A Calculated Risk: Should Uber Re-enter China?

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Executive Summary

Within this report, our group will be presenting a comprehensive analysis of Uber's potential to re-enter China's ride-sharing market. The analysis covers political and legal risks, demand dynamics, resources, infrastructure, strategic importance, and our final recommendations. The political environment under Xi Jinping has become increasingly restrictive concerning foreign investments. On the other hand, his policies and ideology favor domestic companies such as DiDi and other domestic firms. Additionally, legality issues such as data localization and strict operational guidelines pose large hurdles for Uber. There is also a large demand within the Chinese market that is dictated by the middle class. However, since they prefer more local brands and have specific service expectations such as mobile payment integrations (Alipay, WeChat pay, etc.) increases the challenges for companies like Uber. Uber's previous way of payment failed to align with these local consumer preferences. While China has advanced infrastructure, the complexities of navigating its transportation laws, high traffic accident rates, and public health relations add more to the operation challenges for Uber. However, in the technology realm, WeChat offers potential for market penetration but may limit control over Uber's service delivery. China's dynamic market presents many opportunities since there is a large urban population and advanced forms of transportation. The market has led to a trend of increased preferences toward electric vehicles (EVs) and other innovative mobility solutions. Despite the vast population size and potential of China, we have decided that Uber should not enter the market due to the overwhelming dominance of DiDi, combined with nationalistic preferences and regulatory obstacles. When looking into Southeast Asia as an alternate potential market, we have also decided to refrain from entering. Using Vietnam as an example, Uber's one-size-fits-all approach as well as not taking into account the motorcycle and cash culture would ensure that Uber would fail there in comparison to its competitors like Grab. In conclusion, Uber should stick to where they do best and avoid these markets if they want to ensure their survival.

I. Political and Legal Risks in China

In 2016, Uber left China's market and retreated to its home country which is America. Uber's largest rival in China was Didi Chuxing (Didi). The issue is that "Uber's business model relies on being the first entrant to a market, then rapidly developing its size and scale so that the competitors that follow are disadvantaged to the point of a forced exit" (Colley, 2016). The issue here is that Didi was the first entrant in China and Uber was the second. Typically when businesses try to go international, they find a firm that understands the culture and market that the business is entering, then buy out the local business once the foreign business understands how the foreign country operates. However, in China, the opposite occurred, with Uber selling out to a more local company (Didi). However, our firm's purpose is to find a solution to this problem and help them evaluate entering China's market.

Regarding political and legal risk within China, Xi Jinping assumed office in 2013. He has encouraged restrictions on foreign business since entering office. While feigning interest in the investment from other countries Xi Jinping and the Chinese government continue to favor domestic companies. The Chinese government restricts foreign companies from obtaining key metrics that many foreign businesses need to come up with an entry plan. Previously backed by SoftBank, Didi Autonomous Driving announced that it will receive up to $149 million in funding from two investors affiliated with the municipal government of Guangzhou, a southern Chinese metropolis: GAC Group's wholly owned subsidiary GAC Capital and Guangzhou Development District Investment Group. With investments like these from the government, Didi is in a position where they do not even see Uber as a threat. To be more competitive in this market Uber would need to change how it approaches its business model.

Didi hails as China's biggest and dominating presence when it comes to transportation ride-hailing apps. Since Uber didn't have the first mover's advantage in this market, the claim to the market share was sparse, with an estimated one billion dollars of loss every year. Didi claims that they own over 80 percent of the market share in ride-hailing apps. As a result of the meteoric rise in the use of the app, China leaps at change with national guidelines outlining the hailing services of not only Didi but also Uber. Introduced in 2016, China enacted guidelines to a once fuzzy area of ride-sharing, with some drivers being arrested and their cars impounded on an inconsistent basis. This was a solution to an operation that broadened the context of how ride-sharing companies could operate in a sharing economy. Some of the guidelines that were enacted were legalizing online car booking services, a minimum driving experience of three years to be a driver for a ride-hailing company, a bigger emphasis on electronic cash system forms of payment, a set mileage of 600000 km limit to be retired, and the data from these services must be stored in China for two years. Despite these regulatory-esque changes, both Uber and Didi have been vocal about their support of these regulations, stating their belief in innovation and forward-thinking lines with China's guidelines. They cite the opportunity for growth in the ecosystem and their full support to meet those requirements. This highlights the major legal and political differences and their effects.

