



THE IMPLICATIONS OF MOBILE COMMERCE APPLICATIONS: THE CASE STUDY OF UBER IN ROMANIA

¹ALICE CIRSTEA

¹PhD Student, Department of Business Administration, University of Economic Studies from Bucharest,
ROMANIA

E-mail: ¹alicecarstea@yahoo.com

ABSTRACT

The phenomenal growth in the use of smartphones, GPS and Internet is giving rise to a revolution in the business world. This revolution is focused on conducting business on the move usually by mobile commerce applications. This trend is fueled by the consumer interest in being able to access business services anytime and anywhere. It is also motivated by the interest of the business community to extend their reach to customers at all times and at all places. This paper is focusing on the Uber's mobile application which challenged the taxi business environment and also the regulations on the field.

Keywords: *Mobile Commerce Application, Business Model, Transport, Taxation, Internet.*

1. INTRODUCTION

The development of information technology has brought about massive changes in the way people conduct their daily activities. These changes are reflected in both consumer behavior and economics. Mobile applications come in support of consumers, but it also implies new international and national legislation challenges that will have to face. One of these is Uber, an application that has changed the way transportation is perceived. This application provides anyone the possibility to be a taxi driver but also gives consumers the possibility to find a convenient way of transport, available even during peak hours. But what are the implications in the economy, law or taxation? Can the standard operating model of Uber be applied anywhere in the world? Are the authorities ready for those new business models of sharing economy? The paper's aim is to find the answer at these questions and to analyze from the economic perspective the implications that may arise the case of mobile business models, in particular Uber mobile application.

2. LITERATURE REVIEW:

The explosive development of wireless technologies has increased the number of mobile device users and emerged a new type of commerce,

mobile electronic commerce (mobile commerce). M-commerce has appeared recently, around the 2000s, along with the penetration of mobile devices connected to Internet all over the world.

Understanding the new business models and the consumer behavior in m-commerce is an active concern among researchers due to numerous development opportunities (Bang et al, 2013; Ko, 2013). The mobile Internet is an opportunity both for entrepreneurs but also for users, and a genuine instrument for achieving business goals timely (Seth, et al, 2015). The role and importance m-commerce are carefully studied by experts to determine both challenges and to harness its opportunities (Li, and Yeh, 2010; Maitya and Dass, 2014; Pavlou, 2006). Studies have shown that the biggest barriers in development of m-commerce are: fear of sharing information online, privacy and security concerns, legal framework and others (Matthew, Sarker, Varshney, 2004; Lyytinen, 2001). There are multiple areas for using m-commerce, such as: mobile banking, mobile brokerage, acquisitions, location-based services, information services, mobile advertising, etc. (Urbaczewskj, Valacich and Jessup, 2003). M-commerce is now seen as a business tool that has a greater potential impact on business world than it ever had e-commerce in 1990-2000. Unlike e-commerce, m-commerce allows users to overcome the limitations of location and fixed Internet (Al-Qirim, 2012;



Islam et al, 2011; Ming et al, 2015). There are many studies which were focused on the technological aspects of the mobile commerce but not so many focused on the relations and implications which may result from this change of economic and business perspective. The new sharing economy has brought massive changes that affect the whole business environment and competition. A typical business model for this sharing economy is Uber's business model.

3. THE UBER BUSINESS MODEL

Uber is a company incorporated and established in 2009 in the USA, California, San Francisco, which facilitates on-demand car and limo services through the "Uber app" (iPhone, Android, mobile web, and SMS), which connects consumers with drivers (Uber has also, other lines of business, but this paper will focus on transportation services). Uber is a software company and does not own any of the cars which transport Uber customers. These drivers can be individuals, self-employed drivers or individuals employed by a professional transportation company (Uber's Partners).

Uber does not provide any kind of transportation services, but only provides intermediary services to a network of town car and limo vehicles. The application was launched as a ride sharing app utilized by any user as a source of rides. Any user could be a taxi driver (if he had a car). Uber collects the payment of the ride on behalf of the drivers and the payment of the fare that will be subsequently transferred to the driver, will be reduced with the commission of Uber (usually 20%) for its intermediary services.

