwaZulu-Natal. Zebra Taxi has developed its own application, whilst Tarrant (2016) noted that the Zebra application is functional but it lags Uber application by a big margin. When Transaction Capital launched itself as competitor to Uber, with 100 Toyota Corollas operating in Gauteng, its ability to compete with Uber was curtailed by limited supply of cars. To compensate for this Transaction Capital, advised that its drivers must download Uber to supplement their earning potential. According to Mwaura (2016) Uber inspired Kenya to develop SafeMotos, an app-based motorcycle taxi service and the recently launched car taxi service, 250Taxi. According to Cooper (2016) an Uber alternative Taxify which operates only in Johannesburg and Cape Town.

According to Phakathi (2016b) Uber in May 2015, indicated that it was going to experiment with cash payments, to make it easy for those without credit cards to use Uber. The use of cash would increase the demand for Uber, and for recording, all cash payments would be recorded electronically. Uber has been able to increase the number of Uber drivers available on the road, which has eroded the profits of the metered taxi drivers. The Mall of Africa is one of the biggest malls to be opened in Midrand, South Africa, has a dedicated Uber drop off zone, it is possible that other malls with follow suit soon. South African companies have taken advantage of opportunities linked to Uber. Henama (2016) acknowledges that Wesbank, the vehicle finance provider of Rand Merchant Bank, has launched a lease option, as Westbank saw a potential to profit from Uber. This means that Uber partner drivers could access cars through Wesbank, increasing the supply of Uber cars. AfricaBusiness (2016) noted that the Sidian Bank in Kenya also partnered with Uber launching a Ksh 10 billion Uber Vehicle Solutions Programme.

Uber launched a subsidiary business called UberEasts, that sought to participate in the fast-moving food business, by allowing customers to order food from the plethora of restaurants, which would be delivered to the customers stated delivery address. In South Africa, there is an established monopoly in the provision of food delivery, Mr Delivery. According to Phakathi (2016a) Mr Delivery which has been in operation since 1992, has been preparing for the entry of UberEats for the past 18 months, and this has seen the development of a new Mr D application, which would provide customers with the same “tap to order” convenience of UberEats.

UberEats would continue to use the same cashless payments system that is used by Uber. Uber has not just negatively impacted on the business of taxi drivers, it has also become a substitute competitor to companies that offer assisted driving services. Insurance companies in South Africa have started to offer drive me home services, as a means of reducing motor vehicle crashes when drivers may be under the influence of alcohol. One South African insurer, MyWay, has a ‘We Drive Option’, which offers six ‘take me home’ services where a driver would arrive and drive a policyholder in the comfort of their car, and this service is available in Johannesburg, Pretoria, Cape Town, Durban, Port Elizabeth, East London and George (MyWay, 2016). In research conducted in San Francisco, Rayle et al. (2016) noted that the 20% chose ridesourcing as a means of avoiding drinking and driving. Uber has become a preferred means of transportation by international tourists when they come to South Africa, due to the fact that pricing is transparent especially for a first-time tourist who may be
Uber, according to Munshi (2016), has intentions of launching Uber Parcel, a parcel delivery application that would compete with courier companies. Tarrant (2016) acknowledges that Uber will not stop innovating, and it’s only a matter of time before UberPool is launched, a service that matches customers going in the same direction, and they share the cost, which would be effectively carpooling. Carpooling is an established practice in the major urban centres as a means of saving money by sharing the use of car, responding to the failure of the public transport system to provide a reliable and safe public transport system. Fin24 (2016) noted that Uber is usually synonymous with short trips, had undertaken its longest trip as a pilot between Johannesburg and Durban on its lowest option, UberX, which was estimated to cost between R4 103-R5 471, ten times the cost of one way ticket between the two cities. The experiment by Uber was possibly a fact-finding missing that will lead to Uber launching a long-distance service in addition to the intra-city mobility. According to Hsu (2015) Uber has initiated plan to be driverless, as it teamed up with Carnegie Mellon University to create Uber Advanced Technology Centre to achieve that objective. "Facebook Inc said on Wednesday it is testing a service that will allow users of its Messenger app to hail Uber rides directly from the app, without leaving a conversation or downloading the ride-hailing app" (Reuters, 2015:1).