It is crucial to consider the cultural and consumer differences between China and Uber's most prominent markets, such as the United States. Although political and economic factors deeply challenged Uber's success within China's market, societal norms, values, and behaviors had a substantial impact on Chinese consumer preferences. One of the most prominent factors that Uber failed to adapt within its platform was the strong preference of Chinese consumers to use mobile payment solutions like Alipay or WeChat Pay (Preobrazhenskiy, 2023). This convenience of mobile payment is a top priority for Chinese consumers, which contrasts with the wider variety of payment preferences in the United States, such as using credit cards or peer-to-peer payments. However, payment preferences were not the only cultural aspect Uber failed to meet. In comparison to Didi, Uber failed to meet service expectations for Chinese customers. For example, Chinese customers have higher expectations for service customization and responsiveness. For Uber meant that customer service and personalized offerings that were catered to individuals were essential to success, however, they were severely lacking. Didi was able to utilize its understanding of service expectations and offered features that were directly tailored to the Chinese consumer. (Toh, 2019). Therefore, these factors will have heavy importance when determining if it will be a good idea to re-enter Uber's market.

II. Demand for Uber's Offerings

If Uber is to enter the Chinese market successfully, they must analyze China's market. To do this, Uber must identify consumer information along with their general socio-economic position when entering China's economy by considering: consumer behavior, size of the market, Uber's strengths and weaknesses, and their unique offerings to clients.

First, to understand Uber's ability in entering the Chinese market, it is important to understand how its consumers behave. The over-arching themes that Chinese consumers care about are Guanxi (the Chinese word for trust and relationships), indirect communication, face culture, and price sensitivity (Verot, 2023). If Uber enters, It is extremely crucial to forge early good relationships with its customers so that they can begin to build loyalty with Uber. To ensure that these good relationships are forged with Chinese customers, Uber should hire a "Guanxi" consultant who can help them navigate the cultural intricacies of building those connections through a marketing lens. Regarding indirect communication, Chinese people prefer to buy things or services based on hidden meanings and backgrounds (Verot, 2023). In order for Uber to appeal to the Chinese consumer, they could focus on presenting different kinds of cars, and the driver's personality, and contain other features that do not directly sell the service, but nurture that relationship where they eventually use Uber's service. While it is important to be indirect, it is also important for Uber to adapt to "face culture" in China. China relies heavily on contextual clues and implications, which makes it easier for unknowledgeable foreign companies to err in China and "lose face". However, if Uber uses this information to cultivate a trustworthy and respectable image, more consumers would be likely to choose Uber over DiDi. Lastly, price is paramount in the Chinese consumer base and market. According to the Harvard Business Review, the One-Child Policy created an environment where kids play a central role (Harvard Business Review, 2013). The recent lifting of the policy has allowed Chinese people to have more kids. Due to this factor, it is important to factor in the cost of each ride since families may have less money to spend since they can have more kids. Furthermore, the Chinese population can be classified as risk-averse, sticking to the norms that have been established. Starting during the pandemic the preference to use public transportation has dropped dramatically. Additionally, Chinese cultural values are influenced by Confucianism, in which critical values are based on loyalty, modesty, and courtesy. This may be a challenge for Uber as their loyalty may lie with DiDi, making it challenging to sway customers. If Uber is aware of these consumer behaviors, then it could be a solid competitor over DiDi.

