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Lyft's Rapid Surge in the Rideshare Sector

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Abstract

Lyft is a rideshare company that has successfully provided convenient and cost-effective transportation services for 22.9 million people across the United States (Iqbal, 2020). The company was established in the Summer of 2012 and by 2019, Lyft increased both the total number of customers and the crucial rides per customer metric leading to a valuation of nearly $24 billion (Madrigal, 2019). The rise began in 2017 when Lyft began increasing its earnings rapidly after pitfalls from its primary competitor, Uber, which had several ethical and legal scandals that received intense media coverage (Carson, 2017). In the subsequent months, Lyft realized a 130% rise in the number of rides from the previous year and launched service in 160 new cities, increasing Lyft's percentage of market share to 48% (Kerr, 2018). Lyft's competitive advantage relative to its rivals includes maintaining a transparent, trustworthy reputation, resolving customer and employee concerns quickly and equitably, and providing a safe ride experience that enables riders to conveniently and affordably enjoy their transportation service (Srivastava, 2016). Lyft prioritizes both the relationships that it has with its employees and the industry-leading rates that it charges per ride (Oswald & Revilla, 2020). The company has emphasized improvements to Lyft services by concentrating on customer data analytics, implementing rideshare capabilities to minimize fees, and providing customers a monthly membership subscription that is expected to generate eight times as much revenue in the next 12 years (Forbes, 2018).

Keywords: Lyft, rideshare company, organizational case study, sustainable competitive advantage

History

Transportation has evolved significantly since the 1970s, offering passengers the ability to comfortably ride to their destinations utilizing automobiles, motorcycles, scooters, taxis, buses, and more recent, ridesharing. The rideshare industry's increased popularity is chiefly due to the safe, affordable, and effective way to commute for those who cannot afford or choose not to own an automobile. From the driver's perspective, the rise of the rideshare industry has dramatically stimulated economic growth, as it offers unique employment, quasi-entrepreneurial opportunities for many across the globe (Enterprise, 2017).

In 2007, computer programmers Logan Green and John Zimmer founded a long-distance intercity carpooling between college campuses named "Zimride" (Greiner et al., 2019). The idea came about when Green traveled to Zimbabwe and observed locals using crowdsourced carpool networks to commute. Back home in the U.S., Green commuted using Greyhound buses and Craigslist to catch rides between Santa Barbara and Los Angeles, California (Greiner et al., 2019). Lehman Brothers analyst and carpooling enthusiast, John Zimmer organized shared commutes from Cornell University and New York City during his years in college. Zimmer encountered a social media post about Zimride and connected with Green through a mutual friend (Greiner et al., 2019). In the Summer of 2012, in San Francisco, California, they started "Lyft" as a service of Zimride (Greiner et al., 2019). Lyft is a rideshare service that offers short-haul ridesharing trips to the airport, a gathering, a restaurant, or the grocery store (Greiner et al., 2019). The branding of Lyft was noticeably distinctive as drivers would affix a sizeable pink mustache on the front of their cars. The mustache was the brainchild of Ethan Eyler, founder of Carstache, who sold many decorations to Zimmer and Green.

Background

Ridesharing, commonly known in the 1970s as carpooling or vanpooling, consisted of commuters grouped in a private vehicle (Chan & Shaheen, 2012). Carpooling progressed when the first automobile was developed during the U.S. recession and car owners began offering their seats as a service and carpooling swiftly became common. To save money during War World II, the government advertised and campaigned carpooling known as "car clubs," and, in the 1970s, carpooling surged again due to the energy crisis. Many ridesharing agencies were funded by the federal government to encourage ridesharing and reduce the usage of oil. Various strategies to facilitate ridesharing consisted of employer-sponsored commuter ride-matching programs, vanpooling, HOV lanes, casual carpooling, and park-and-ride facilities (Chan & Shaheen, 2012). According to Weiner (1999), the U.S. Department of Transportation then launched the National Ride-Sharing Demonstration Program in March 1979, intending to increase ridesharing use by five percent. As energy conservation efforts diminished in the 1980s and 1990s, transportation demand management shifted to an emphasis on enhancing overcrowding and air quality concerns (Chan & Shaheen, 2012). Developments in computerized ride matching during this phase also marked a move towards more vigorous ridesharing applications in the form of telephone and Internet-based ride-matching programs (Chan & Shaheen, 2012). Today, the rise of social networking platforms, such as Facebook, has enabled ridesharing companies to use this interface to match potential rides between friends or acquaintances more easily (Tang et al., 2019). Ridesharing is currently supported by record groups as cumbersome traffic continues to exasperate solo drivers (Rideshare Amigos, 2020).

