ENSURING LOW WAIT TIMES

WHAT IS DYNAMIC PRICING?

If you live in a city, you've probably had the painful experience of trying to hail a taxi on a Friday night, after a sports game or when it's pouring with rain. It can take a very long time—if you are lucky enough to get one at all—because all the taxis are already taken.

Our goal at Uber is to ensure you can push a button and always get a ride within minutes—whatever the weather and on the busiest nights of the year. And thanks to our dynamic pricing model, or "surge" pricing as it is known, that's possible. Here's how it works.

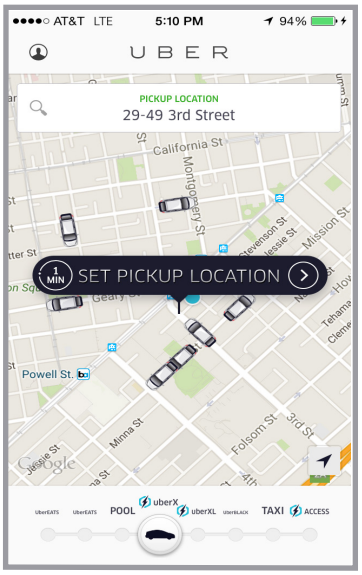
HOW DOES IT WORK?

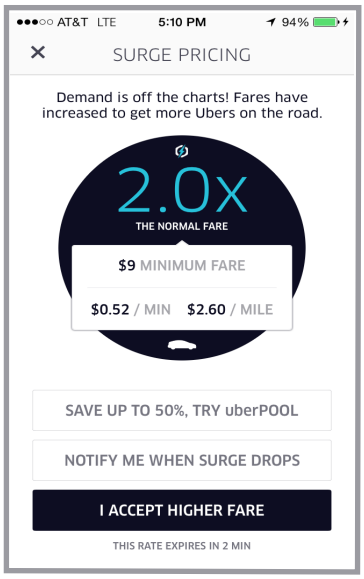
Uber's algorithms monitor demand and supply in real time all over a city. When our systems notice an increase in wait times (because there aren't enough drivers nearby), surge pricing automatically kicks in. This has two effects: people who are not in a hurry wait until the price falls—reducing demand; and drivers who are nearby go to that neighborhood to get the higher fares—increasing supply. As a result, the number of people wanting a ride and the number of available drivers starts to balance out, ensuring that wait times do not increase.

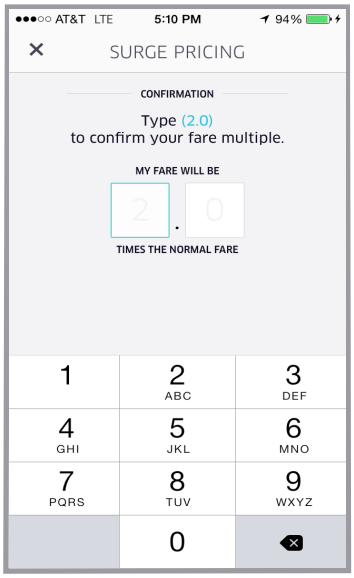
Uber uses fare multipliers—1.5X the standard fare, 2X, and so on—to balance supply and demand. The system updates the multiplier every five minutes to adjust the fares in light of the the latest conditions. If wait times continue to rise, the multiplier rises; when wait times fall, the multiplier falls. To ensure that any fare increase is accurate and effective, Uber divides cities into zones called "geofences".

TRANSPARENCY FOR RIDERS

Uber provides an "estimate your fare" feature so riders can always check the price in advance. But when surge pricing kicks in, we are extra careful to ensure that riders know how much more they will be charged. Here's what the riders sees.