Now we will examine the market size. One of the exciting elements of entering China as a business is the fact that China is the second most populous country in the world, second only to India. China has over 1.4 billion citizens with 65% of the population living in urban areas (WorldOMeter, 2023). Since the mid-1980s the Chinese population shifted from a poverty rate of over 90% to less than 1%. "Definitions of what constitutes the middle class vary, but according to the Pew Research Centre, the share of China's population in the middle-income group grew from 3.1% in 2000 to just over 50% in 2018." (Guardian, 2023). This growing middle class will be the main interest as a customer demographic due to their spending power and the overall size of the group. While this is a big market for potential rideshare companies, there has been a worry in recent years; although the middle class has not shrunk lower than 50%, it has ceased to grow. This could pose a risk for Uber. On the other hand, this boom in the middle class and the slow trickling in of new foreign investment and business ideas may be rubbing off on the middle class leaving some to change some of their preferences and risk-averse natures. (Business Practices in China - Santandertrade.com, n.d.)

It is also important to assess Uber's relative risks and advantages when possibly entering China. With a greater influx of ride-share consumerism in south-eastern countries, there is a high expected level of demand for Uber in the industry. China is the second-largest economy in the world, which would allow Uber to capture a specific market share for rideshare. The competitive advantage that Uber can bring to the mix is its undisputed intuitive user interface that allows for the seamless hailing of vehicles from consumers' phones. This is due to their smartphone app that effortlessly gives consumers great control over their surroundings and drivers. Users can track drivers, see when the pick-up is scheduled, and offer a rating system to moderate drivers and prioritize passenger safety while driving. A driver with a low score beneath a specific threshold is susceptible to losing their Uber driver privilege. The main factor for their success is their focus on quality assurance. Another strength is the overall brand name and reputation of Uber itself. Uber is synonymous with the ride-hailing industry where it is a simple click away. Even its use and name when saying "I am going to Uber" is considered to be an urban phrase that people say for hailing a ride (Zupic, 2017). It segments itself as the first choice for riders because of its reputation and brand. With their service, Uber offers a lot of options in terms of car space, with options including sedans, SUVs, and vans. This is all to accommodate the consumer's specific needs. Uber further differentiates itself by offering options as well as a price range for consumers to weigh price over comfortability. Even with a strong following around the world, Uber still has its fair share of weaknesses in multiple different markets. One of their underlying weaknesses is the nature of investing in activities in foreign markets. The risk is the uncertainty of not knowing how countries will take to a new competitor trying to compete with local companies. When Uber enters specific markets, company heads spend millions of dollars trying to insert Uber into an already captured market, with DiDi being the primary competitor in this scenario. People are used to home companies with a familiar interface. The quick payment process of hailing an Uber doesn't serve as a competitive advantage against DiDi because the taxi service is already well known for its fast and clean online payment system over apps. Uber also can be subjected to operational risks that apply to China (Page, 2022). China has a higher ratio of people to taxi drivers, so Uber has to fight harder to attract people to take the established system over theirs (Bashir, 2024). There would also be greater competition to get the population to take advantage of the app. Entering the market can be a rewarding progress step towards an interconnected worldwide market of ride-hailing, but some additional risks and pitfalls are applicable to the decision.

Finally, we will examine unique offerings from Uber that give them a further edge over competitors. Uber provides a wide range of services that can cater to not only transportation but also delivery needs. Uber is most widely known for its rideshare service, connecting consumers in need of transportation to drivers who are willing to utilize their personal vehicles for ride-hailing. However, since its inception, Uber has branched out into several other industries, such as Uber Black, offering riders luxury-style transportation within a minute's notice. For consumers looking for more energy-efficient rides, they can opt for a driver with an electric vehicle using Uber Green, or perhaps a client would much rather prefer to rent their own vehicle for a duration of time using Uber Rent. All these options are available to cater to the needs of a variety of customers who choose to use Uber, but it doesn't end there. Uber has even leaped into a new industry in recent years by allowing customers to have food delivered from restaurants that traditionally do not offer delivery through Uber Eats. All these extensions have widely expanded their potential range within the consumer market.

