

Lyft: Capturing the Competitive Advantage

Joseph Conde
University of the Incarnate Word

Ryan Lunsford, Ph.D.
University of the Incarnate Word

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). Lyft's corporate social responsibility (CSR) focuses on people, planet, and profit as essential viewpoints and engagements focus on partnering with healthcare, government, and businesses to provide services for the community (Lyft Website, 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, competitive advantage, corporate social responsibility

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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 (Enterprise, 2017). 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 (Greiner et al., 2019).

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 workplace policies 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

[LDRB1][JC2][JC3]Uber Technologies has been a long-time competitor of Lyft, battling to retain the number one spot in the rideshare industry. When Garrett Camp and Travis Kalanick could not get a ride on a cold winter evening in Paris, Uber was born. (Uber, 2020). In 2017, Uber displayed an extensive track record of ethical and legal scandals that had received intense media coverage. Lyft began to benefit directly, specifically, and noticeably from Uber's pitfalls as media scandals continued to surge (Carson, 2017; Bhuiyan, 2017). Lyft doubled their numbers of passengers and drivers, launched services in more than 160 new cities and increased the number of rides that they provided to its customers by 130% with 375.5 million trips (Kerr, 2018; Sommerville, 2019).

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). The success of a generic strategy in delivering competitive advantage is dependent on ensuring that the firm's chain successfully supports its generic strategy in adding greater value to its products and services than competitors (Porter, 1985). Lyft's competitive advantage in the market is to focus on its long-term goal of simple service by increasing the passenger's comfort during the commute (Iqbal, 2020) by allowing passengers to rate drivers and by providing anonymous feedback on potential areas of improvement (Lyft Website, 2020).

Economically, Lyft unlocks affordable transport access and flexible earnings to improve their passengers' economic mobility. Additionally, Lyft provides high-quality rides giving premium access to luxury vehicles such as the BMW 5 Series or Cadillac Escalade (Lyft, 2020).

Lyft has a variety of rides to meet people's needs from all walks of life and bring them together with other communities (Sherman, 2020).

Lyft member subscriptions have significantly more valuable benefits than 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 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).

Lyft's Essential Viewpoints

Lyft's CSR platform contains three essential viewpoints that include: people, planet, and profit. Lyft improves people's lives by embracing social, economic, and environmental benefits (Gallo, 2019). Lyft improves people's lives socially by providing shared rides, and the Lyft XL, where six passengers can be transported to bring people and the community together (Lyft Website, 2020). The company has a variety of rides such as the BMW 5 Series of Cadillac Escalade to provide luxury and affordable prices to meet people's needs from all walks of life (Sherman, 2020). Lyft can be viewed as environmentally friendly as the organization is redesigning how the passengers' access to transport. It is playing a role in reducing carbon emissions out of the transport ecosystem by hiring 400 engineers to work on two unique self-driving vehicles that can reinvent how autonomous vehicles are used (Kolodny et al., 2019). The bid on eliminating carbon from the transport ecosystems is essential in the branding of the company. Lyft has been on the front line to achieve carbon-neutral transport from purchasing offsets for over a million tons of carbon emission in 2018 (Kolodny et al., 2019). Lyft's goal is to reduce car ownership and road congestion which could be the beginning of a ride-sharing revolution (Kerr, 2018).

Community Engagement

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a developing business practice that integrates environmental development into a company's business strategy. It has a substantial influence on social, economic, and ecological factors (Schooley, 2019). CSR focuses on innovation, cost savings, brand differentiation, long-term thinking, and customer/employee engagement (Epstein-Reeves, 2012). Companies like Lyft are always looking for ways to expand their services and increase their involvement in the community by establishing delivery services and partnerships with healthcare, government, and businesses (Lyft Website, 2020).

Assisting Customers in Poverty

Lyft launched its Grocery Access program in December 2019 to support and provide aid to food desert families that are more than half a mile away from a grocery store and have an income of less than 185% of the federal poverty level (Brown, 2019; Dickey, 2018). Lyft aligned with Martha's Table, a nonprofit organization located in Washington, D.C., to launch a service

that provides flat-rate rides for families who live in food desert circumstances traveling to and from the grocery store (Brown, 2019; Dickey, 2018). Their mission is to improve the lives of financially burdened families (Dickey, 2018). The impact in the community will also affect employees with a higher level of enthusiasm and retention.