Moreover, in the recent period Uber pays a support fee to the Partner for making itself available to Uber for a certain amount of time per week. At the beginning, the company has experienced rapid user proliferation of 30-40% per month (J.P. Mangalindan, 2012.). The appendix shows the steps in the Uber business model, includes also comments on what it is that Uber offers at each stage and whether that offering is unique (see appendix).

As we may observe Uber's business model offer some substantial gains to its drivers, to its customers and also offers a substantial business revenues.

From the drivers point of view, Uber offers them through the application more rides than traditional companies, this because Uber use a technology which enables them to predict when it will be the biggest car request and also to connect the rides (by

this connection the time spent looking/ waiting for a customer is decreased substantially). Uber's payment seem to be fair since drivers are happy with it even if they are not Uber's employees and the car expenses are supported by themselves.

From the customer's point of view there are many benefits using Uber app. Firstly, the app uses a GPS system which enables them to order the nearest car, they can refuse a car if they don't like the driver/car (every driver has a profile with rating from its passengers). Consumers can see on a map the exact location of the driver, also once it gets the ride it can send its friends/family a map so they can see the location and they don't have to worry. The payment is made online it is safe and the tip is already included, so the customer don't have to concern.

The business model is pretty simple Uber has an app, the company don't have to look for other monetization sources of the application. In other words, income generation occurs immediately and continuously. Uber's main concern is that drivers from the system should rise to the desired standards and more customers enroll in the system. The taxi market is usually very fragmented and it seems to be still huge demand everywhere in the world for those type of services.

When defining its services, Uber always refers at them as a peer-to-peer platform which connects drivers with customers, structurally different from commercial activities of professional taxi drivers. If it would have been a taxi company, Uber should obey to specific regulations. But how similar is Uber to other taxi companies?

3.1 The Case Study of Uber in Romania

Recently Uber has launched its app also in Romania and established a local company "Uber Romania" with a local team that supports Uber in setting up, increasing and maintaining the operations in the local market. Uber Romania provides marketing support and operation services to the Headquarter, such as contracting with new local drivers and users of the Uber App (i.e. the passengers), running local promotions, providing customer care support, liaise with the local drivers, answer questions from the local consumers and/or drivers/partners, etc. The price per kilometer in Romania is the same as the one practiced by the taxi companies. This application was well received by the local consumers as well as the drivers. Most of Uber drivers are employees of transportation companies or self-employees drivers.



The services provided by Uber Romania are similar to those offered to other markets. Currently Uber is present in 57 countries and more than 250 cities. But Uber wasn't received with open arms by its competitors or by the taxi drivers, because at its beginnings, in the standard operating model, in order to be a driver for Uber it was not necessary to be a professional driver or to have a taxi license. Now things have changed a little bit due to protests, manifestations and regulatory opposition from the host countries.

In most of the world's countries the taxi industry is well regulated and the companies have to obey to those specific regulations of human transportation services. In order to be a taxi driver, almost everywhere in the world, you have to possess a professional driver diploma/certificate. Also, the number of taxi cars is regulated by local authorities who release a limited number of licenses. In many cities of the world those licenses are ceased/ sold/ obtained for a lot of money. In New York, for example, a medallion (the equivalent of a license) was worth \$872,000 in October 2014, down 17% from a peak reached in the spring of 2013 due to the apps like Uber and its competitor Lyft (Barro, 2014).

In Romania, if you want to be a taxi driver you should:

1. be a professional driver (this mean that you should pass the authorized examinations and to obtain the diploma of professional driver);
2. have at least 2 year experience;
3. have a clean background (this mean that you shouldn't be convicted or to violate the law);
4. to obtain an authorized license from the local authorities (their number is limited and you don't have to render your services in other place other that the one for you have the license);

If you are an Uber driver you should:

5. pass an Uber exam which is not authorized by the local regulator;
6. to have a clean background;
7. and to have a driver license but not professional driver license;

Moreover if you are a regular taxi driver you should pay bigger taxes for: your car insurance, your local car taxes, a yearly fee for your authorized license. All those are resulting in bigger taxes and a better collection of taxes of the State and Local Budget, but if you are a Uber driver you would not obey to the taxi Law and you shouldn't pay all those taxes.

