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What Can We Learn from Business Innovation Failure of Uber in Southeast Asian Market?

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ABSTRACT

Uber is a global pioneer in the sharing economy platform entitled ride-hailing. It started to enter the Asian market in 2013-2014 with various community responses in each region. In March 2018, Uber withdrew from the competition in Southeast Asia after being acquired by one of the dominant players in the region, Grab. In connection with Uber's failure to operate its business in the region, this paper discusses Uber's business model, business expansion, competition in the market, and the factors that led to Uber's failure in the Southeast Asian market. To comprehensively describe the developing context for the purpose of this study, we used a qualitative method with a systematic data collection approach from literature reviews. This study emphasizes that large funding supports do not guarantee the success of business operations in a more globalized setting. Different market characteristics require different approaches. The case of Uber's failure in the Southeast Asian market, even though it was supported by large funds to "*Uberize the entire world*," proves that the characteristics made more "*localized*" are more likely at a certain point in time to survive. This study also underlines some learning points from the dominant factors causing the failure of Uber's business operations in the region that require immediate consideration and adaptation: non-conformity with market preferences, challenges from prevailing policies and infrastructure issues, and strong competition from local competitors.

Keywords: innovation, uber, southeast asia, grab, gojek

1. Introduction

Organizations can develop inorganically and organically. Organic development is driven by innovation. Innovation influences success; this is recognized by business leaders worldwide, as shown by their survey results, which states that change and innovation are important for the sustainability and development of an organization (Degraff & Quinn, 2007). The ability to innovate is considered to be the most important ability for business development.

The development of digital technology has fundamentally changed the domains of diverse platforms, such as Uber's market for mobility. Uber is experiencing rapid growth, threatening incumbents by introducing new business models that create lower prices, new performance parameters, and new levels of scalability (Laurell & Sandstrom, 2016). Uber is a pioneer in the emergence of the sharing economy and gig economy phenomena labeled as a transaction platform.

Sharing economy is defined as an economic system based on sharing underutilized assets or services, either for free or for a fee, directly from individuals (Botsman & Rogers, 2015). In other words, the sharing economy is a peer-to-peer economic activity that provides a comfortable lifestyle that all can reach through the advancement of the Internet (Chua, Chiu, & Bool, 2019). Meanwhile, the gig economy is a working system that prioritizes individual flexibility to schedule their work and personal life (Gandini, 2018). Platforms related to digital innovation will significantly influence or even transform markets, industries, and society (Trabucchi, Buganza, Muzellec, & Ronteau, 2021).

Uber started its business in 2009, and its services were first launched in 2010 to solve existing taxi ordering problems (Gomes et al., 2019). Uber and its competitors are application-based digital platforms that facilitate taxi-like services by connecting consumers to the nearest driver (Button, 2020). This ride-hailing platform is becoming popular and common worldwide as a sustainable option that complements public transportation services (Liu & Kim, 2018). The simplicity of ordering a vehicle is fueling the increasing popularity of the application: with a tap, a ride can be requested, GPS identifies the place of origin and destination of passengers, and fees are automatically charged to passenger credit cards (Gomes et al., 2019). Uber has operations in more than 600 cities worldwide, with various smaller clones frequently modify their business models to meet local regulations and demand patterns (Button, 2020).

Uber started to enter the Asian market in 2013-2014 (Bugador, 2019). The entrance of Uber to the new market has been responded to variously by people in each country. In Jakarta, Indonesia, thousands of taxi drivers staged massive demonstrations in protest at the entry of the transportation platform (BBC, 2016). Taxi drivers perceive that they are the loser because Uber is not governed by the same policies and does not bear the same burden. The income of taxi drivers has dropped dramatically since this ride-hailing platform mushroomed in Indonesia (CNN-Indonesia, 2017). On the other hand, not a few Indonesians welcomed Uber's presence, wherein many people switched from conventional taxis to ride-hailing platforms such as Uber and Grab, citing better service to consumers and competitive prices (Liputan6.com, 2016). This can indicate that Uber is an innovator who directly influences previously available technology, namely the traditional taxi market (Willis & Tranos, 2021).