III. Resources and Infrastructure Available in China

The following is an assessment of China's resources and infrastructure effects on Uber's ability to be effective in the country. We will look at key resources including: transportation, technology, communication, broader distribution considerations/general infrastructure, raw materials, supplies, natural resources, and the labor force.

When analyzing China and its transportation, China has one of the strongest transportation systems in the world. Regarding China's highway system, it was reported that "in 2018, 63,194 traffic accident fatalities occurred" (Science, 2020). This has been a common theme since 1990 when China was ranked first in the world for traffic fatalities. While China's population may be a factor since it also has the largest population in the world, it is also due to a greater number of inexperienced drivers purchasing cars after a market-based economic model was introduced. This initially may pose a barrier to entry when entering the Chinese market since people may be afraid of becoming an Uber driver in a place that statistically has the most traffic accidents - especially considering they are also responsible for another person. However, since COVID-19 has occurred, China created a public-health screening program that helps make sure both the driver and car are better equipped to drive (Science, 2020). This has drastically reduced accidents. Therefore, if Uber enters China it has some built-in safety when dealing with liability because China's government executes a lot of the car and driver inspections themselves.

Regarding technology and communication, WeChat is by far China's most-used app since it combines "...social media, payments, gaming, and other functions for more than one billion monthly active users" (Harvard Business Review, 2022). This would be highly useful and effective for Uber to capitalize on since it would connect the company with over one billion users. By joining WeChat's app, it would also bypass any legalities when trying to get the Uber app passed under the Chinese government. However, a downside of joining WeChat, Uber would lose control of the fine-tuning of their app which could potentially make them more attractive in contrast to their competitors. In this case, it would be crucial to do a SWOT analysis first before deciding whether to join WeChat or conform their app to China's rules and regulations.

When analyzing China's infrastructure, it can be broken up into multiple different segments that encompass how China operates. Infrastructure is fundamentally a framework and a backbone for commerce. This outlays opportunities for economic benefits and the creation of more jobs. As mentioned before, there is a transportation segment that fosters the movement of goods and people. This can include ports, railways, roadways, and airports. The creation of infrastructure networks laid the groundwork for expanded travel of different regional prefectures in China. The expansion of travel doesn't stop at just new highways and high-speed railways, but also secondary and low-level roads across the country. China's social infrastructure has also boomed due to the changing economic landscape from trade policy and other factors. In a few decades, China was able to transition its poorest sectors into a major economic force. Their ability to translate latent economic wealth into schools, hospitals, and defense is evident from their recent acceleration of growth. The central government has leveraged its fiscal policy into a more rigid and tight policy that emphasizes the country's future, including digitalization and the public sector. China benefits from its large extraction infrastructure, investing in the collection of commodities like gas and metals. In 2013, President Xi Jinping allocated vast resources and investments to the original Silk Road and to bolster an extensive network of railways, energy pipelines, and highways. This was to strengthen the link between Asia and the rest of the Western world (McBride and Berman, 2023).

With an emphasis on expansion, there is no better time to invest in China's mass infrastructure. China has reportedly engaged in not only economic mobilization but also geopolitical reasons that promote a vision of a more assertive China. Their openness to strategic boosts in the economy and cultivating linkages of inward funding make them a great country for foreign investments.

By looking at China's natural resources and raw minerals we can predict more about Uber's effectiveness in the area. China's natural resources and raw minerals appear to not be as integral to Uber's business plan but still do impact Uber as a whole. There are many things to consider before Uber should enter China's market. Uber is dependent on independent contractors to use their vehicles to pick up paying customers and transport the customers to a desired location. While the abundance of some natural resources can and will affect Uber's potential for success in China, the more direct aspects for Uber to consider are the energy costs in China (gasoline and electricity) and the cost of owning a car.