Eco-Friendly Operations

Viewpoints on greenhouse gases and global warming have been an increasing concern for the Earth and the environment. Lyft's co-founders announced that a multimillion-dollar investment had been made to work towards providing a more environmentally friendly commuting experience, in the form of utterly carbon-neutral transportation (Hawkins, 2018). The plan is to "offset over a million metric tons of carbon" usage in their vehicles with most of their drivers' cars becoming electrically autonomous or are powered by 100% renewable energy to reduce climate change (Hawkins, 2018). Lyft is also planning to invest in organizations that help reduce global warming and has committed to increasing shared rides to 50% by 2020 (Griswold, 2018).

Bonding with Community Organizations

Drunk driving accounts for approximately 29% of all traffic fatalities, according to the Department of Transportation (Politics and Government Business, 2016). Helping people get home safely can make a positive impact on people and communities (Politics and Government Business, 2016). Lyft joined a long-standing commitment with Budweiser to promote alcohol responsibility to reduce the number of people driving drunk during the peak party hours on weekends and holiday nights in several states (Politics and Government Business, 2016). Budweiser will share a unique weekly code to claim a ten-dollar free ride credit to the first 5,000 users that could be redeemed Friday and Saturday between 10 p.m. to 2 a.m. (Politics and Government Business, 2016). Lyft strives to be committed with like-minded and mission-driven companies like Budweiser to find solutions to decrease drunk-driving fatalities (Politics and Government Business, 2016).

Innovation in Health Care Delivery

With the Affordable Care Act expanding insurance coverage to millions of individuals, it has been increasingly difficult for individuals to receive non-emergency medical care due to transportation barriers (Powers, Rinefort, & Jain, 2016). Every year, 3.6 million Americans miss their medical appointments (O'Brien, 2018). Most of the people with these barriers are older, more unfortunate, and ethnic or racial minorities (Powers, Rinefort, & Jain, 2016). Transportation barriers can increase the chances of people not attending their medical appointments. To address this issue, Lyft has partnered with National MedTrans, a company offering non-emergency medical transportation to transport individuals to their medical appointments (Powers, Rinefort, & Jain, 2016). Furthermore, the company has set a goal to cut the health care transportation gap by half in 2020 (O'Brien, 2018). Since the partnership, average waiting times and per-ride costs have decreased by 30% and 32.4%, respectively, with a satisfaction rate of 80% (Powers, Rinefort, & Jain, 2016).

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 among riders per customer 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. Lyft is making a brand name that is not Uber bashing to strengthen its recognition in consumers' existence (Somerville, 2019). Lyft Company is also exploring the option of self-driven cars partnering with several companies in the automobile industry to boost their reputation (Mainwaring, 2018). From a social perspective, Lyft has built consumer goodwill by its involvement in brand activism in the United States (Droesch, 2020).

Furthermore, Lyft has been involved in social activities such as "March for Our Lives" as they provided relief rides to empower passengers to stand for what they believed in (Mainwaring, 2018). The implementation of safe ride programs ensures riders' security and enables the riders to donate to charity. These measures have been significant in expanding the reputation of Lyft over its rivals (Farrington, 2020).

As a ride-sharing company operating in a highly competitive industry, Lyft has built its success around a unique strategy that focuses on being more customer-oriented (Kulińska and Kulińska, 2019). Currently, Lyft has managed to control 39% of the market share in North America. Such success is a significant threat to any new entrant in the ride-sharing industry. After the recent celebrations to mark one billion rides, there are speculations that Lyft will soon overtake Uber in the share-riding industry (Schaller, 2018). Lyft company, which was a few years ago considered a small player, has, over time, grown into a real threat in the highly competitive transportation industry.

Conclusion

Technology is shaping the future of transportation in urban centers and other places, including major towns worldwide. Ridesharing is, to a great extent, the innovative transportation strategy that has enabled gain short term access to transportation modes based on their needs. Lyft is one of the most prominent rideshare companies in North America as it endeavors to provide convenient and cost-effective transportation services to its customers. Since its launch, Lyft has continuously expanded its customer base and revenue by building its brand promise to resolve consumer and employer needs immediately. Besides working towards building a socially and environmentally responsible business, Lyft aims at changing its fleet to electronic vehicles by 2030 to reduce pollution which is a milestone for gaining a competitive advantage.

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