With the tough competition in the Asian market, coupled with the rejection of the conventional taxi industry, Uber has finally stopped operating independently in Asia; in China, Uber was acquired by Didi Chuxing in 2016 (Liu & Kim, 2018), where Didi Chuxing is the dominant ride-sharing platform in China (Wang, 2019). In Southeast Asia, Uber was acquired by Grab, one of its competitors, in 2018 (Bostoen, 2020). The acquisition of Uber by its competitors shows that Uber, despite its successful innovations in various countries, failed to operate its business in Asia. Several studies have been conducted to analyze why Uber failed to operate in Asia. This paper will discuss Uber's business model, Uber's business expansion, the competition in the market, and the factors that caused Uber's failure in the Southeast Asian market, and gather what we can learn from it.

2. Methods

Uber's failure in the Southeast Asian market, which in 2018 was valued at the US $ 62 billion compared to Grab as the acquirer (US $ 15) (Desmond-Ng, 2018), leaves questions behind the strategy and business innovation being carried out. From this context, this study conceptually analyzes the rationalization of Uber's move to leave 8 countries in Southeast Asia while $ 700 million has been spent there (Reuters, 2018). This study uses a qualitative approach based on a developing phenomenon. Qualitative researchers examine how people learn and understand themselves and their social contexts and how they structure and give meaning to their daily lives (Hox & Boeije, 2005). We use a qualitative approach because the problem in this study is centered on the context that can describe and shape the understanding of the things being researched and then developed with several concepts used. Qualitative methods allow researchers to collect data that is flexible and sensitive to the social context (Hox & Boeije, 2005).

The research instrument that we use in data collection is the literature study technique. Literature study is a means of gathering information related to a topic of interest that involves identifying, taking notes, understanding, making meanings, and sending information (Onwuegbuzie & Frels, 2016). In this case, researchers will analyze the content of books, scientific papers, national and international electronic media coverage, or other documents related to the topic or theme of this study. According to Onwuegbuzie and Frels (2016), seven steps need to be taken to be able to conduct a study using a comprehensive literature review. They classify the seven steps into three phases: the exploration phase, the interpretation phase, and the communication phase. The first five steps are the exploration phase, the six steps into the interpretation phase, and the seven steps is the communication phase. By adopting this approach, we summarize our research process as shown in Table 1.

Table. 1 Data Collection and Analysis Process

Phase	Step	Research Process
Exploration	Exploring Beliefs and Topics	With many facts about uber innovation, we started to focus on its failure in the Southeast Asian market.
	Initiating the Search	We collect information from books, scientific papers, electronic media coverage, and other sources. We conducted a search filter on the Scopus site with the keyword "innovation of uber" (266 documents); "Grab and Uber" (35 docs); and "merger of Grab and Uber" (2 docs).
	Storing and Organizing Information	From the collected data, we compile a list of references and store them in tabulations.
	Selecting/ Deselecting Information	We began to sort out the collected information. We sorted the journals from Scopus again and obtained 33 selected journals.
	Expanding the Search (MODES)	We also collect important facts from website sources regarding the reasons for Uber's failure in Southeast Asia.
Interpretation	Analyzing/ Synthesizing Information	We carry out an iterative process to analyze information and synthesize it according to the research context.
Communication	Presenting the literature study result	At this stage, we have an outline of each context and write or clarify it conceptually.

Source: Authors' work adapted from Onwuegbuzie and Frels (2016, p. 58)

3. Result and Discussion

3.1. Business Model of Uber

A business model is a set of strategic decisions that determine how a company produces a sustainable and successful company (Cachon, 2020). In the Sharing Economy, technology has paved the way to make things easier to reach targets. Technology can bridge the gap and make things more efficient and possible. Through Internet development, sharing companies have opened opportunities to access underutilized assets and opened new avenues for others to collaborate (Chua et al., 2019).

Uber is a digital platform-based business that is not based on ownership of specific tangible assets but emphasizes the ability to avoid ownership and the responsibility of each asset ownership. Digital platform-based business models involve multi-sided markets, network effects, and economies of scale that are much more complex and different than traditional brick and mortar-based businesses (Ramaiah, 2019). Uber's business model as a two-sided platform offers a wide variety of very different services from traditional taxi companies in terms of price, technology, and marketing (Schwalbe, 2018). The value of this business model is based on the demand-side economy that provides access, not the supply side that owns assets (Davis, 2016).