The first aspect to consider is the expense of buying a car in China. In China, the process of buying a car is more cumbersome than it is in some other countries as problems come from the fact that there are more hoops to jump through. To obtain a car in China, the buyer has to fiercely outbid others to gain a license plate and registration. "Describing the scene at the license plate office, Wang Tung wrote in the Washington Post, 'In the final hour of bidding there is a mad rush to get in the door. Participants claw their way inside the auction hall to one or two dozen dilapidated computer terminals where they must enter their registration number, password, and bidding number.'" On top of this competition, the prices for registration and license plates rise consistently. One could argue that this could be seen as a benefit: the fewer people able to own cars, the higher the customer base.

However, the problem is that people with the luxury of buying cars might not be interested in using their car to do a job that pays little in return like Uber.

In terms of labor, the labor force within China has played a significant role in both domestic and global growth. With a workforce of over 733.5 million individuals, China has the largest recorded labor force in the world by almost twofold (Huld, 2023). Labor has been crucial for China's rapid industrialization and economic growth over the past few decades, which also has led the country to have one of the largest economies across the globe according to the International Monetary Fund (Singh, 2024). Eighty-two percent of all industrial workers work within secondary industries, such as manufacturing industries that convert raw materials into consumer commodities; however, China has had a major increase in the proportion of individuals working within the services sector, primarily ride-sharing services similar to Uber, couriers, and delivery drivers. This industry has attracted around 84 million people, primarily younger to middle-aged men (Huld, 2023).

China has also had massive improvements in labor rights and work-life balance. For example, in 2021 China established regulations stating that employees working through platforms providing food delivery or ride-sharing must be paid minimum wage and are not subject to excessive working hours. Furthermore, workers in this industry are also now allowed to form labor unions; however, it is unclear how much power these unions have in facilitating change. China has also made improvements in gender equality, pushing regulations on preventing gender discrimination and sexual harassment within the workplace. Finally, China successfully dismantled the work culture of working 6 days a week from 9 am to 9 pm by placing laws against excessive work, further encouraging a stronger work-life balance (Huld, 2023)

In addition to China's large workforce, China contains the world's largest abundance of natural resources, valued at roughly $23 trillion, with 90 percent of those resources being composed of rare earth minerals (Mamchii, 2024). Due to China's geographic diversity, natural resources are abundant across various parts of the nation. This diversity in resources, although beneficial to China's economic growth, has also presented several challenges including environmental deterioration and an increase in the need for sustainability practices to help prevent further ecological imbalance.

As far as the specifics of China's natural resources, the country is the leading producer of many different industrial minerals. The three largest mineral reserves that come from China are coal, iron, and crude petroleum, however, there is also an abundance of several other heavily exported resources. China is also the largest producer of gold, graphite, aluminum, zinc, and tungsten to name a few. Thirty percent of the world's supply of phosphates that are essential for products such as fertilizer are exported out of China as well (Britannica). The following is relevant because these resources contribute to China's growing economy, which ultimately would help Uber become successful there.

IV. Strategic Importance of China

Since the 1970s, China has rapidly emerged as a hub for innovation. This is particularly the case in the technology and transportation sectors. The government has heavily invested in and supported the development of a "startup culture" which has even led to the rise of Uber's biggest potential rival, DiDi. According to a CSR report, China's annual gross domestic product (GDP) growth averaged 9.5% through 2018. In fact, the World Bank described China as the "fastest sustained expansion by a major economy in history" (Morrison, n.d.). This means China is an ideal location for industries looking to expand. Uber could utilize this opportunity by placing a sector in China.

With that being said, some may argue that China's ride sector has already been captured by rideshare companies like DiDi. DiDi seems to be standing out in ingenuity compared to Uber. DiDi charges a short-distance fee where applicable whereas Uber charges extra with their surge pricing and tolls (Horne, 2024). DiDi also takes 15% of earnings from the driver whereas Uber is 20-30% which is a significant amount more. This is worrying for Uber because this provides an incentive for drivers to choose DiDi over Uber, as well as likely to charge higher prices to the average Uber customer. Uber's surge pricing which is determined by the demand and supply of drivers has been known to reach eight times the price of DiDi's pricing in Australia since they do not employ such a tactic (Horne, 2024). This is alarming because "...the much lower driver commission fee negates the lower fare and drivers take more money home per ride" (Horne, 2024). The reason why they do not need to charge as high of prices and take as big of a chunk of the earnings from drivers as Uber is that DiDi benefits from economies of scale. DiDi is a much larger company and has earned $56 billion compared to Uber's $15 billion in revenue. Due to this, DiDi can lower the prices and take less from their drivers which increases their attractiveness to both the rider and customer.