Uber Xenophobia

"Xenophobia, simply put, is the fear or hatred of foreigners or strangers, it is embodied in discriminatory attitudes and behaviour, and often culminates in violence, abuses of all types and exhibitions of hatred" (Solomon & Kosaka, 2015: 5). The discrimination and violence that Uber has experienced can be regarded as a form of economic xenophobia. The emergence of Uber as competitor has been met by violence in two fronts, towards the Uber taxi operator and towards the Uber customers. Uber drivers have been victims of crime around the world. The biggest challenge that has been facing Uber from the developed to the developing world, has been the resistance of two groups, the meter taxi drivers and the legislators. Jorgic (2016) noted the Uber expansion into African markets such as Uganda, Tanzania and Kenya, has seen an Uber driver being attacked and having their car touched. Mwaura (2016) noted that several Uber taxis have been destroyed and drivers assaulted in the Kenyan capital city Nairobi.

According to Cooper (2016:10) "On July 16 a woman was attacked and raped after getting into what she though was an Uber taxi in Fourways. A case of rape, kidnapping and robbery where opened. Then, in August, a couple were attacked after ordering an Uber ride home from the Movida nightclub in Sunninghill, Johannesburg. According to News24.com, shortly after they departed, two men hiding in the boot pushed the back seats forward and got into the front of the car, and stabbed the man while his girlfriend was bundled into the boot. She was also raped".

Uber cars have also been stolen as in the case in Durban where a stolen Uber vehicle was successfully tracked down, leading to the arrest of the suspects who had committed a murder in Westville according to Wicks (2016). According to Naik (2015), Uber in South Africa responded to the violence by sending its Uber driver partners emails warning them of possible violence from metered taxi drivers. Mtila (2016) noted that violence against Uber drivers occurred in Sandton, which is Africa’s richest square mile where two Uber drivers were attacked, and a police officer was a victim of injury amidst the turmoil. Gunshots were also fired. In response (TMG Digital, 2015) Uber suspended its Sandton service in respond to the
attacks on Uber drivers, because of safety considerations. The Guardian (2015) acknowledges that metered taxi drivers also held a protest outside of the offices of Uber in Johannesburg. There is an armed private security officer stationed permanently at Uber offices to mitigate possible acts of crime and intimidation.

**Government response to Uber**

The emergence of Uber has practically challenged regulators, as the market disturber has actually developed far before legislative processes to respond to the change brought about by Uber. According to Munshi (2016) the Gauteng Department of Roads and Transportation is issuing operating licenses to Uber drivers so that they can operate as metered taxis. According to Phakathi (2016a) acknowledged that the City of Cape Town impounded more than 300 Uber cars since the beginning of 2016 as they conducted a clampdown on the Uber drivers not having permits for metered taxis. The clampdown occurred whilst some Uber drivers were awaiting their permits. South Africa’s Cabinet (Phakathi, 2016a) approved the National Land Transport Act, which would recognise Uber as meter taxis, where the bill allows the use of a smartphone in lieu of a taxi meter. “In most cities, the taxi industry is highly regulated and utilises technology developed in the 1940S. Ride sharing services such as Uber and Lyft, which uses modern internet-based mobile technology to connect passengers and drivers, have begun to compete with traditional taxis” (Cramer & Krueger, 2016: 1).

Uber has been hated by regulators since Uber drivers, are viewed as partners, instead of employees, whilst at the same time they practically pay no taxes to the state coffers as the Uber drivers do not pay value added tax for the services that they render. Rayle et al. (2016: 168) “ridesourcing has attracted significant criticism from its most direct competitor, the taxi industry, which views ridesourcing as an illegal service that flouts laws and competes unfairly”. The main source of discontent can be linked to the fact that the hailing services linked to traditional meter taxis are getting competition from the e-hailing services. Barry (2015) noted that Uber trips tend to be much lower cost than what you would pay for a metered taxi drivers. Uber was also able to lower its prices in June, which is the South Africa winter as a means of stimulating demand. According to Mtila (2016) an Uber driver acknowledges that Uber keeps lowering its prices, pissing off the competition, and this has led to Zebra taxis’ not being attacked, as they have the same steep prices such as the metered taxis.