Mission and Culture

Lyft's mission is to improve people's lives with the world's best transportation by working in three key ways (Eadicicco, 2019). First, by bringing people and communities together, the company aims to enhance social well-being. Second, by providing affordable transportation and economic mobility for people, Lyft seeks to positively add to the overall economy. And third, by redesigning transportation to promote ridesharing and reducing auto emissions, the company contributes to bettering the world environmentally. Lyft's strategic mission to "Improve People's Lives, as the World's Best Transportation" and coupled with their recent tactical slogan "Lyft is your friend with a car, whenever you need one" cohesively supported consistent financial success including the company's celebration of one billion rides from 30 million individual riders, and an astonishing $3.6 billion in revenue (Mainwaring, 2018; Arevalo, 2020; Eadicicco, 2019).

Lyft's core values stress respect for and motivation towards "yourself, uplifting others and making it happen" and places "emphasis on four strategic pillars…to be the best and most trusted transportation" (Gallo, 2019) by changing how the world's transportation works one ride at a time (Lyft Website, 2020). The pillars, workplace, workforce, marketplace, and accountability, guide their policies in the workplace to be an equitable environment for their diverse group of employees and their diverse workforce includes all employees to develop their skills and advance (Lyft Careers, 2020). Lyft seeks to be a trusted transportation source as they serve in the community in the marketplace and accountability to deliver their promises to become a trusted brand for the community and the safest form of transportation (Gallo, 2019).

Building a Competitive Advantage

Lyft's competitive advantage centers on three fundamental principles: 1) to maintain a clean reputation, 2) to resolve customer and employee's concerns immediately, and 3) to provide a safe ride experience that will be cost-effective to enable riders to prefer their service (Srivastava, 2016). Lyft's competitive advantage in the market is to focus on their long-term goal of everyday service by increasing the passenger's comfort during the commute (Iqbal, 2020) by allowing passengers to rate drivers and by proving anonymous feedback on potential areas of improvement (Lyft Website, 2020).

Lyft member subscriptions have benefits that are significantly more valuable than do those offered by Uber, such as 15% off all car rides, priority airport pickup, no cancellation fees on three rides, and waived lost and found fees (Kunesh, 2020). Lyft drivers report being satisfied with their experience driving five percent more frequently than do Uber drivers (Mazareanu, 2019a; Mazareanu, 2019b; Campbell, 2020; Oswald & Revilla, 2020). Lyft pays nearly two dollars more per hour than Uber, regularly grants $500-$5,000 monthly bonuses, and does not take commission or fees from their drivers (Farrington, 2020).

Uber Scandals

Lyft's primary sector competitor, Uber, has an extensive track record of ethical and legal scandals that have received intense media coverage. For example, in 2014, Uber employees purposefully posed as customers to other ridesharing companies by scheduling and canceling rides so that competitors could have fewer rides available and waste their time (Taylor & Goggin, 2019). In that same year, then-CEO Travis Kalanick made a discriminatory joke about women and was criticized for sexism after an online advertisement ran seeking "hot chick" Uber drivers (Taylor & Goggin, 2019). Just months later, sexual assault accusations by an Uber customer in Delhi resulted in additional negative press followed by governmental restrictions in India (Taylor & Goggin, 2019).

In 2017, Lyft began to specifically and noticeably benefit directly from Uber's pitfalls as media scandals continued to surge. In January of 2017, Uber lost more than 200,000 customers during a single weekend with the #DeleteUber movement led by customers upset about its potential ties to President Trump resulting in a 60% increase in new users for Lyft (Carson, 2017; Bhuiyan, 2017). The very next month, former Uber employee and engineer Susan Fowler alleged that she experienced sexual harassment and gender bias, claiming that her complaints to HR were not only dismissed but that her manager threatened to fire her (Carson, 2017). Fowler's public disclosure of her complaint led to several other wide-ranging complaints from cocaine use during company retreats to physical groping of female employees in the office (Carson, 2017). Dozens of other scandals came to public light, ultimately resulting in the resignation of Kalanick after board members believed that the Uber founder and CEO fostered an unhealthy workplace environment (Bosa et al., 2017). During the tumultuous time of Uber scandals, Lyft doubled their number of passengers and drivers, launched services in more than 160 new cities, and increased the number of rides that they provided by 130% with 375.5 million trips (Kerr, 2018; Somerville, 2019). Additionally, throughout 2017, Lyft raised $600 million in funding doubling its company's valuation to $15.1 billion (Hamilton, 2018).

Expanding their Reputation

Lyft is the second-largest ride-hailing service in the U.S. behind only Uber (Kolodny et al., 2019) and has consistently expanded across the U.S. reaching 644 cities (Iqbal, 2020). Lyft has successfully provided convenient and cost-effective transportation services for 22.9 million people across the U.S. (Iqbal, 2020) and continues to grow revenue by increasing the number of customers, the among of riders per customer, and the revenue per customer (Madrigal, 2019). Lyft seeks to continue to grow as a prominent rideshare company by providing convenient and cost-effective transportation services to its customers. Since Lyft was founded in 2012, it has been expanding in its customer base and revenue by rendering quality services by improving people's lives by providing the world's best transportation in all walks of life and is building and expanding its competitive advantage by solidifying its reputation among customers and employees alike.

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