In line with its business model, namely light-asset, platform operators transfer physical logistics responsibility to users and rely on (digital) infrastructure from Cloud computing, Big Data, and algorithmic control (Grabher & van Tuijl, 2020). This digital innovation in Uber's business model has helped customers connect to the nearest driver, with just a few clicks, via a mobile app (Dell'Era, Trabucchi, & Magistretti, 2021). Uber does not own a vehicle, provide training, pay driver fees, provide insurance, or accept responsibility (Button, 2020).

Another Uber Value is to provide a value proposition to drivers and passengers. A value proposition is a factor that encourages consumers to try or use a product or service (Chua et al., 2019). The value proposition for passengers is to position Uber as the right choice for traveling: with one tap, they can book a ride for 24 hours in 7 days (24/7) and track incoming drivers. Besides, passengers have the flexibility to choose the payment system for the services they use, either in cash (in some countries) or by using the so-called Uber wallet (Gomes et al., 2019). For drivers, it is the freedom to choose the working hours, an opportunity to earn money, and the convenience of starting their own business.

The core of Uber's business model is a dynamic pricing mechanism or also known as price spikes, that are not only based on demand but also a revenue model where the price charged to passengers depends on the city of travel destination, vehicle model, mileage, demand, increase technique price (vehicle rates vary on demand) and other elements (Button, 2020). Computer technology facilitates collusion to fix prices, allocate markets or offers, even reduce share by monitoring and enforcing through intermediary algorithms. These invisible computing mechanisms control and dominate the way consumers interact in the digital world. It secretly produces algorithmic (conscious parallelism), a collusion agreement between leaders in the core business that has been successfully realized with the technology they have developed (Ramaiah, 2019).

Uber's business process consists of five steps: starting with a taxi request, then matching the driver, followed by a customer journey, a rating from the customer, and finally payment (Gomes et al., 2019). Maintaining customer relationships is certainly an important part of Uber's business model. In the form of ratings or comments via the Uber application, feedback from customers can determine the quality of service provided. The opinions of customers give importance to a sustainable relationship to continue using Uber services. Therefore, Uber has a fast, reliable mobile system or application, and 24/7 customer support is one way to maintain and improve customer relationships (Chua et al., 2019).

A new work paradigm has been created from Uber's business model, where an online platform manages workers, indirectly monitors them, and expects to produce measurable output (Ursula, 2016). This new labor paradigm exemplifies new market-based principles in which precarious employment relations and algorithmic control of the labor process significantly affect shifting risk from capital to labor. On the other hand, the new work paradigm allows individuals to have freedom on working hours rather than collective freedom, thus enabling them to determine working hours and wages according to their ability. In short, this platform-based business entity concentrates on high value-added activities while removing itself from 'downstream' work obligations through the practice of outsourcing and technology-based subcontracting that remotely manages its fragmented supply chains (Edward, 2020).

However, Uber's platform-based business model has created segmentation in the labor market: mostly non-core outsourcing and franchising activities and only small communities as a small core of high value-added activities. Core workers, namely founders and CEOs, enjoy salary increases, pensions, and other benefits. On the other hand, workers in outsourcing outlets or peripheral have to settle for much lower and often dangerous working conditions and salaries (Edward, 2020). Platform operators try to circumvent basic rights that result from employment contracts such as social security, minimum wages and working time and safety regulations (Grabher & van Tuijl, 2020).

3.2. Uber Business Expansion

The experience of Travis Kalanick and Garrett Camp, two young entrepreneurs who could not find a vehicle on a snowy night in Paris, France, became the beginning of the birth of the Uber business idea. After the incident, they developed a smartphone app that allowed people to get a ride at the tap of a button. In March 2009, or just three months since the app's development, Uber was launched in San Francisco (Barbour & Luiz, 2019). As the hometown of Uber, it is not surprising that San Francisco is the first city to legalize ride-sourcing (Flores & Rayle, 2017). Resourcing is a term for an application-based business model that allows vehicle ordering (Button, 2020).

