parcelhero INDUSTRY REPORT

THE UBERFICATION OF DELIVERIES

Why Uber's move into logistics will transform the delivery market and encourage 'The Sharing Economy Revolution'

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EXECUTIVE SUMMARY

'UBERRUSH DOESN'T JUST KILL TRADITIONAL COURIER SERVICES FOR NON-SENSITIVE DELIVERIES, IT HEARTLESSLY MURDERS THEM IN THE MOST GRUESOME WAY IMAGINABLE' - INFLUENTIAL TECH BLOGGER ZACH EPSTEIN.

Industry disruptor Uber is swiftly expanding beyond the traditional taxi cab business and taking-on the delivery industry; it looks set to shake up this market at least as profoundly as it did the worldwide taxi industry. There are a number of key reasons behind Uber's move into logistics:

1. Uber's mould-breaking taxi App business model is equally applicable to the delivery industry; transforming customers' experience of deliveries, and enabling users to rate their service.

2. Uber is the most funded start-up in the world, valued at $50bn and aiming for $60-70bn in its latest funding round; but the entire worldwide taxi industry is only worth $22bn in revenue and Uber runs at a loss. In contrast, the domestic global courier and parcel sector generates around $246 billion in revenue, and the fast-growing Same Day and On-Demand market in the US alone is worth $8.7bn.

3. Uber is likely to capture 10% of the global taxi market and has already achieved 46% of the market in key areas. If the company applies its crowdsourcing technology to equal effect in the

global domestic delivery markets – and both industries are alike in seeming well-established but in fact vulnerable to crowdsource technology – this would earn Uber $24.6 billion in annual revenue: that's over $2bn more than the entire global taxi market.

4. Uber sees the UK's £7.1bn courier market as a particularly ripe market for logistics. Uber's UK General Manager says: 'We've already started going in that direction'. If Uber were to capture 10% of this market that would be a £700 million win.

5. UberRUSH has already launched successfully in New York, San Francisco and Chicago in partnership with local retailers and a number of leading retailers and fashion brands.

6. Uber has the scale to enable retailers to 'get local', doing away with the need for National Distribution Centres (NDCs). The technology could also offer customers the possibility to set the price they wish to pay, and share deliveries to cut costs and reduce environmental impact in the future.

7. There is the potential for a significant tie-in (and possible merger) with an online giant such as Amazon, Google and Microsoft. Google has already invested at least $258m in Uber, Microsoft reportedly $1bn and Amazon's Jeff Bezos a significant sum. Uber is working on projects with all three.

8. The Same Day and On-Demand delivery markets are lucrative and largely filled with many small companies. Start-ups such as PostMates, Shyp and Shutl are expanding the market but still vulnerable, as the demise of Sidecar's crowdsourced delivery service at the end of 2015 highlights.

9. Uber has a vast network of drivers that can also be used for deliveries – over 15% of them have already worked in the delivery industry. However, Uber could bypass drivers entirely in the future and deliver people and packages by autonomous vehicle: it's already developing them.

10. Uber can use its experience of breaking into a new market to pioneer its rapid expansion of further crowdsourced services. The model works for every kind of industry from hairdressers and laundry to healthcare: people trust the Uber rankings system.

INTRODUCTION

Uber is an American international transportation network company based in San Francisco, California. Uber might be best known as an 'Uber-convenient' taxi app; but perhaps its main business impact is as an industry disruptor. Its simple concept, connecting consumers directly to approved providers, is a business model that has come to be known as 'Uberfication'. [1]

Now the model is being used for a series of services from carpooling [2] to helicopter rides [3] to its latest incarnation as a logistics provider. It has already introduced its UberRUSH, Uber Cargo/Uber VAN, and UberEats (formerly UberFresh) brands in a number of countries, and now it has the UK's delivery industry firmly in its sights. [4]

Uber brings the power of crowdsourcing to the industries it enters, and this has shaken up many markets. While customers may benefit, it's not always been welcomed by existing service traditional service providers. Furious at what they regarded as unfair competition, French cabbies rioted against the introduction of Uber taxis in June this year. They blocked roads to the capital's airports, overturned cars and burned tyres to press for the scheme to be abolished. [5]

In the UK reaction from cabbies has not been quite on this scale, but a colourful exchange between London's Mayor, Boris Johnson and a protesting taxi driver [6] during which the usually urbane mayor told the driver to 'f*** off and die' highlights the level of disruption and the level of feeling Uber creates when it enters traditional markets.

How will the traditional delivery market react to the arrival of such a disruptive newcomer? A newcomer with the potential to turn the market on its head?

Will FedEx CEO Fred Smith be proven correct in his assumption that their ultimate impact will not be that great? 'I think there's just an urban mythology out there that the app somehow changes the basic cost input of the logistics business or changes the patterns or the underlying business situation and that's just not–that's just incorrect. So great company, great concept, but I don't think it's...likely to be a major player in the logistics business.' [7]

Or will James Tompkins, CEO of supply chain consultancy Tompkins International, prove nearer the mark with his prediction that Uber has good chance of transforming the market long dominated by the parcel carriers? 'The impact will totally change traffic flows. And the reality is, UPS and FedEx are in the wrong business because they are in the nationwide delivery of parcels. There is no nationwide delivery of parcel activity anymore because the 3PLs and the retailers and the consumer products companies, who are becoming retailers, all need to get local.' [8]

TAXI RANKINGS

To understand how significant an impact Uber could have on the delivery market, it is useful to look at its beginnings as a cab app, and see how it transformed that industry. Uber was founded as 'UberCab' by Travis Kalanick and Garrett Camp in 2009 and the all-important app that brings customers and drivers together was released the following June. Travis claims the idea for Uber came to him when he was trying to find a cab to attend a 2008 LeWeb conference in Paris, France but he could not find one. Kalanick cites 'Paris is the inspiration for Uber'. [9]

Following the successful initial trialling of UberCab in San Francisco the company expanded rapidly. The company moved into a new city each month starting in May 2011, including New York City, Chicago and Washington, D.C. [10] Fittingly, in view of the story of Uber's initial birth because its founders couldn't find a taxi in Paris, the French capital was the first city outside of the US where Uber's service began operating, in December 2011, prior to the international LeWeb Internet conference. [11] The company expanded to Canada in March 2012 and reached the UK in July 2012; the company launched its app in London in time for the Olympics, with an initial 90 drivers signed up. [12]

Countries as far apart as Australia, Singapore, South Korea, India, South Africa, China, Mexico, Poland, Denmark, Germany, Thailand and Nigeria followed swiftly on the heels of the initial overseas services. [13]

The service proved instantly popular with passengers. Management Today's Emma Hasslet typifies many customer's reactions [14]: 'The cab industry is a classic example of a protected market which has been ripe for disruption for years: while plane travel has been updated with low-cost airlines and even train journeys are easier to book, taxi services have all but ignored the digital revolution, with the same dodgy backstreet minicab offices and grumpy black cab drivers pronouncing they 'don't go south of the river'.

Emma summed up the success of the Uber model as the result of its Amazon-style rating system: 'Uber operates a rating model - the passenger rates their driver, and vice versa.

Get a low rating more than three times, and you'll find drivers are unwilling to pick you up. It makes the whole affair politer: passengers don't take cabs for granted, and drivers are chatty and make sure their cars are clean and well-maintained. No more dodgy minicabs with stuffing coming out of the seats; no more surly black cab drivers. It's how cabs should be.'

UBER EARNER?

As seen, Uber was enthusiastically welcomed by city travellers in many countries throughout the world. It was also welcomed as enthusiastically, if not more so, by investors. Uber raised $49 million in venture funds by 2011 and by 2012 its simple concept was being expanded internationally. By August 2015 the service was available in 59 countries and more than 200 cities worldwide. [15]

Uber has continuously raised additional funding, Google Ventures invested $258 million in 2013. [16] Fortune reported in August 2015 that the company was recently valued at $50bn and was the most-funded start-up in the world [17]. And According to Business Insider's CEO and Editor in Chief, Henry Blodget, it's expected to hit an annual revenue run rate of $10 billion by the end of 2015. [18]

Says Henry: 'Uber keeps 20% of gross revenue and gives the rest to its drivers. So $10 billion of gross revenue would equate to $2 billion of net revenue. Uber's revenue growth rate, meanwhile, is about 300% this year, and it is expected to be another 300% again next year. Very few companies in history have grown at that rate at that scale.'