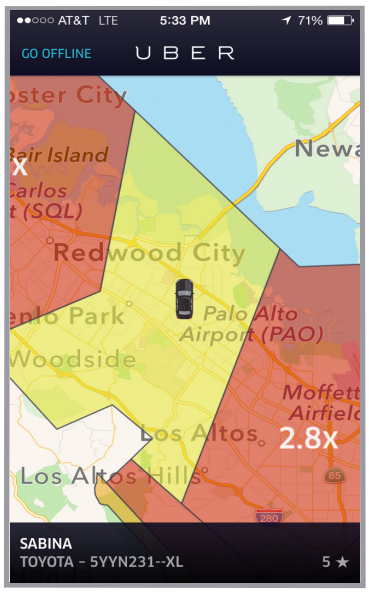


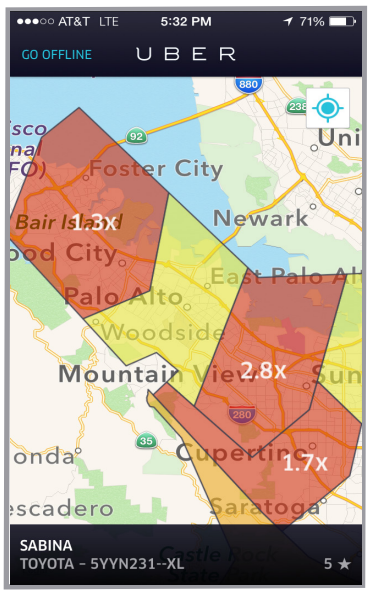


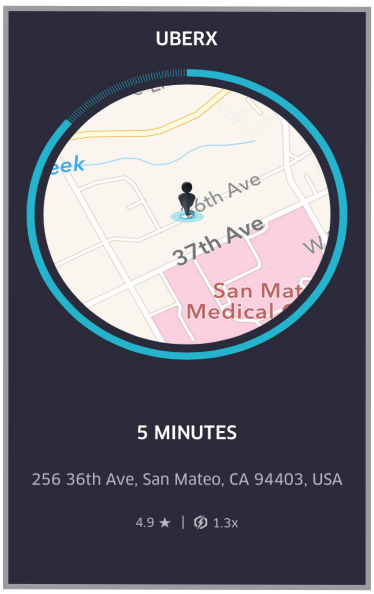
When riders open the app, they instantly see whether their Uber ride is surging thanks to the lightning bolt icon at the bottom of the screen (Left). If they request a ride, a popup alerts them to the surge multiplier at that time (Middle), and they're then asked to confirm the fare increase or given the option to be notified when the price drops. When the multiplier is unusually high, riders will be asked to manually type-in the multiplier (Right) to ensure they really are OK to pay the higher fare.

CHOICES FOR DRIVERS

For drivers, dynamic pricing provides more information about the minute-to-minute conditions in their city. They can choose to act on this information by heading to areas with active surge multipliers to seek higher fares. Here's what drivers see.







When drivers open their app during a surge, they see a heat map (Left). Red zones are already surging and the driver can see the multiplier. Yellow zones are busy and might surge soon. Drivers can zoom out on the map to see whole cities and head to areas with even higher multipliers if they wish (Middle). And if drivers accept a fare in a surge area, they'll also see the same lightning bolt to confirm the higher surge fare (Right).

SURGE DURING EMERGENCIES

When there is an emergency in a city—and a lot of people are trying to leave an area quickly—surge pricing may kick in automatically to respond to the spike in demand. This unfortunately happened during the hostage crisis in downtown Sydney in 2014. So we have now made it possible for Uber's teams on the ground to turn off surge pricing quickly in the event of a public emergency, such as a fire, terrorist attack or flood.

SURGE DURING PUBLIC TRANSIT STRIKES

It's incredibly hard for people to get around cities when there are public transit strikes. Because our priority is to ensure the guarantee of reliable rides--and surge is our most effective way of getting drivers on the road and into crowded areas--we leave surge on so that high demand will be met with more available drivers.

When London experienced a major tube strike in 2015, we were able to transport more than 100,000 people across the city by using surge pricing to deliver reliable rides--while our competitors, who did not use dynamic pricing, could not. Side-by-side comparisons of our app with Addison Lee, Hailo and Gett in central London rush hour revealed, for them, wait times of 85 minutes or simply no cars available, while for us, an estimated wait time of just 2 minutes at 1.9X the standard Uber fare. By keeping surge on, we can ensure that anyone who needs a ride, even in a city-wide strike, can get one in minutes.