From the point of view of the salary taxes, there are a few implications. Usually the taxi drivers are authorized persons which mean that they have a collaboration contract with the transportation company. They earn an income which is not quite a salary but they also pay social contributions. There are cases when the taxi drivers are employees of the transportation company. In this case the social contributions paid to the Budget are more than 60% of the salary (employer plus employee). But if you are an authorized person this mean that you should have to pay only the part of the employee which is around 30%.

Generally, an Uber driver is:

8. an authorized person so it will pay about 30% taxes and 16% income tax or
9. an employee of another company so this mean that it does not pay those contributions but only 16% income tax.

The standard operating model was adopted different in many countries due to the fact that the company faced a number of legal difficulties. Moreover the vision of the business has changed in time for that reason. Below are the main differences between the ways Uber started to operate versus the actual business model in Romania versus US.

10. At the beginning in US the Uber application was generally used in order to share car costs, for ridesharing whereas now, in Romania this app is used more like a taxi app.
11. At the beginning in US the application was used both in the city and the surrounding area whereas now used for in city travel.
12. Generally Uber's drivers were people who want to share car costs not professionals, now drivers are usually taxi drivers.

An interesting observation results from this short comparison, Uber is turning more and more into a taxi application similar to those used by taxi companies. So we can observe why Uber is making so many rumors, because drivers usually don't pay so much taxes and create unfair competition. Uber is not the only company who applied the sharing economy model. There are many others in different domains. In Figure no 1 are presented the main advantages and disadvantages of this type of services, with their economic implications.

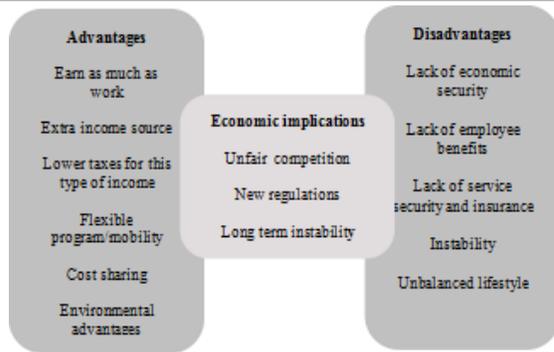


Figure 1 Advantages and Disadvantages of Uber's Application and the Economic Implications

As we can see from the figure no 2 there a few economic implications related to Uber business model. Firstly, this type of business creates unfair competition on the market because Uber is a competitor to taxi companies where it activates but has no employees, does not invest in car acquisition and has generally more reduced costs. Secondly, this type of business, force Governments to seek new regulations. On long term this type of activity creates economic instability for drivers because they are no employees so they earn as much as they work but this income is not constant as a salary. For drivers and customers as is mentioned in figure no 2, there are advantages and disadvantages. Main advantage for drivers is that they can earn extra money in their free time, they have a flexible program, can share car costs (i.e. with maintenance). Main disadvantages are related to safety and security because Uber's drivers are not nonprofessional drivers. Also, the drivers may have an unbalanced lifestyle, they could not benefit from some employment advantages (if they are not employed elsewhere) or they can have an unstable income. In conclusion, these Uber applications challenge Governments and business environment to adapt themselves at new technology and new requirements of customers.

4. CONCLUSION

Uber is a company that has developed an application for tablets and smartphones that permits customers to connect with drivers enrolled in the application. The application allows passengers to connect directly GPS mobile phone with the nearest car with driver registered in the database of Uber. The company is not a regular taxi company, and is not subject to regulations in the area. Drivers enrolled in the application are not required to have taxi license or to be professional drivers, alike taxi drivers, also they are not Uber's employees. Due to

this fact a number of issues are raised: passengers safety and security or fiscal and legal implications.

Note: This paper was co-financed from the European Social Fund, through the Sectorial Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/138907 "Excellence in scientific interdisciplinary research, doctoral and postdoctoral, in the economic, social and medical fields -EXCELIS", coordinator The Bucharest University of Economic Studies.

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