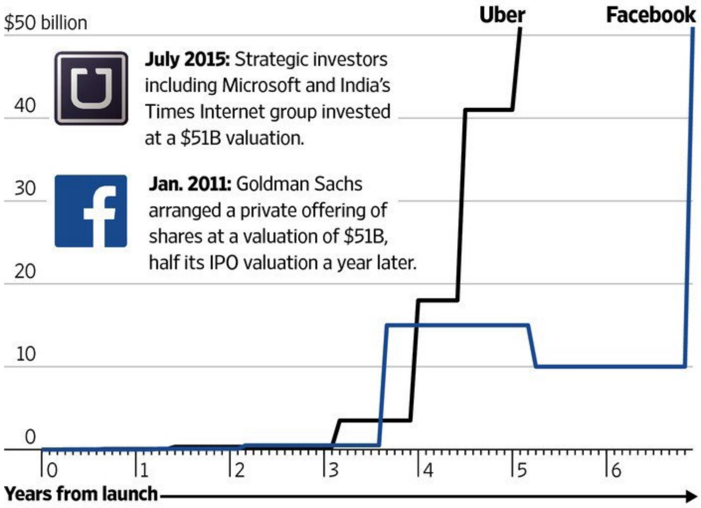
And Blodget is not the only one to get excited by Uber's potential. Bloomberg reported at the beginning of August that Microsoft Corp. had agreed to invest about $100 million in Uber Technologies Inc. [19]

And The Wall Street Journal's Douglas MacMillan revealed Uber's new round of funding valued the five-year-old ride-hailing company at close to $51 billion, equalling Facebook Inc.'s record for a private, venture-backed start-up. [20]

Says Douglas: 'The ride-hailing company also is more highly valued relative to its revenue than Facebook was. At the time of its $50 billion round, Facebook had generated roughly $2 billion in revenue in the previous 12 months.' Douglas reported that Uber had revenue of more than $400 million in 2014, and has told some investors it expects revenue to grow to $2 billion this year. He concluded 'Uber's faster climb to $50 billion reflects its aggressive global expansion into more than 300 cities and growing popularity ferrying millions of riders daily.'

The $50 Billion Club

Only two venture-capital-backed startups have surpassed a $50 billion valuation. Uber did it nearly two years faster than Facebook.



Source: staff reports
THE WALL STREET JOURNAL.

And in October 2015 the New York Times' Leslie Pickering revealed Uber was planning yet another funding round. He reported Uber 'is planning to raise close to $1 billion in new venture capital from investors, according to people close to the matter. Investors are looking at a valuation of $60 billion to $70 billion.'[21]

However, all that glitters may not always be gold. The widely-quoted management expert Rags Srinivasan argues that the entire global taxi market is worth just $22bn. [22] While this might be a conservative valuation, clearly the maths does not add up when a company is valued higher than its entire available market.

The BBC reported in July 2015 that financial documents, allegedly from within Uber, suggested the firm is running at losses of 'several million dollars each quarter'. [23] Images of the figures were published online by the website Gawker. [24] They seem to show operating losses of more than $100m (£65m) in the second quarter of 2014, albeit coupled with steady growth in revenue.

The BBC report stated: 'There has long been speculation over the health of Uber's profit to loss ratio, a subject on which the company has never officially detailed the sums.'

And Henry Blodget's fellow Business Insider contributor Alexei Oreskovic failed to share Blodget's enthusiasm following the leak of these figure. Commenting on a Bloomberg Business video news report on the leaked documents Alexei said: [25]: 'According to Bloomberg, Uber had revenue of $415 million (we assume net revenue after payments to drivers, not gross revenue) and an operating loss of $470 million. 'It's an incomplete glimpse into Uber, as the numbers are missing one major piece of context: the time period that the financial results correspond to. It's unclear whether these are financial results for a single quarter, for a whole year, or for some other period of time.

'If one assumes that the numbers correspond to one single quarter's financial results, then Uber appears to be losing some serious money. That's because if you create an annualized run-rate based on those numbers (multiply by four), Uber's annual operating loss is nearly $2 billion.'

'But perhaps the Bloomberg numbers represented an entire year's worth of financial results? In other words, Uber's $470 million operating loss could be for the 2014 year. The problem with looking at it that way is that it means Uber's revenue for all of 2014 was only $415 million.'

Alexei concluded: 'That's a pretty small number for a company with Uber's valuation — it was $18 billion at the end of 2014, and is over $40 billion approaching $50 billion now. It also suggests that the company will fall short of the $2 billion net revenue run rate that earlier reports expected it to attain this year, even at a reported 300% growth rate.'

In a statement, however, the company hit back at reports but did not deny them. 'Shock, horror, Uber makes a loss,' it said. 'This is hardly news, and old news at that,' it added. 'It's a case of business 101: you raise money, you invest money, you grow (hopefully), you make a profit and that generates a return for investors.' [26]

What is certain is that Uber, much as Amazon has done, is not afraid to invest in its future rather than take immediate profits. For Uber's shareholders, as for Amazon shareholders until very recently, it is a case of 'always jam tomorrow, never jam today'. That long-termism, however, is perhaps what is making Uber one of the two most successful ever venture capital backed start-ups in terms of investment won. [27] Because it has paved the way for Uber to move beyond being a simple taxi app company, clearing the way for the 'Uberfication' of a number of lucrative new industries.

And were Uber to discover a second use for all those drivers it could discover further economies of scale to further improve its figures – whatever the actual truth of them is...

UNTAPPED MARKETS

The obvious extension for Uber was to progress from delivering people to delivering items. While the value of the entire global taxi industry might be as low as $22bn, the domestic global courier and parcel sector generates around $246 billion in revenue each year [28]. As Tech in Asia analyser Josh Horwitz observed back in June 2014: 'Over the past two years, investors and entrepreneurs have demonstrated a renewed interest in logistics, both in the west and in Asia. Amazon has hedged its bets on drones as the future of package delivery, investing over US$14 billion in the technology since 2010. Start-ups like PostMates and Wunwun, along with valley giants like Google, Amazon, and Ebay have thrown their hats in the ring in hopes of realizing the elusive "Kozmo dream" – near-instant delivery of anything, anytime. [29]

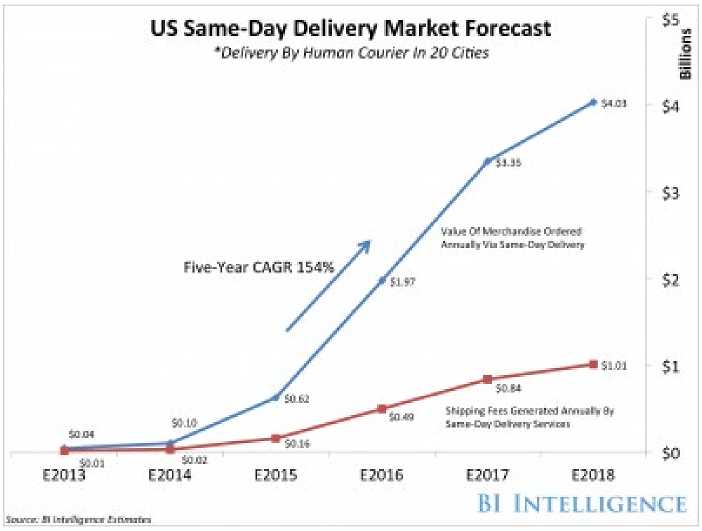
'But the excitement over the amorphous future of logistics is best exemplified by Uber, one of the most forward-thinking and controversial firms of this era. Earlier this year, Uber's charismatic CEO Travis Kalanick announced the company will eye logistics as its next frontier, stating, "We're in the business, today, of delivering cars in five minutes. But once you're delivering cars in five minutes, there's a lot of things you can deliver in five minutes."'