The pricing strategy that Uber has implemented may be seen as a penetration strategy that is undercutting competitors, with the aim of building a customer base. According to Kotler, Bowen and Makens (2006: 470) “…rather than setting a high initial price to skim off small but profitable market segments, other companies set a low initial price to penetrate the market quickly and deeply, attracting many buyers and winning a large market share…several conditions favour setting a low price: the market must be highly price sensitive so that a low price produces more market growth; there should be economics that reduce costs as sales volumes increases, and the low price must help keep pit competition". The price undercutting that Uber has deployed has increased customer demand for Uber, as customer have switched towards Uber. The increased competition in the meter taxi industry and the reduction in prices, has meant that the meter taxi industry has lost business towards Uber, which has also attained a fashion status amongst customers.

According to Munshi (2016) meter taxi operators, when engaging with the Gauteng Member of the Executive Council (MEC) Ismail Vadi, indicated that Uber’s cheaper pricing model was forcing them out of business. As a result of the price undercutting, Munshi (2016) noted that more than half a million South Africans have taken an Uber ride, and in the first half of 2015,
more than 2 million trips have been taken on Uber. Violence against Uber drivers has been the norm globally. Costa (2016) noted that when Uber launched in Puerto Rico, it was met by violent acts in the first 48 hours of it launching in the island, which did not deter consumers, with more than 10 000 downloads of the application and more than 1500 partner drivers, in the first few days of operation. Khoisan (2016) acknowledges that in June 2015 15 metered taxi operators where charged with public disorder after violence broke out when they protested against the presence of Uber in Cape Town.

Conclusions

According to Rayle et al. (2016) the consumers tend to be younger and better educated than the general population. Barry (2015) “it has become the favourite mode of transport for many middle-class South Africans living in cities”. The entry of Uber has disturbed many traditional markets, specifically the meter taxi industry and more generally the transportation industry. Wade (2015) notes that Uber has found a winning formula, a clear value proposition, ease of use, high service levels, price transparency, choice and attractive rates. Naik (2015) noted that Uber clearly prides itself on providing a world-class customer services.

The fact that Uber encourages its drivers to go beyond the call of duty, by doing extra services such as opening and closing doors for customers, offering a bottle of water, asking the customer about music station preference and offering mobile phone charging points in the Uber taxis has ensured that Uber driver ratings keep high, ensuring that customer satisfying service delivery is institutionalised. It has led to mode switching to Uber, just like the arrival of low cost carriers (LCCs) have led to mode switching from road and rail. Uber is part of the revolutionary change that is brought by technology that has seen the development of central reservation systems, to the creation of online booking platforms that reduced the cost of doing business, catalysing the development of LCCs. The revolutionary change of technology, converging with the universal access to smartphones across the world, has meant that application can be downloaded, allowing transactions to happen.

The biggest challenge that has been facing Uber from the developed to the developing world, has been the resistance of two groups, the meter taxi drivers and the legislators. The traditional taxi drivers have seen the entry of Uber (Jorgic, 2016) as a threat to their livelihoods. The legislators in countries cannot be blamed for their negative attitude towards Uber because there may be a perception that it is damaging the livelihoods of the electorate, considering that Uber is a foreign owned company with local partner drivers. Uber is order to bridge the legislative distance, must actively lobby governments in countries where it seeks to operate in order provide details of the cost benefit analysis that Uber can provide. One of the tangible benefits of ridesourcing is that consumers of ridesharing rarely have cars. This can be of benefit to the very highly congested Gauteng Province, which includes the cities of Johannesburg and Pretoria, by reducing traveling time and the environmental cost of emissions from automobiles.

According to Rayle et al. (2016) ridesourcing survey respondents were less likely to have a car at home than both taxi users and the general population. This means that the institutionalisation of ridesourcing can over time, reduce private automobile dependence, and compliment the public transport system. In addition, the institutionalisation of Uber can reduce the need for a second family car, which can reduce traffic congestion. Uber has improved intra-city mobility by providing a cheaper transportation option which has been supported by customers. The Night Time Economy, which is entertainment and food-and-beverage led, has been a net beneficiary, as people can enjoy themselves with the knowledge that there is Uber
to take them home if they do not wish to drive themselves or if they are inebriated. The Night Time Economy has responded by increasing the number of job opportunities available in a country that has an unemployment rate around 27%. Uber has been able to create more jobs than it has destroyed, and will continue to create backward and forward linkages in the economy.

References