As a start-up company that is among the earliest in this business, Uber has made a massive business expansion. By adopting an aggressive expansion policy, Uber's business has expanded to six continents within seven years to be available in 75 countries or more than 500 cities (Barbour & Luiz, 2019). The introduction of this business was not easy. In its home country, the United States, the first ride-hailing service was only available one year after launch. As shown in Figure 1, one year after the initial operations on the streets, Uber expanded to the hometown where the first business idea emerged: Paris. The following year, namely in 2012, Uber also began to be launched in London, followed by the launch in Sydney. For the Asian region, Uber's expansion was first started in Singapore in early 2013. Yeung (2013) stated that the reason for choosing Singapore as the first destination is because the country has long welcomed innovation and is the center of technology in the region.

As shown in Figure 1, one year after the initial operations on the streets, Uber expanded to the hometown where the first business idea emerged, namely Paris. The following year, namely in 2012, Uber also began to launch in London, followed by the launch in Sydney. For the Asian region, Uber's expansion was first started from Singapore in early 2013. Yeung (2013) stated that its reason to choose Singapore as the first destination is that the country has long welcomed innovation and is the center of tech-

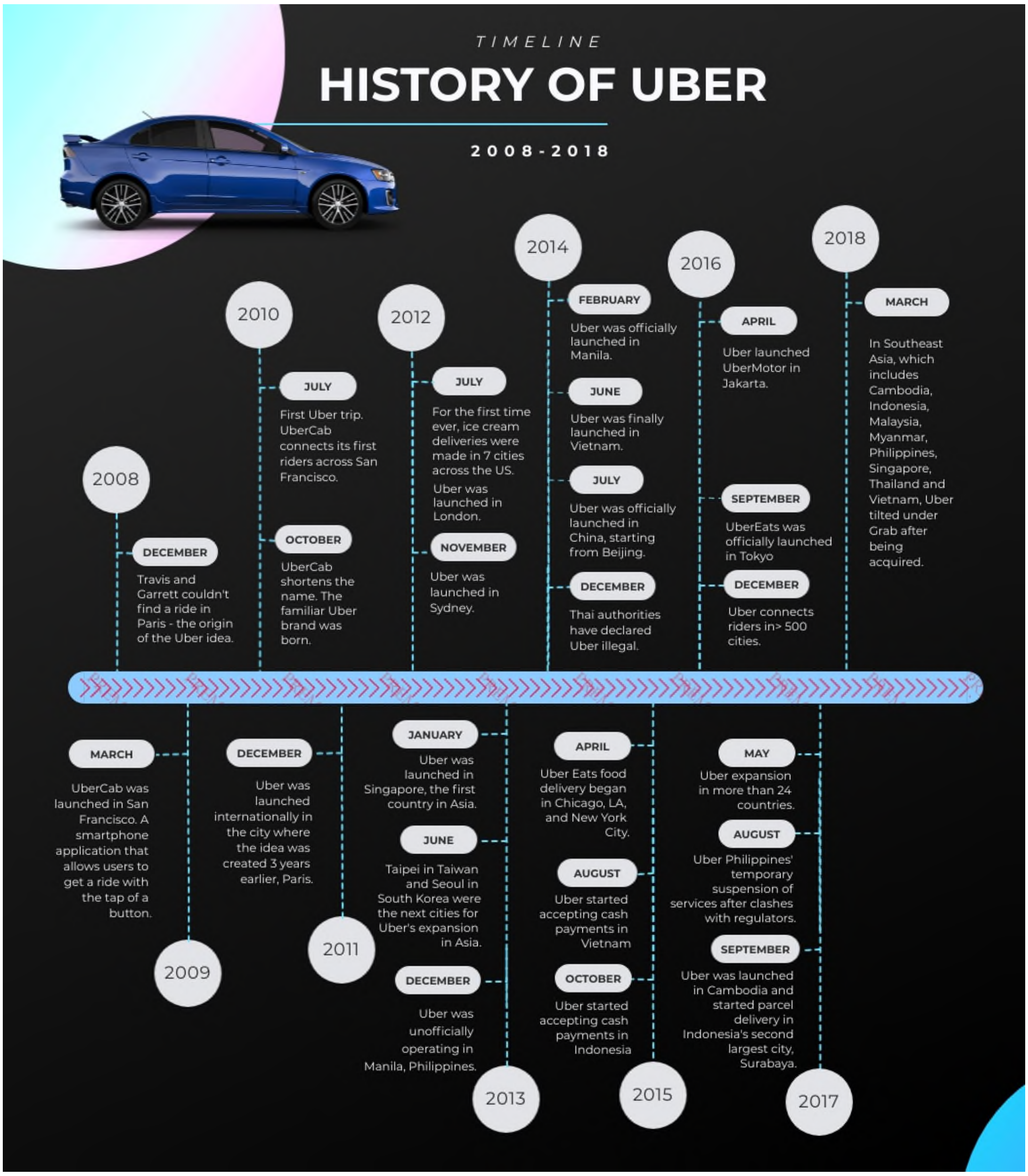

Figure 1. Timeline History of Uber (2008-2018)

Source: Processed from https://www.uber.com; Barbour & Luiz (2019, p. 38); https://www.techinasia.com, and other nology in the region. An internal company survey that found citizens in a country with only about 2,000 miles of roadway had grown tired of driving on their own may be another reason.

After Singapore, the next destinations for Uber's expansion are Taipei in Taiwan and Seoul in South Korea. In the same year, Uber operated discreetly in Manila, the capital of the Philippines. Uber only officially operated in Manila in February 2014. In the same year, Uber also started operating in China, Vietnam, Indonesia, and Thailand. In the 2015-2016 period, Uber tried to strengthen its services in the Asian market with many innovations to be more competitive with competitors in the local market. An innovation made by Uber, for example, is to allow cash payments in Vietnam and Indonesia. In 2017, Uber launched its services in Cambodia and Myanmar. However, one year after that, Uber's services had to leave Southeast Asia since they were acquired by Grab, a local competitor in the region.