Despite the fact that one of Horwitz' start-up examples, Wunwun, closed in May 2015, the delivery market Kalanick had identified is certainly a lucrative market. ParcelHero's previous report, Amazon's Prime Ambition [30], revealed the extent of its potential. UPS enjoyed revenue of $58 billion in 2014 [31], FedEx $47 billion (2015) [32] and even an average size player such as UK Mail has revenues of £485.1 million.[33]

Let's just remind ourselves of the delivery industry's potential revenues. The entire US taxi and limousine market had a revenue of around $11bn per year in 2013, according to pricing strategy expert Rag Srinivasca, and a global total revenue of $22bn. [34] These are healthy figures, but small numbers compared to the global logistics market: the domestic global courier and parcel sector generates around $246 billion in revenue each year [35] and the US domestic courier market is worth $97bn [36] while the UK courier and express sector alone generates annual revenue of around £7.1bn. [37]

And there is a segment of the market that a hungry young company such as Uber, with a huge and sometimes underused resource, 1000s of drivers, will particularly have in its sights: the Same Day delivery market. Already over 15% of Uber drivers have previously worked in the delivery industry.[38]

Talking Logistics' Adrian Gonzales says it's a market growing remarkably swiftly in the US. [39] He reports that about $100 million of merchandise were ordered via Same Day delivery in 2014, generating about $20 million in shipping fees (the analysis covers just 20 US cities). By 2018, he predicts that $4.03 billion of merchandise will be ordered via Same Day delivery (a 5-year COMPOUND annual growth rate – CAGR - of 154 percent), generating a little over $1 billion in shipping fees.'



And Business Intelligence's Cooper Smith reported the result of its Same Day poll in November 2014 in which it revealed that 4 in 10 US shoppers said they would use Same Day delivery if they didn't have time to go to the store, and one in four shoppers said they would considering abandoning an online shopping cart if Same Day delivery was not an option. [40]

The US Same Day couriers' trade association CLDA (Customised Logistics and Delivery Association) says over 7000 firms work in the Same Day delivery and messenger courier industry, and that the Same Day market is worth $8.7bn. It calculates that once all the expansion services such as cartage and Same Day contract logistics are included the industry is worth $14.5bn. [41] Clearly the arrival of a large scale yet local business would severely disrupt this market.

As well as such highly localised companies the Same Day industry has a number of larger companies like A1Express, Courier Express, LaserShip, and Last Mile Logistics Group that provide local deliveries or parcel services in specific metropolitan areas. [42] The overall Same Day market is potentially very lucrative, and already a number of US-based tech start-ups that are targeting the sector – beating Uber to the market. Companies such as Shyp and PostMates have achieved a high profile, but industry commentators believe such businesses still have significant overheads when compared to the 'ad hoc' ability of a company such as Uber to divide its drivers' time between deliveries and taxi pick-ups.

Aswath Damodaran, finance professor at New York University's Stern School of Business, estimates that Uber will win 10% of the global taxi market [43], while at the other end of the scale, management expert Rags Srinivasan predicts the – self-admittedly over-aggressive - possibility of a 50% global taxi market share by 2018 [44]. While this seems far-fetched indeed, Certify, an expense management company specializing in small businesses, reports that this year 'an average 46 percent of all total paid car rides were through Uber in major markets across the U.S.' [45].

Both the global taxi and the domestic courier and same-day parcels market are very similar in that they both appear well-established, with some entrenched providers (such as London's black cabs); yet in reality both are extremely vulnerable to Uber's innovative crowdsourcing technology. Were Uber's move into the domestic courier market to achieve similar success to its taxi industry campaign then this would translate to a minimum of $24.6 billion yearly revenues (if Uber achieves the lowest estimate of 10% penetration of the global courier industry, as it likely to in the cab market). That equates over $2bn more than the entire global taxi market is worth. And were it to win 46% of the market – highly unlikely indeed, but then who would have foreseen that many nations' cab markets would have collapsed so precipitously - that would equate to a staggering $113bn a year!

INTRODUCING 'AN UBER FOR THINGS'

Clearly the potential for greater revenues in the delivery market, over the taxi market, could not be ignored by a hungry young company such as Uber.

Sure enough the move into logistics was not long in coming. In April 2014 Josh Mohrer, general manager of Uber in New York launched its new UberRUSH service, he explained the thinking behind its new delivery service succinctly: 'It's an Uber for things.' [46]

'With UberRUSH, your packages travel like a VIP. You get fast messenger pickups and immediate deliveries of the things you need to send,' the firm said.

It was a small scale initial introduction, but the idea swiftly captured the attention of the media and investors. US tech magazine PC World reported in April 2014: 'Not content with delivering people to their destination, Uber is now delivering packages as well. The company rolled out a new service on Monday called Rush, which lets people order pickup and delivery of packages using the Uber app. [47]

'Packages are delivered by bike messenger or by foot, and users can select a pickup location in the app in much the same way they order a car today. Uber says a messenger will arrive within minutes. The user can then track the location of the package and share that location with the recipient...It has also posted job ads on Craigslist to hire couriers. They'll be paid $20 to $30 per hour, the ad says, and be given an iPhone 4S so they can receive delivery orders. '

As well as the UberRUSH courier service, Uber also trialled an On-Demand service linking local retailers and customers in Washington DC, initially titled Uber Corner Store before being renamed UberEssentials in December 2014. [48] This first venture into B2C deliveries looked promising, but hit a number of snags. In January 2015 Venture Beat revealed [49]: 'Uber is stepping back from the On-Demand delivery business — at least, for now. Last week, the cash-flush company quietly announced the shuttering of its product delivery pilot, UberEssentials.' UberEssentials may not have quite been the right service at the right time, but it was to prove the model for a far more successful transformation of the UberRUSH service into B2C deliveries later in 2015, as we shall see later.

Even while UberEssentials was struggling, a van-based delivery service in Hong Kong, UberCargo (recently rebranded UberVAN 'Uber quality, for your items') was to achieve success. The IT Professionals' website Znet reported on the launch of in January 2015 [50]: 'Uber customers in Hong Kong have long been able to select between riding in an UberTaxi or UberBlack, but now the option has been expanded to include UberCargo. In a blog post, Uber said UberCargo is for customers who require extra boot space, potentially because they need to ferry around extra parcels.

"With UberCargo, a van arrives wherever you want it to be in minutes. You can load your items in the back of the van yourself, or request the driver's assistance if you need an extra hand," it said. "Deliveries can easily be tracked in real time through the app, the item's location can be shared with the recipient, and you can even ride along with your goods so you'll have ease of mind that your items are safe."

'The US-based company also boasts that UberCargo can be used by businesses, as it can "cover On-Demand logistical needs without complicated and costly delivery arrangements". Rates to use UberCargo are calculated based on time and distances, and will also take into account the time it takes to load and unload. Base fares will begin at HK$20, and will then charge HK$1.60 per minute and/or HK$4.50 per kilometre.'

UberCargo was originally launched in Hong Kong as an experimental Beta project. However, during 2015 it became a recognised part of the brand's services in the province, and was renamed UberVAN - rather confusingly as this is also the title of Uber's large MPV service in some European countries! Marketed as 'Uber quality, for your things' it has proved successful; though rates have risen and it currently charges a minimum HK$30 per delivery.

During 2015 UberRUSH also showed its potential for rapid evolution. In New York it remains a courier service largely delivered by people by bike or on foot, but has added a business-to-customer (B2C) option to its services. And UberRUSH has also rapidly expanded, as a vehicle-based delivery service, into San Francisco and Chicago: delivering items from retailers to customers. As Uber's founder Travis Kalanick explained in a speech marking the fifth anniversary of Uber in June 2015: 'Imagine a city where you can choose to live or start a business anywhere you want, because transportation to and from will always be one tap away. And in a world where technology can deliver the ride you need within five minutes wherever you are in the world, just imagine all the other goods and services that you could one day get delivered quickly, safely, with just the single touch of a button.' [51]

And the potential growth of an UberRUSH driver delivery service looks to be an obvious move. As TechCrunch's Ryan Peterson observed in June 2015 [52]: 'The same economies of scale that apply to Uber's taxi business apply in the last-mile logistics business, where FedEx, UPS and USPS have managed to achieve supreme geographic saturation.'

Says Ryan: 'Because these companies have drivers on almost every block in America on a daily basis, their marginal cost to deliver one

HONG KONG'S UBER CARGO/UBERVAN POINTS THE WAY TO THE COMPANY'S FUTURE LOGISTICS PLANS. COURTESY UBER TECHNOLOGIES, INC.

more parcel is as low as $1.50. And if they have two parcels to deliver to the same house, the cost to deliver the second one falls to almost zero.

'Overwhelming route density has made it nearly impossible for new entrants to gain a foothold in the parcel business. Even DHL, which has a top-three worldwide parcel delivery network, failed in its bid to enter the domestic market, withdrawing in late 2008.

'But Uber has a key advantage over even these massive incumbents: While the big parcel players put a driver on every block every day, in metropolitan regions Uber has drivers on every block every minute.

'While both FedEx and UPS do offer scheduled pickups, only Uber has the density needed to offer instant pickups and On-Demand deliveries. This is a game-changer, as it enables a whole new generation of real-time e-commerce experiences.