While DiDi seems to have used China's innovative encouragement to dominate the rideshare sector early and make it impossible for Uber to compete, one factor can not be ignored; this is the opportunity cost of Uber not competing in China. If no one raises competition with DiDi soon, DiDi will only continue to become a rideshare superpower. Their economies of scale will only grow, and costs will only go down for DiDi. Uber could utilize China's innovative incentives to compete with DiDi, even if only to prevent DiDi from completely running the market. In fact, if Uber acts fast and strongly when entering, it could gain the reputation needed to rise up over DiDi entirely.

China's complex market growth has many components that make its location for Uber ideal. One of the biggest factors that Uber will face is their transportation market. China's global supply is inherently facilitated by the transportation market. An efficient transportation structure allows for the movement of goods and services through multiple avenues, which leads to economic growth. Uber has to constantly evolve its consumer basis with the market, so as not to be left behind by competitors like DiDi. The market reacts similarly to customer expectations and technological innovations. As these factors increase, so does the capacity for growth. Transportation has grown in China ever since the pandemic, stemming from the pressures of consumer behavior. By 2020, even the size of China's smart mobility market reached 166 billion yuan. This includes new forms of transportation like car-hailing services, public transportation, and autonomous driving technology (Zhang, 2024).

That shift towards a larger market size has brought along issues when it comes to transportation. Their rapid urbanization has led to intertraffic at a pace where networks of roads are overburdened with cars. Road infrastructure is steadily falling behind with car sales and cars on the road, causing a discrepancy between those who use public transportation, own their vehicles, or even walk. For Uber, a strong grasp of China's economy means understanding the different chains of connected mobility, and how to differentiate itself from the competitors. Because China's market is ever-growing, and the intertraffic roads will become that much more burdened, an opportunity arises. These road problems require innovative solutions, which gives Uber a chance to gain a competitive edge over other rideshare companies if they can adapt first. This means discovering transport networks, optimizing traffic flows, meeting that demand with the right supply, and overall a great UI system (Interface, 2024). Uber can capitalize on the market growth (and market growth challenges) by evolving alongside it and focusing on adding value to their service.

Although Uber's initial departure from China was ultimately a substantial sacrifice, Uber has since upheld and maintained its global presence across several countries. After leaving China in 2016, Uber has since prevailed in the rideshare business. While implemented in 70 countries in 2023, Uber was able to attract over 150 million monthly users, generating over $37 billion in revenue

(Statista Research Department, 2024). However, Uber's absence from China forfeits them access to one of the largest and fastest-growing economies in the world. Furthermore, continued operation in China would have allowed Uber to partner with local firms, have access to Chinese investors, and gain insight into new technologies being developed within China.

As stated earlier, however, Uber's worldwide effectiveness remains strong, even without a presence in China. Uber retains significant market share within several countries across the world, including 95% in Mexico, 70% in Canada, and 60% in Australia (Solomons & Torska, 2023). Having such a diverse global presence shows that although China is a significant loss for Uber, it still remains a dominant figure within the rideshare industry. It could be argued that the loss Uber faced in China allowed Uber to reevaluate its market entry strategies to outperform competitors within new markets, which has led to increased market share across the globe.

Now, Uber could use their knowledge and gained experience to re-enter the Chinese rideshare market to capitalize on China's distinct economic opportunities and to raise competition in the rideshare market.