3.3. Overview of Competition with Southeast Asia' Local Players

Southeast Asia is a promising market. According to a study released by Google and Temasek (2019), the velocity of money in the online transportation application sector in ASEAN in 2018 reached US $ 7.7 billion with 25 million active customers. Online transportation application services are now available in more than 500 cities in Southeast Asia, with 8 million orders per day. The ride-hailing competition in Southeast Asia to fight for a market of more than 640 million people is quite intense between the three giants: Grab, Uber, and Gojek. The market penetration of the three companies in the Southeast Asian market occurred in a relatively short period of time. Table 2 summarizes the start of competition in the intended market.

Table 2. Ride-Hailing Giants Market Penetration in Southeast Asia

	Grab	gojek	Uber
Malaysia	2012	2012	2013
Thailand	2013	2019 (Get)	2014
Singapore	2013	2018 (Beta)	2013
Philippines	2013	Denied (lobby still ongoing)	2014
Indonesia	2014	2011	2014
Vietnam	2014	2018 (Go-Viet)	2014
Myanmar	2017	-	2017
Cambodia	2017	-	2017

Source: Processed from https://www.uber.com; Colgrave (2019, p. 7); https://www.techinasia.com; https://techcrunch.com; https://kumparan.com; and other

Apart from these three big players, the Southeast Asian market has no shortage of local players in each country. The new competitors from this start-up in the transportation sector are: Thailand has a Go-Bike; Cambodia with PassApp and EzzGo; Vietnam has FastGo, Vato, Taxigo, T.net, Bee, and Xelo; Singapore has Ryde, Rilo Technologies, Tada, Jugnoo, Kardi, and Urge; in Malaysia there are Mycar, JomRides, MULA, DIFF, Riding Pink, and Dacsee; while the Philippines has MiCab, ePickMeup, Angkas, GoLag, Owto, Hype, and Hirna (Hanifan, 2019). However, these companies only emerged after Grab or Uber had expanded in their countries for many years. Because of this, entrants often find it difficult to compete with the status quo. The survey conducted by Huynh et al. (2020) in the case of Vietnam shows eight factors that influence the customer's intention to choose an application, namely gender, age, cost of living, mileage, the utility of service providers, the popularity of service providers, influence of family and community opinion, and attractiveness of other means of transportation.