'Likely the same driver wouldn't need to pick up and then deliver the parcel as with courier services like PostMates. Rather the driver would simply accumulate packages in the trunk throughout the day, then drop them all off at a consolidation center at the end of their shift.'

Ryan explained the potential of the delivery service: 'Uber has already begun their shift toward becoming a real-time logistics network, rather than a mere ridesharing service. They've launched Uber Cargo in Hong Kong and UberRUSH in New York City. For the time being, those services use separate networks of cargo vans and bike messengers, respectively. But it's only a matter of time before we see Uber roll out parcel solutions that leverage their dense network of ridesharing drivers.

'The first order analysis of why this matters is obvious: Logistics is 12 percent of global GDP, so the parcel business represents a huge new revenue stream for Uber. The second order analysis is perhaps more interesting: Parcels

UBERRUSH LAUNCHED IN NEW YORK INITIALLY AS A BIKE COURIER SERVICE. COURTESY UBER TECHNOLOGIES, INC.

and people can cross subsidize each other, so by co-existing, the two services are cheaper than either could be alone.'

Whatever its future potential, the existing UberRUSH service has already mirrored the success of Uber's taxi service and won many fans. As the influential tech blogger Zach Epstein wrote in a blog titled 'UberRUSH just changed my life' in April 2015 [53]:

'On Tuesday, I made a significant breakthrough in my quest to never have to leave my home again. Things like Amazon Prime, Trunk Club and unlimited On-Demand entertainment from Netflix and my pay TV provider have played a huge role for years. But now I have found a new service I can rely on to take things to the next level: UberRUSH'

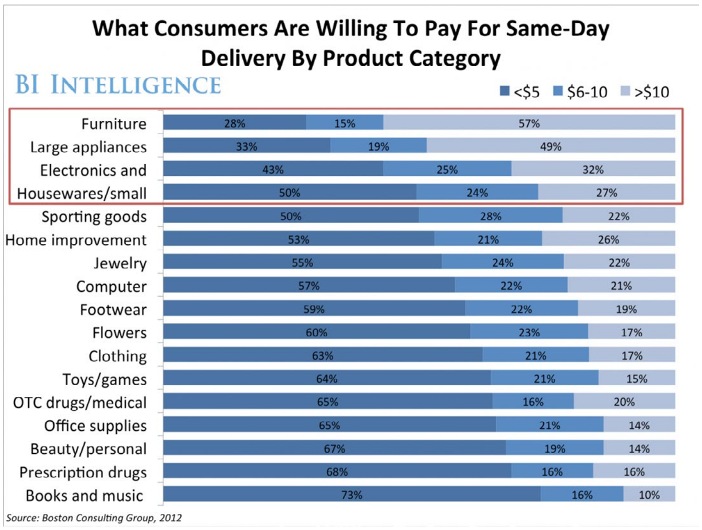
'Uber — the company everyone loves to hate and hates to love — isn't just for taxi service anymore. Beginning in select markets last year, the company started offering a service called "UberRUSH." With a few simple taps you can enlist the services of an UberX driver who will pick up one or several items at a location you specify and then deliver them to a second location you specify.

'UberRUSH doesn't just kill traditional courier services for non-sensitive deliveries, it heartlessly murders them in the most gruesome way imaginable...My courier was friendly and professional, and I was able to track his progress in real-time every step of the way. And the price I had to pay for this fantastic, game-changing service? $11. Five stars.'

Uber's pricing has proved competitive compared to traditional same day courier firms. In January 2016 it was charging $6 for the first mile and $3 for every extra mile per delivery in San Francisco; in Chicago $5 for the first mile and

$2.75 per extra mile, and in New York $5.50 for the first mile and $2.50 per extra mile.

With courier industry customers seemingly won over as readily as they had been in the taxi market, how have existing courier market companies responded to the new threat?



MARKET REACTION

The existing leaders in the courier and parcels delivery market have not been slow to voice their opinions of the new upstart company; though much of their reaction, at least in public, has been to shrug off the potential threat.

The Motley Fools' analyst Adam Levine-Weinberg reported in depth on FedEx's Mike Glenn comments on the threat, or lack of threat, from Uber [54]:

'It won't be easy for Uber and other tech upstarts to gain a foothold in the package delivery business. Naturally, [the growth of UberRUSH] has a lot of investors worried about the potential damage to FedEx and United Parcel Service. However, FedEx isn't worried at all, based on comments made by EVP Mike Glenn last month. In a conference call with analysts Mike Glenn, FedEx's executive vice president of market development and corporate communications, gave two main reasons why upstart delivery services like Uber won't eat UPS' and FedEx's lunch.

"The first is simply that operating a reliable, efficient package delivery network is tough. (FedEx has been spending upwards of $4 billion a year in capital expenditures to keep its business competitive and growing.) In addition to the big overhead costs, massive scale is needed to be cost-effective.

"I think what a lot of people lose in this conversation is that while technology today has certainly made user interface much more streamlined and easy … the fundamental input costs have not changed," Glenn said.'

As Adam's Motley Fool article explained: 'To look at it another way, the package delivery business is highly organized. FedEx and UPS drivers have routes that are optimized to get packages between customers and sorting hubs as efficiently as possible. A crowd-sourced delivery service would have trouble replicating that, since companies like Uber generally don't determine who takes what job.

'By contrast, the taxi business is incredibly disorganized. (After all, its main organizing principle is that a potential customer sticks out his hand and waits for a car to pull over.) As a result, taxi companies have no moat - other than perhaps government regulations - to protect them from tech upstarts like Uber.

Mike Glenn also claimed that research has shown that 'a uniformed person with proper

ESTABLISHED INDUSTRY LEADERS SUCH AS FEDEX HAVE SO FAR SHOWN LITTLE CONCERN ABOUT UBER'S DELIVERY AMBITIONS. COURTESY FEDEX.

identification showing up at your doorstep is an important issue for customers.' Presumably that would apply at least equally to the people or businesses sending out packages.

'If a significant number of customers would be uncomfortable about sending or receiving a delivery via a non-uniformed Uber driver in an unmarked car, it could be a major barrier to services like Uber gaining a foothold in package delivery. At the very least, retailers offering Uber deliveries might also need to give customers an alternative delivery option.'

Adam concluded: '...For now, FedEx and UPS don't have to worry about having their comfortable oligopoly upended.'

Influential business analysts Trefis have also been unmoved by the appearance of UberRUSH. The Trefis team wrote an article in Forbes in June 2015 declaring [55]: 'With Uber experimenting with an entry into the local delivery market, a common question has been what impact, if any, will it have on delivery and logistics stalwarts FedEx and UPS? Will the prodigiously growing technology company be able to capture enough share from these giants to really make a dent? While Uber's technology and innovation are certainly impressive, and its Same Day delivery plans look like they will be effective, we don't believe that it will have a major impact on FedEx or UPS.'

'Uber's delivery service is reportedly focused primarily on local, Same Day shipping, which makes sense given its existing platform and large base of both users and drivers. This is a significant opportunity for Uber, but it isn't a major area of focus for FedEx or UPS, which specialize more in long-haul shipping and logistics.

'US Overnight Delivery (both box and envelope) account for less than 10% of FedEx's value. This is the area that would be most vulnerable to Uber, and much of the company's volumes for these segments are not local deliveries. Therefore Trefis believe there will not be significant overlap with Uber's planned services.'

Trefis did acknowledge that Uber is a concern to other existing companies: 'We believe Uber's local delivery services would be more of a threat to players in that specific domain. This includes niche players such as Instacart (which provides local grocery delivery), and some larger companies such as Amazon, which has also entered the Same Day delivery space.'

And Trefis conclude: 'While Uber's technology has revolutionized the transportation industry, UPS and FedEx are no slouches when it comes to tech and logistics. Their consistent innovation makes them comparatively less vulnerable to disruption than the taxi industry.'

It's a view that chimes closely with the opinion of Fed Ex CEO Fred Smith we quoted earlier: '... Great company, great concept, but I don't think it's likely to be a major player in the logistics business.'

'SEE YOU IN THE TRENCHES'

The reaction from traditional industry companies has been muted then, but perhaps they are missing the bigger picture. Uber started life as a market disruptor and shows no signs of changing this approach. Which means other operators and analysts are not so sanguine about the company's potential impact.