Another key factor that has not been addressed is the upcoming EV market in China. By entering China's market, Uber has the potential to be on the ground level of innovations in electric vehicle technology that can further advance their potential markets across the globe. In recent years China has focused much of its automotive industry into the electric car market. China has shown that it is keen on becoming a world leader in EV production, distribution, and integration. Uber's move into China could be a risky decision but could pay off big if traction is gained. Through the Chinese willingness to support and develop EV tech, Uber could benefit from the innovations in rideshare, and driverless fleets in the future. "Chinese investors are increasingly facing political backlash in host economies, most notably the US, which is trying to limit Chinese influence over its EV supply chains." (RhodiumGroup, 2024). This influx in EV investment drives up the future for potential market share.

Whereas the Middle East and the United States took swift control of much of the oil reserves available, China has looked toward the future and has become one of the world's leaders in lithium production. "China has 7.9% of the world's lithium reserves. The U.S. has 4.0%. Nevertheless, China has become the 3rd largest lithium producer in the world, outproducing the U.S. in 2020 by more than a factor of 15." (Rapier, 2022) With this level of investment in lithium production, China is setting the stage for what is to come regarding the future of EVs. If Uber wants to compete in China, it will have to submit to the future of electric vehicles and the changes in their business model that could potentially arise from that fact. If the future of transportation is being led by China, one of the most populous countries in the world, it may be a good idea to make an agreement with the Chinese government regarding the use of Chinese-sponsored EVs across the globe.

V. Final Recommendation

When considering all of the previous analyses and relevant cost-benefit considerations, it would not be wise for Uber to re-enter the Chinese market. It is quite sad how in 2015 Uber "...earned USD 1.5 billion in China, accounting for 60% of Uber's global sales" to being nobody in China once DiDi won the ride-hailing war (Liu and Kim, 2022). One reason for this was Xi Jinping, whose nationalist tendencies have led the Chinese people to also become very loyal to the native company and not the foreign one. It is also important to note that "Numerous service industries in China face an uneven playing field due to government support for state-owned enterprises and designated oligopolies within their sectors" (Lopez, 2016). Therefore, by China's very market design, it is extremely difficult for Uber to thrive in a sea full of state-owned and supported enterprises.

On top of this, DiDi used a very interesting and successful tactic to drag Uber down: acquisition. Back in February of 2015, DiDi and their other competitor Kuaidi merged to create a "6 billion dollar entity" (Liu and Kim, 2022). This was a huge move towards Uber that hurt their market share which eventually led to DiDi capturing more rides than Uber. Since DiDi is so large, they also benefit from economies of scale which is also why they were able to acquire Kuaidi so effortlessly. Due to DiDi growing even larger after the acquisition, they can output their service even more cheaply. They are even "...actively utilizing subsidies to attract potential subscribers by starting with the initial taxi-hailing service" (Liu and Kim, 2022). Since Uber is spread all over the world, it is hard for them to penetrate the market like DiDi, which is a more domestic and familiar brand to the Chinese people.

We believe that Uber should avoid the Southeast Asian area when looking for potential markets. Take Vietnam for example, Uber used their One-Size-Fits-All model which did not take into account Vietnamese culture. For example, the Vietnamese prefer cash over credit cards but Uber only accepts credit cards. Uber's Vietnamese competitor, Grab, knows Vietnam's culture better because they have "...taken more subtle steps, accepting payment in both forms including cash and credit cards" (University of Economics, Ho Chi Minh City, 2024). Additionally, in a lot of Southeast Asian countries, there is a strong motorbike culture, particularly in Hanoi and Ho Chi Minh. This displays that there is not even a strong need for Uber's services because the amount of motorbikes limits the number of cars on the road. Despite Uber creating UberMotor for this specific reason, Grab and other Vietnamese ridesharing firms easily overshadowed Uber since Uber "...idealized the product and ignored thorough market research" (University of Economics, Ho Chi Minh City, 2024). For these reasons and applying them to nearby other Southeast Asian countries, Uber should not continue to expand in this region.

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