Uber has instilled a competitive and institutional upheaval process in the transportation sector by introducing a platform logic (Geissinger, Laurell, & Sandström, 2020). In a sharing economy ecosystem such as online transportation, the elements involved influence one another. In the 'sharing' transportation business, business operations are aimed at sharing vehicles and sharing users and vehicle owners themselves (Schwalbe, 2018). If we look at the reality, many drivers use Uber and other applications simultaneously, which results in a tariff war that is not entirely effective for business continuity. As a giant company that has operations in more than 600 cities in the world and seems to be increasingly adopted in various parts of the world, Uber often faces difficulties when there is a tariff war.

In addition, local government regulations also put pressure on expanding online transportation companies such as Uber. For example, in Indonesia, with the regulation of minimum and maximum tariffs for online transportation providers, this is a direct attack on Uber's core transportation business, which implements a dynamic pricing business model. In addition, the policy of limiting the number of vehicles, testing vehicle licenses, and the obligation to form a corporation has been an obstacle to online transportation businesses such as Uber so far. Meanwhile, in certain cases, such as in the Philippines, local startups are spoiled by local regulations so that foreign companies such as Uber or Grab can no longer operate there for illegal reasons —a status that does not really apply to local players. The role of regulators in the Philippines for local players seems to be acting as stakeholders who "have to provide assistance in order to maximize the opportunities that exist and minimize obstacles faced" (Eravia, Handayani, & Julina, 2015, p. 96). In the case of Uber, if the competition with local players was no longer possible, it ended the competition by selling its operations to local competitors, acquiring those competitors, or partnering with them (Bostoen, 2020).

After operating for about five years, on March 26, 2018, Uber agreed to sell its operations in Southeast Asia to its local competitor, Grab (Bostoen, 2020). Uber has actually invested about $ 700 million to compete in Southeast Asia (Reuters, 2018). However, according to Thomson (2019), Uber's one size fits all approach cannot adapt fast enough to meet the diverse needs of different cities and countries. Grab achieved its dominant position by successfully pushing Uber out of Southeast Asia. The strategy used by Grab is simple and based on providing services that are tailored to the commercial and cultural needs of local residents. Grab's "localization" strategy was significantly more successful. For example, it took Uber two years to start accepting cash payments in countries where cash dominates because only a small proportion of the population has access to a credit card. Whereas a globalized business should be able to make payment transactions using more common means of exchange (Saptono & Khozen, 2021). On the other hand, Grab recognized these characteristics first so that it started accepting cash payments from the beginning (Thomson, 2019). Recognizing local characteristics seems simple, but it allows businesses to have a competitive advantage over competitors (Widiastuti & Santoso, 2020).

3.4. Factors Affecting Uber's Failure in the Southeast Asian Market

Uber is often seen as a phenomenon or a form of sharing economy. Uber and its sharing economy place itself in many people's lives and in the economies of many countries (Schneider, 2017). With its tagline "Uberize the entire world," Uber was motivated to expand internationally to enlarge its business scale (Bugador, 2019). With their success in the United States, Uber then expanded its operations to various cities in Europe, such as Paris, Berlin, and London, then also to Sydney (Australia), Mexico (Latin America), and Johannesburg (South Africa). Uber introduces technology that everyone can have access to use Uber services, as long as that person has a smartphone and the internet, regardless of location; a very innovative technology (Bugador, 2019). Uber, which was initially considered a luxury service with premium black cars, has become relevant to many people because it opened up opportunities for people to become drivers. Uber discloses transactions that may occur in the market, a transaction that has never happened before; they reveal to customers and service providers the potential existence of unexploited markets (Trabucchi et al., 2021).

In 2013-2014, as we discussed in the previous section, Uber finally started to enter the Asian market. The ride-hailing business model is suitable in emerging market regions, such as Asia, because it is more efficient than traditional taxis. In some areas, ride-hailing applications help navigate the local transportation system that is not good enough, adjusting to local travel needs (Bugador, 2019). Despite all the technologies and innovations introduced and successfully implemented in various parts of the world, Uber's operations did not last long in Asia. Uber China was finally acquired by Didi Chuxing in 2016, only two years after Uber expanded its business to the country (Liu & Kim, 2018), while Uber Southeast Asia was acquired by Grab in 2018 (Bostoen, 2020) —both of which are Uber's biggest competitors in each region. Several studies have been conducted to analyze why Uber failed to operate in Asia, with some of the factors causing its failure as follows.