In the short term it is probably not the likes of FedEx and UPS that will be most impacted by Uber, and it is smaller companies and recent start-ups that should be more afraid. The CLDA explains [56]: 'Courier firms provide an invaluable service because the "big four" (DHL, UPS, FedEx and USPS) in the delivery business simply do not provide Same Day delivery services uniquely designed to meet specific individual customer needs.' If the 'big four' are not exactly in the firing line for now, though, other players certainly are. Companies such as A1 Express, providers of Same Day and other courier services, and newcomers ParcelMates and Shyp, who operate in the exact Same Day/same hour market Uber are moving into, will certainly be keeping a wary eye on UberRUSH's expansion.

Ron Giuntini, consultant and principal of Giuntini & Co., says he believes the Uber model will add tremendous value to the parcel delivery space [57]: 'We have always talked about that last mile. Think about 230 million vehicles in the United States, and the average vehicle is used about one hour a day. The drivers would be certified. It would be like a commodities market, where you would bid, and the parcels could be delivered, depending on the distance, at very reasonable prices.'

And, as we read earlier, James Tompkins, CEO of supply chain consultancy Tompkins International, believes Uber has a good chance of changing the market long dominated by the parcel carriers, and he believes even the 'big four' are not immune to its impact. 'The impact will totally change traffic flows. And the reality is, UPS and FedEx are in the wrong business because they are in the nationwide delivery of parcels. There is no nationwide delivery of parcel activity anymore because the 3PLs and the retailers and the consumer products companies, who are becoming retailers, all need to get local.'

James' comments reveal an even wider potential. Uber has the capability to transform not only the local delivery and courier market, but also effect a major change in the way we think about commerce and the supply chain. UberRUSH could enable a far more localised approach to item sourcing and distribution, potentially doing away with the need for centralised national Distribution Centres in favour of more local approaches. This ties in with Techcrunch's Ryan Peterson's previously mentioned insight that: 'Likely the same driver wouldn't need to pick up and then deliver the parcel as with courier services like PostMates. Rather the driver would simply accumulate packages in the trunk throughout the day, then drop them all off at a consolidation center at the end of their shift.'

There may, however, be niches within the Same Day/same hour local market that might help certain operators survive the Uber revolution, at least according to some experts. Shyp has the advantage of offering the ability to pick up and then package items through its couriers, which it calls 'Heroes'; something Uber drivers are unlikely to have time to offer. It also links with national and even international networks as well as very local services.

PostMates, on the surface, would seem to be more vulnerable: here is how the company describes its business model [58]: 'PostMates is transforming the way local goods move around a city by enabling anyone to get any product delivered in under one hour. PostMates' revolutionary urban logistics & On-Demand delivery platform connects customers with local couriers, who purchase and deliver goods from any restaurant or store in a city.'

So PostMates operations would seem to be squarely in Uber's sights. So far PostMate's rear-guard action has held UberRUSH at bay, according to The Wall Street Journal's Douglas MacMillan, writing in June 2015 [59]: 'Uber Technologies Inc. became one of the world's most valuable start-ups by creating a new way to transport millions of people in more than 300 cities. But using the same formula to upend the delivery business has turned into a slog.

'For more than a year, the San Francisco company has been trying to build what its chief executive once called "an urban logistics fabric" that enables drivers who shuttle passengers with the tap of a smartphone to pick up food, grocery items and packages along the way. In a sign of Uber's potential, it has more than 200,000 active drivers, roughly double the size of the delivery workforce at United Parcel Service Inc.

'In recent months, Uber lost out on the opportunity to make deliveries in some cities for Apple Inc. and Starbucks Corp., which discussed tie-ups with Uber but then made deals with start-up courier service PostMates Inc., according to people familiar with the discussions.'

So it would seem to be a battle that PostMates are surviving, if not even winning, currently. However, it's a war Uber has been planning for over a long time. Pando's Sarah Lacey says that the founder of PostMates, Bastian Leahman, was an admirer of Uber's founder Travis Kalanick and offered to shake his hand at an awards evening back in 2012. Even though, at that time, PostMates was in the delivery business and Uber firmly in the taxi business, Kalanick refused his hand, saying 'See you in the trenches'! [60]

Says Sarah: 'While Uber's starting price is higher than PostMates' $5 minimum, the two services

SERVICES SUCH AS AMAZON FRESH COULD PROVE AN AREA FOR COLLABORATION WITH UBER IN THE FUTURE. COURTESY AMAZON.COM.

are otherwise directly competitive. And while PostMates has the first mover advantage, Uber benefits from a huge installed user base to which it can begin marketing the service.'

'Of course, there's no reason why Uber and PostMates can't share the field. As Lehmann points out, local delivery is a potentially huge business - and one that could revolutionize ecommerce by helping brick-and-mortar retailers compete with the likes of Amazon. And PostMates couriers are mostly cyclists who don't want to chat it up with a passenger - a different demographic than Uber's professional drivers in clean hybrids, town cars, and SUVs. But, as Lyft or Sidecar will tell you, Uber is unafraid to expand its brand to take out a competitor - and this isn't a company that likes to play nice.'

This was a perceptive comment from Sarah, writing in April 2014, as Sidecar was to abandon its ride and delivery business at the end of 2015 in the face of such strong competition. Said Sarah prophetically: 'Whether it happened two years ago, yesterday, or next year, this move was coming. Kalanick has always viewed his company as an algorithm-loaded transportation logistics player, even back when others saw it as little more than a town car service for the rich... Its biggest advantage will be the head start in other cities, and its installed base of customers. A PostMates courier typically makes two-thirds that of an Uber driver, Lehman says. Uber won't be afraid to pad that up to get recruits.'

We may only be glimpsing the beginning of the crowdsourced approach to retail and delivery.

UBER AMAZON?

The huge potential of the Uber crowdsharing model is not lost on that other great industry disruptor, Amazon. In a recent Money Observer article on how investors can make money from the sharing economy, ParcelHero founder Roger Sumner-Rivers discussed a proposed prototype delivery app from Amazon, which is distinctly similar to the Uber approach. Roger explained

[61]: 'Amazon for example is rumoured to be working on an app codenamed On My Way, which would allow members to deliver Amazon parcels for a fee. The proposed set-up is a good typical example of the sharing economy model.'

The Money Observer article continues: 'According to Roger, it would work like this: Amazon would partner with local high street shops to hold packages. Then members - maybe existing Amazon users - could use the app to pick up parcels and deliver them to addresses along their planned journey, for a small fee.

'What's interesting about this from a bigger-picture point of view is that it looks like a genuine free lunch - Amazon cuts the costs of its delivery network on its balance sheet, while the shops that participate get more people in the door and the couriers get more money in their pockets.'

And discussing the plans in UK industry magazine SHD Logistics [62] Roger drew parallels with Uber: 'There's a nice neighbourhood community aspect to these plans. It could be a way of getting to know neighbours and bring people together. It's also a very green concept; incorporating deliveries into a journey someone was already making for other purposes. And it might sound a nightmare to vet, but participants could be ranked just as they are in the Uber taxi app, for example, or even by Amazon's own seller review scheme.'

While such plans are perhaps little more than a gleam in Amazon's eye currently, the company will have learned from Uber. In fact in 2014, Amazon briefly tested using Uber for local deliveries, but didn't expand the experiment, claims the Wall Street Journal's Glen Bessinger. [63] Says Glen: 'Last year, Amazon briefly tested delivering packages in San Francisco via yellow cabs and Uber vehicles, paying about $5 per parcel. It was a limited experiment to gauge the feasibility and cost of such deliveries and wasn't expanded, people familiar with the matter said.'

And the Financial Times Associate Editor Andrew Hill also believes there could be very close synergies between Amazon and Uber in this sharing economy [64]: 'If convenience really does trump everything these days, I foresee another twist to this story: a link-up between Amazon and the ambitious taxi-disrupter Uber. Parcel delivery competitors to Royal Mail already use "lifestyle couriers" – the marketing name for the man in the unmarked car sullenly handing over your parcel on his way to work – for "last mile" delivery. Uber, meanwhile, is keen to use its drivers to deliver virtually anything to consumers within a five-minute range. In some cities, it is piloting a food-delivery service that it boasts can bring lunch to a hungry worker with a smartphone before she reaches the front of the queue at her usual sandwich shop.

'Of course, all this ultra-convenience costs the customer money. But Amazon, above all, has demonstrated that many people are ready to pay what I call an "impatience premium", and what the company calls "Amazon Prime", to enjoy almost immediately goods for which they used to be happy to wait.

'Get ready for a future, then, in which Uber vehicles shuttle between Amazon Pass My Parcel locations, bringing your must-have item direct to wherever you are within minutes. No drones required.'

