

The impact of uber in the taxi market essay example

[Business](#), [Marketing](#)



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The Likely Impact of Uber and Other Similar Companies to Operate On the Equilibrium of Taxi Markets

Uber, the ground-breaking app that has since allowed users to commission the service of an accredited driver for an agreed fare using only their smartphones, has stood up to various challenges against taxi markets in major cities around the world. New York City, perhaps best known for the convenience of its yellow-cab services, has treated Uber as a threat to the value of its taxi medallions, which has since diminished since demand for the services provided by the app rose (Brustein, 2014). The case of London currently stands as perhaps the most vociferous case against Uber, which has since led its black-cab drivers to strikes demanding the Transport for London (TfL) to recognize the app as a service that provides directly-competing cabs (The Week, 2014). In Berlin, Uber has figured in a legal victory against cab operator Taxi Deutschland, emphasizing that its car-sharing service does not compete directly against cab services (Auchard & Wolde, 2014).

Given the strong responses of taxi markets against Uber, it is noteworthy to explore the dynamics of its supply and demand, as well as the impacts that has made it a very controversial app. Key to understanding the impact of allowing Uber and other similarly-designed apps to operate on the equilibrium of taxi markets is its so-called “ surge pricing,” which entails user to pay fares that are much higher than normal rates on holidays, weekends and odd hours (The Economist, 2014). Such provides for a different fare

pricing mechanism compared to the uniform fare pricing of many taxi markets, most notably in New York City, London and Berlin. Whereas Uber can provide accredited-driver services for fares that can be lower than cabs in normal times, the same does not apply in times when cabs are scarce due to high demand associated with holidays, weekends and odd hours (The Economist, 2014).

At best, therefore, Uber serves as a complement to taxi markets in cities like New York, London and Berlin, where cabs are thoroughly regulated in terms of their amount and scope of operation. With uniform fare pricing and operational regulations in place, cabs are most likely unable to cater to demand generated by users during holidays, weekends and odd hours – an area that has since been covered by Uber. Perhaps it is in normal times where taxi markets have strong contentions against Uber, due to its ability to provide accredited-driver services for fares lower than that of uniformly-priced cabs, subject to agreements users have made with drivers (The Economist 2014). Nonetheless, it is absurd to think that Uber, in itself, can completely diminish taxi markets, which in turn must make competitive measures that could increase their reliability, as in the case of New York City “ where taxis are more reliable than probably anywhere else in the world” (Brustein, 2014). The diagram below illustrates a summarization of all the points asserted in the foregoing.

Diagram: Likely Impact of Uber Vis-à-vis Taxi Markets

References

Auchard, E., and Wolde, H., 2014. German judge lifts temporary ban on Uber ride-sharing. Bloomberg Businessweek, [online] 16 September. Available at: [15 November 2014].

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