3.4.1. Non-conformance with market preferences

The payment method on the Uber application can only use a credit card. Uber fails to understand that most Southeast Asia people still use cash in their daily lives (Desmond-Ng, 2018). Several countries in Asia prefer cash due to the weak credit card system in their country. As a result, not all levels of society can use Uber. Uber did not consider this payment issue to be an important issue when they entered the Asian market. On the other hand, local competitors who know exactly what their people's preferences then introduced a ride-hailing application that is more reliable than Uber (Bugador, 2019). For example, one of the features that Uber's local competitors in the region are introducing is cash payments

3.4.2. Challenges from existing policies as well as infrastructure problems

One of the main problems that Uber faces when entering the Asian market is adjusting to policy. Countries in Asia have different political systems and transportation policies in each country. When entering the Asian market, Uber faced several kinds of charges due to regulatory violations, such as monopolistic behavior and unfair competition, unregistered drivers, security measures, and safety. In the end, Uber paid huge fines for these demands (Bugador, 2019). When entering the Asian market, Uber does not actively seek and cooperate with policymakers, so its policy framework is hostile (Desmond-Ng, 2018).

Concerning the infrastructure, Uber is having problems with its Global Positioning System (GPS) and Google Map application. In some countries in Asia, Uber drivers can manipulate the GPS to increase the discount, so Uber has to pay a bigger incentive. Using Google Maps is also difficult because some countries (like China) have strict rules considering security reasons. Thus, Uber drivers and customers have to alternate using map applications so that the Uber map system becomes irrelevant (Bugador, 2019).

3.4.3. The face of competition

The ride-sourcing industry is nearing perfect competition, with no brand loyalty from its users. Uber was ultimately unbeatable against the local players in terms of price. Local brands, such as Grab in Southeast Asia, have benefited from introducing some of the more familiar features to local people, such as payment using cash, ordering via text message, and even applications that use local languages (Bugador, 2019). In China, Didi Chuxing provides a lower price than Uber, adjusting to the characteristics of a price-sensitive society. Didi works closely with local taxi companies in several cities, a different strategy from Uber (Liu & Kim, 2018).

Besides, Grab first introduced ride-hailing using motorbikes, an innovation for people in cities with bad traffic conditions (Desmond-Ng, 2018). Local players have the advantage because they always localize their ride-hailing application, adjusting to the conditions in the country where they operate, something that Uber has done too late. When local players try hard to localize, Uber did not focus on their operations in each country because of many problems they face worldwide (Bugador, 2019). In addition, Uber is also faced with rejection from conventional taxi companies in Asia (Desmond-Ng, 2018), partly resulting in massive demonstrations by conventional taxi drivers (BBC, 2016). Uber, by offering a taxi-like service but cheaper than traditional taxi companies can provide, has caused attention and criticism not only in Southeast Asia but from the taxi industry around the world (Vieira, Paiva, Alcântara, & Rezende, 2020).

4. Conclusion

Uber has become one of the causes of the emergence of the sharing economy and gig economy phenomenon, labeled as a transaction platform. Uber is a digital platform-based business that does not rely on ownership of specific tangible assets but emphasizes the ability to avoid ownership and the responsibility of the ownership. Uber's business model is characterized as a light-asset by innovating the opportunities that digital technology provides. Digital innovations developed on Uber's business model have helped customers connect directly to the nearest driver via the mobile app. With this technological innovation, Uber is expanding globally to enlarge its business scale, including Southeast Asia, according to its tag line "*Uberize the entire world*." However, in Southeast Asia, Uber's operational activities did not last long, which only lasted from 2013-2018. The acquisition of Uber by its competitors shows that Uber, despite its successful innovations in various countries, failed to operate its business in the region. With its "*localize*" approach, Grab is even more successful in acquiring markets in the region. Some of the dominant factors that led to the failure of Uber's business operations in the Southeast Asia region were inconsistencies with market preferences, challenges from prevailing policies and Uber's infrastructure problems, and strong competition from local competitors. Hence, this study summarizes that different market characteristics require different approaches. The case of Uber's failure in the Southeast Asian market shows us that characteristics that are made more "localize" are more likely to persist in certain regions.

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