It's an idea that has clearly not been overlooked by those at the top in Amazon. Amazon's boss Jeff Bezos has personally invested in Uber. [65]

UBER EVOLUTION: MERCHANT DELIVERIES

Uber may have cause to be quietly satisfied by the successful start of UberRUSH package delivery service in New York, but it wasn't about to rest on its laurels. As any London black cab driver will tell you, Uber is an impossible company to keep down. Uber revisited the merchant delivery market in 2015 through its UberRUSH service, in New York, San Francisco and Chicago. Careful planning included partnering with a number of leading retailers and fashion brands in New York, and connecting with smaller retailers: including fashion boutique Sam & Lex; restaurants Blockheads and Indie Fresh, and tailor Alterations Master. Uber has also linked with BigCommerce and Shopify to reach out to SME retailers.

In April 2015 Tech Crunch's Jordan Crook was able to announce Uber's new merchant delivery programme [66]: 'Uber is planning to launch a merchant delivery program that would allow online shoppers to get Same Day delivery of goods through both UberRUSH couriers and Uber drivers.'

According to the Tech Crunch article Louis Vuitton, Tiffany's and Hugo Boss were all in talks with the Uber Merchant Delivery program, with potentially over 400 different merchants currently in talks (or already testing) with Uber for Same Day delivery.

And Jordan also reported that Spring, the mobile shopping app from David Tisch, was part of the initial test of the platform with a limited set of brands. The company sent out an email offering Spring + UberRUSH for a limited time.

Uber explained: "Experimenting and finding new, creative ways for the Uber app to provide even greater value to our riders and driver partners is a way of life at Uber. We have been piloting UberRUSH with multiple retailers for the last year."

Jordan reported that initially Uber drivers and couriers were taking merchant orders through a different app (and even a separate phone) than the one they use to receive regular UberRUSH orders. Eventually, however, he claimed, Uber drivers will be able to take both human passengers and Uber Merchant orders at the same time through an intelligent routing system, all from a single driver-side app.

Said Jordan: 'The merchant program seems to target higher-end brands with an online retail presence, offering the ability to deliver inventory that is locally available on the Same Day that a customer places the order. For an added fee, of course.

'One source told TechCrunch that Uber's original plan for merchant delivery focused on large e-commerce retailers like Amazon and eBay, but found that sourcing inventory from warehouses wasn't worth the effort. Getting inventory from local stores, on the other hand, is possible as long as the vendor has control over the amount and type of inventory available in a single day. It's a difficult logistics business, but Uber has the

HOW LONG WILL IT BE BEFORE UBER DELIVERY SERVICES COMMENCE IN THE UK? COURTESY UBER TECHNOLOGIES, INC.

built-in infrastructure with thousands of drivers and couriers to deliver this type of offering to merchants and, ultimately, consumers.

'It's not hard to imagine Uber combining these verticals — fresh food, restaurant food, home goods, online purchase orders, and more — into a single logistics framework that is dispatched to its thousands of drivers and couriers. A driver could theoretically have Johnny's pizza in the front seat, Jenny's new Louis Vuitton bag in the trunk, and you in the backseat.'

It's a model that is currently finding favour in many US cities, but, as we have seen, Uber's scale and ease of use would obviously impact significantly on services such as PostMates. And, significantly, Uber has also been developing a number of other delivery service options. It has trialled delivering fresh produce with UberEats (similar to the Amazon Fresh service and indeed originally called UberFresh), in a number of US cities, as well as Toronto, Paris and Barcelona. UberEats enables users to order pre-prepared meals for lunch and dinner that are delivered by Uber drivers. [67]

UBER GREEN?

The Uberfication of city deliveries not only makes urban living easier, it could help reduce carbon emissions. According to Richard Wilding OBE, Professor of Supply Chain Strategy at the Cranfield School of Management in the UK, 'In an Uber World, where freelancers transport whatever needs to be moved from one place to another, the environment benefits.' [68] 'There may be better vehicle utilization,' says Wilding. 'That translates into reduced CO2 as well as increased transparency so customers can readily find available providers.'

And the service offers one more significant price benefit, not to mention an environmental one. Customers could be given the option to choose to share their shipment. For a reduced cost they could potentially opt to become part of a multiple delivery. This would reduce overheads as the driver is not making a specific journey, but one as part of a more cost effective route.

And it presents one even greater advantage, the opportunity for the sender to set the price they can afford to pay. That way their item could be held until a driver is travelling to a specific destination anyway, and chooses to accept the item at the named price. This also gives the option for couriers to network with others at the edge of their area, forming a national network formed of local couriers.

However, what might be good for the environment might be less positive for the overall delivery market. Professor Wilding told the US e-commerce website ec-bp: 'A major potential downside of Uber's infiltration into additional supply chains is decreased competition. Traditional infrastructures and models may become less competitive, which means investment in the sector may lessen. If that happened, the overall supply chain would be impacted.'

Whatever the eventual result, the impact of Uber on the supply chain cannot be underestimated. Consumer Phycologist Dr Paul Marsden says Uber's success is down to the psychology of digital disruption [69]: 'Uber is all about "uber-convenience", earning the service hero status in the hot emerging category of 'convenience tech' – technology that buys you time and saves you effort. From new On-Demand mobile services for marijuana delivery to personal services, medical services and even bodyguards, Uber-style businesses have become the new black in disruptive digital innovation.'

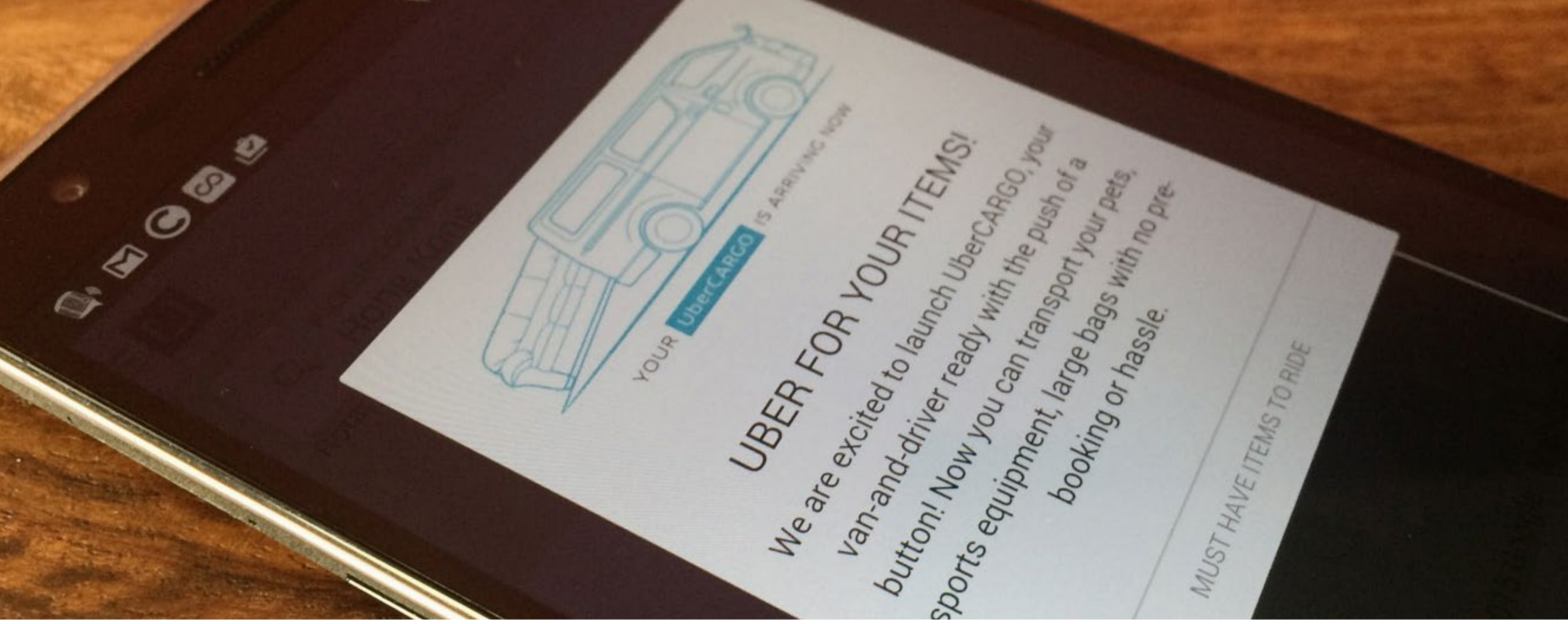
DELIVERING IN THE UK

The Same Day and On-Demand delivery market in the UK is also an openly admitted target for Uber. It's a mouth-watering one: as we've seen the UK courier and express sector alone generates annual revenue of around £7.1bn. The Same Day delivery sector expanded by an estimated 5% in value terms year on year to 2013 – a 19% increase since 2009. The Same Day segment now accounts for an estimated 10% of total UK express and courier domestic market value. [70]

Demand for Same Day courier services has been supported by the emergence of companies, such as Shutl, which give courier firms access to a larger retail market. Demand has also come from the services sector, which has grown ahead of GDP in recent years.

Shutl follows something of an Uber model. Shoppers look for the Shutl rocket symbol displayed on a number of online store sites, or book a personal delivery within their town or city using the Shutl.it service. Says Shutl: 'Our genius technology connects you with a network of best-in-class local Same Day carriers to provide you with a super fast, convenient delivery service that meets the demands of your busy lifestyle.'

It has proved a popular service, showing the capacity of the UK On-Demand and Same Day market. But should Shutl be gearing up for its own fight in the 'trenches' against Uber? Is Uber really looking to the UK Same Day market?



BOOKING UBER DELIVERIES COULD SOON BE AS STRAIGHTFORWARD AND COMMONPLACE AS BOOKING AN UBER CAB. COURTESY UBER TECHNOLOGIES, INC.

There is a clear similarity between a number of Uber and Amazon's business strategies. Amazon used the UK to trial a number of its services first outside the USA, including one hour deliveries and the introduction of Amazon Fresh. It seems likely that it won't be long before Uber follows suit and introduces a number of new services into the UK.

And indeed Uber's UK General Manager, Jo Bertram, has not disguised her plans for Uber in the UK. [71] The UK marketing website The Drum reported in June 2015: 'Ride-sharing app Uber could soon be disrupting other business models outside the taxi remit after the company's UK general manager Jo Bertram revealed "There's a lot more we can do beside transportation".

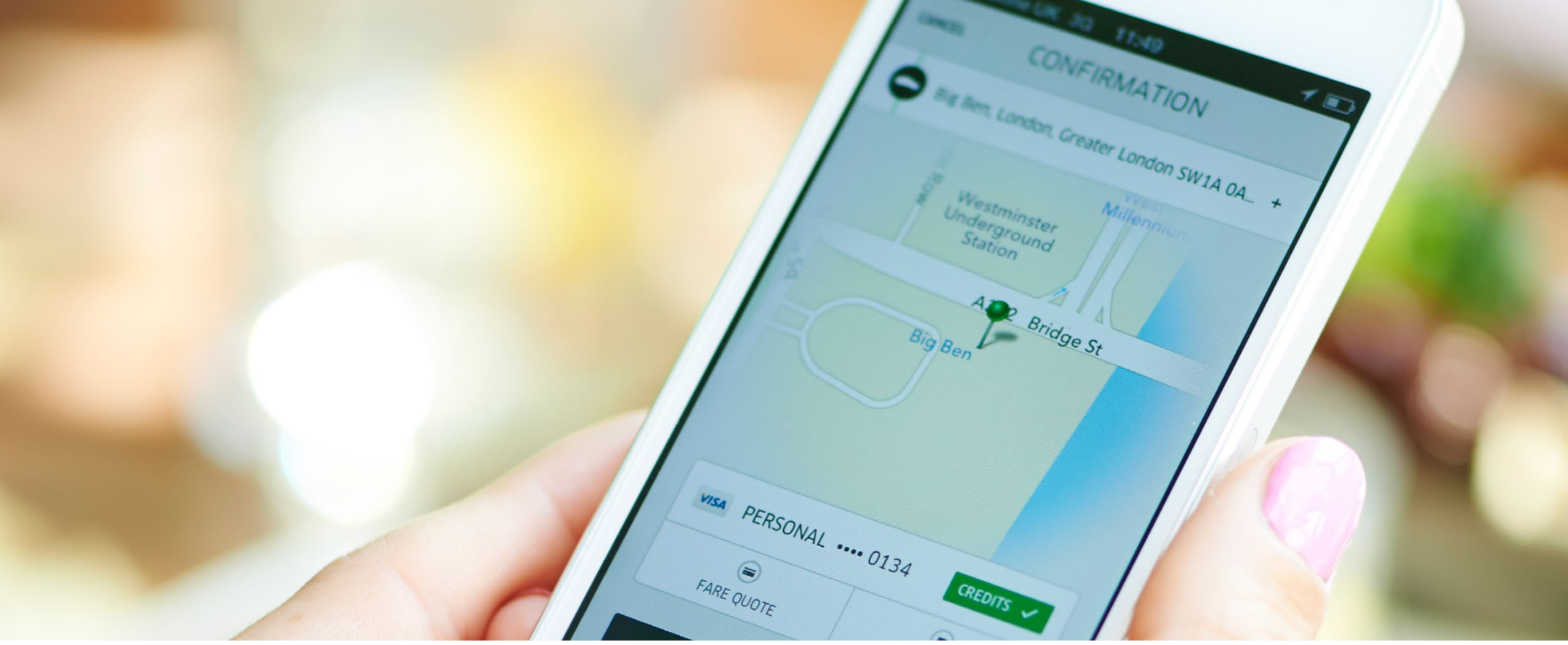
'Speaking to The Drum at last night's Tech & Tastemakers event in London, Bertram said that Uber has started to test out ways it can use the app in terms of "other things you can do" at the touch of a button.

"We've done some experiments partly as a marketing stunt but partly to see how the technology works," she said. "I think there's a lot more we can do beside transportation in the future.

"In New York we've launched UberRUSH which is a delivery service, where you can get a bicycle courier to your door to deliver keys, or a parcel, or whatever you have across Manhattan at the touch of a button, so we've already started going in that direction."'

And Stephanie Smart, head of marketing for Uber London, told Marketing Magazine in January 2015 [72] that she was eager to develop Uber in London on two fronts: by enhancing the immediate rider experience with innovations such as UberPool – a way of sharing a ride with people you don't know, which is already available in the US – and by extending the delivery proposition.

"Los Angeles and New York are great examples of cities where Uber is pushing the boundaries – with courier service UberRUSH, for example, and food-delivery service Uber Fresh [now UberEATS], which I am really keen to replicate here," she explained.'



A COLLABORATION WITH GOOGLE OR MICROSOFT WOULD OFFER UBER ACCESS TO VALUABLE NEW MAPPING AND SOCIAL MEDIA TECHNOLOGY.
COURTESY UBER TECHNOLOGIES, INC.

And Stephanie's hopes for the food delivery service's arrival in the UK may be about to come true. Leah Hyslop, the Telegraph's Digital Lifestyle Editor revealed in April 2015 that: 'A Uber spokesman has revealed there are "no specific plans" to launch the Uber Eats service in Britain yet, but that the company "looked forward to expanding this service to more cities in the future"'. [73] Leah speculates that: 'Foundations are surely being laid - on the UberEATS website, you can sign up to be emailed "when UberEATS arrives" in your city.'

And the service could again have a big impact on existing companies in the industry. Leah noted: 'If the scheme did make it across the pond, it could polarise opinion. If UberEATS does appear in the UK, it's possible that other food delivery services could lose out.'

It's a lucrative market indeed. Business Insider's James Cook reported in July 2015 that UK food delivery company Deliveroo had raised $70 million in new funding - having already raised £16 million back in January [74]. James reports that the platform works with over 2,000 different locations, even restaurants that don't usually offer take-away meals, including Gourmet Burger Kitchen, MEATLiquor and Wagamama. It even works with a Michelin-starred restaurant: Trishna in London. That kind of funding level won't have escaped Uber's notice, and its food delivery experience in other markets makes companies such as Deliveroo look vulnerable to Uber's possible encroachment.

Scott Fletcher, the CEO of Hungry House, says he is unthreatened, however. 'We would welcome Uber working with logistics and food as our customers will have another delivery option,' he says. 'I think this will accelerate our already high growth as it will raise more awareness of our service.'

Jackie Grech, of the British Hospitality Association, believes UberEATS could be "great thing" for British restaurants. 'The delivery sector is growing because customers want and are willing to pay for convenience and we're happy to welcome a new entrant to the market which will bring more new dining choices for customers,' she says. 'Though there are many technical issues that will need to be ironed out - like who accepts the risk for slow delivery and food problems in transit.'

As Leah Hyslop concludes, only slightly tongue-in-cheek: 'The most pressing question, however, must surely be: if you order an Uber taxi after a night out, can you arrange for it to bring you a pizza on pick-up? If that could be managed, success in Britain would surely be guaranteed.'

UBER ALL ELSE?

The future for Uber looks to offer significantly more than simple cab rides. As founder Travis Kalanick says: 'Just imagine all the other goods and services that you could one day get delivered quickly, safely, with just the single touch of a button.'

But we have also seen that, at least for now, Uber is having to invest significantly to establish itself across these different markets. Is there a danger for Uber in growing its new courier business too swiftly?

CNN's Douglass Gross has drawn some similarities with delivery companies' failures at the dawn of the e-commerce age [75]: 'During the initial dotcom boom of the late '90s and early 2000s, several online delivery services tried, and failed, to catch on.

'Kozmo.com is a classic story from the dotcom bubble burst. The website, which promised to deliver items such as DVDs, food and Starbucks coffee within one hour, raised $250 million in capital, launched in 1998 and was out of business by 2001. Webvan, an online grocery-delivery service, went bottom-up the same year, in what some have called the biggest dotcom flop in history.'

To avoid any such dangers, would Uber's future as a logistics provider be better on its own or in a partnership? We've already seen the potential for closer collaboration between Uber and Amazon; but there's another dot.com company that could be a good fit: Google.

IDG News Service US Correspondent Zach Miners says [76]: 'Google CEO Larry Page likes to talk about taking "big bets" into new areas like delivery services. An acquisition of Uber might be a gamble that could pay off for both companies.'

Zach concedes 'There's no clear sign that Google is actually trying to buy Uber, which has been valued at more than US$40 billion. But it's already a major investor, having put at least $258 million into Uber, and it may have good reasons to go all the way to a buyout.'

And Zach points out that delivery is one business where the companies might be better off together, with Uber's transportation know-how and Google's consumer data. 'Both are just getting their feet wet in this area. Google has its Same Day Shopping Express service, which uses cars to deliver items from select retailers, though currently only in a handful of cities including San Francisco, Chicago and Boston. Uber, meanwhile, began testing a cargo delivery service in Hong Kong last month, and has also tested fast food delivery in Los Angeles. Its UberRUSH courier service for package delivery is available in New York City.'

Concludes Zach: 'Increasingly, Google knows

UBER'S DRIVERS ARE AN ENORMOUS RESOURCE, ENABLING THE COMPANY TO EXPAND INTO SWIFT LOCAL DELIVERIES. COURTESY UBER TECHNOLOGIES, INC.

what people want and where they go, while Uber knows how to manage things that move around.'

And he is not the only person to spot the potential of a merger. 'Google buying Uber makes a tremendous amount of sense as long as Google understands that it's not buying a ride hailing or ridesharing service, it's buying a new transportation platform,' said James McQuivey, an industry analyst at Forrester who studies digital disruption among major consumer companies.

'In some ways, Uber will never become the Uber it promises to be if it doesn't team up with a company that knows as much about you—and has as much permission to offer solutions to you—as Google does,' he said.

Currently Uber is successfully raising capital and establishing new businesses in its own right, and this is the most likely immediate future for the company; but McQuivey is certainly not alone in pointing out the potential Uber has if it can developing strategic partnerships. One key reason for this is Uber needs to develop the fastest and most accurate local mapping in order to guarantee as swift as possible deliveries.

The Next Web's Joel Sand says [77]: 'Navigating through logistics challenges is becoming Uber's sweet spot. It's made clear that the company doesn't want to compete with Google and others over consumer maps. Becoming the global king of local logistics and delivery of people and things is the driving force behind Uber's latest map tech acquisitions.' Those acquisitions include Microsoft's Bing mapping, which Uber purchased in June.

Not everyone believes Google, or even Amazon, are the natural bedfellows for Uber. As we've seen, Microsoft has also reportedly invested considerable sums in Uber recently. The New York Times' Mike Isaac reported in July that Microsoft has agreed to invest significantly in Uber, as part of the company's latest funding round. [78] The paper speculated Microsoft's contribution could be as much as $1bn.

Isaac speculates Microsoft's participation is a new development and may indicate a growing partnership between Uber and the software giant and that Uber is actively seeking strategic partners. 'In May, a person familiar with the matter said this particular round of fund-raising was intended to form strategic alliances while simultaneously bolstering Uber's coffers.'

Uber has a history of bringing in important partners during funding rounds. In December, Baidu, the Chinese search giant, invested hundreds of millions in Uber. And in March, Times Internet, the digital venture of the Times of India Group media conglomerate, said it had agreed to a strategic investment in Uber.

Microsoft, too, has long invested in companies with which it may want to do business. Says Isaac: 'Uber recently acquired a portion of Microsoft's mapping-technology assets and extended employment offers to more than 100 Microsoft employees. And while neither company has announced plans for a partnership, Microsoft's struggling mobile app ecosystem could benefit if Uber devotes more resources to making its service available on Windows devices. Uber came out with a mobile app for Windows smartphones last year, well after it was available on Apple's iOS and Google's Android software.'

Microsoft has also worked with Uber to enable Microsoft's Cortana voice-controlled assistant to order an Uber taxi as a scheduled appointment on a user's calendar approaches.

Amazon, Google and Microsoft, then, are all keen to partner as closely as possible with Uber as they can see how technology can transform the way we deliver parcels and goods in the future. What might that ultimate Uber-future look like?

AUTONOMOUS DELIVERIES?

The medium-term future for developing UberRUSH undoubtedly lies with utilising its vast network of drivers that will enable virtually 'real time' deliveries – aided by accurate mapping with instant information for drivers. But what of the longer term?

Uber is likely to combine the resources of Bing and another mapping tool it acquired recently, deCarta, to speed the introduction of its own fleet of self-driving vehicles. The Next Web's Joel Sand says [79]: 'The company's CEO made clear that if Tesla builds autonomous cars, he'd "buy all 500,000 that are expected to be produced." The company already has robotics centres in Pittsburgh and Uber's new mapping tools will help them get self-driving cars further down that road.

'In May, Uber acknowledged that a vehicle spotted in Pittsburgh with an "Uber Advanced

Technologies Centre" logo was part of the company's "mapping, safety, and autonomy systems" research team.'

Of course autonomous vehicles make sense not only for taxi rides, but also for deliveries. Amazon is investing significantly in robot drones, but self-driving cars and vans might offer the same advantages in near real-time deliveries. This potential has not been lost on Uber investors or would-be partners.

We've seen previously this is an area one particular potential Uber partner, Google, already has significant experience in. As IDG News Service US Correspondent Zach Miners says [80]: 'The companies are heading in some of the same directions. Both Uber and Google are now working on driverless car technology and transportation and delivery services. On Monday, Uber announced the creation of the "Uber Advanced Technologies Centre" in Pittsburgh through a partnership with Carnegie Mellon University, which will focus on long-term technology in the areas of mapping, vehicle safety and "autonomy technology." Were Google to acquire Uber, it might head off a possible confrontation between the companies as both push deeper into developing similar services.'

Entrepreneur and blogger Zack Kanter predicts self-drive delivery trucks and cars will obviate the need for professional drivers and the support industries that surround them. [81] 'The company that adopts this technology first will find itself at a huge financial advantage in such a labour intensive market. Is that more likely to be the likes of long-established industry giants such as FedEx or UPS, or a self-confessed industry disruptor such as Uber?'

UBER EVERYTHING?

Finally, it's difficult to ignore the power of crowdshare technology in industries and professions far beyond transport and deliveries. The model works for many kinds of services: people trust the Uber rankings system and like the ability to get any service at the tap of a button. Uber-style laundry, valet and meal preparation services are all growing common.

One of the most interesting potential developments is in healthcare. Heal – a service available in Los Angeles and San Francisco – ensures a fully trained doctor visits the user's house or wherever they are needed - 'right away, whenever you need one most.'[82] Heal has a flat rate of $99 per house call, a potentially lucrative new market, and the service has attracted a number of investors. Just like the Uber app, the user is kept informed of when the doctor will arrive through a live map.

While it is localised start-up companies that are developing these new markets currently, Uber will not be unaware that their technology is easily adapted to new professions - whether that is a network of hairdressers, valets or medical professionals - who would rather choose their own working hours. This paper has concentrated on the growth of Uber in logistics and transport; but in the wider commercial world, there are few boundaries for Uber's crowdshare technology in the future.

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