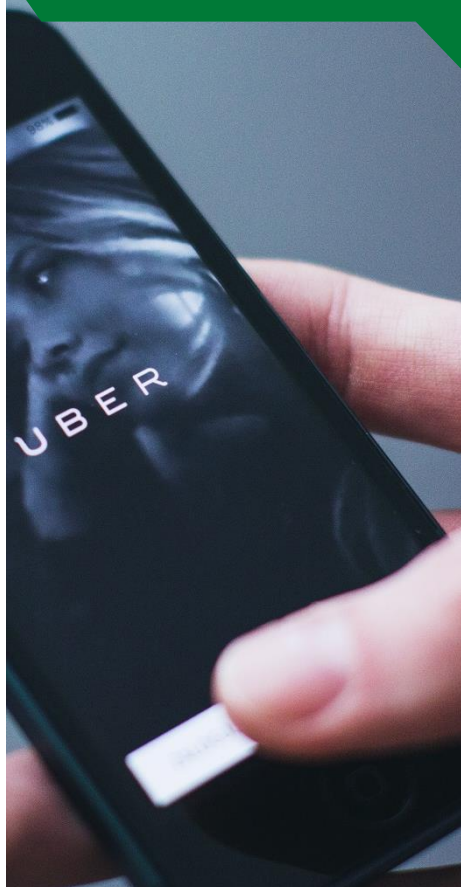


HOT TOPIC

June 2016



The Uber-All Economy

Hot Topic #2

Uber is the poster-child for the future of consumer businesses. As a car business it is not only remaking transportation but pioneering a new way forward for all categories. The Uber-all business model is attracting start-ups and investors while posing serious competition to established businesses. It is a perfect fit for what consumers want, for where the global economy is headed, and for a labour market that is already being transformed by technology. The food and drink industry is being disrupted by the Uber-all phenomenon; players in food and drink cannot afford to ignore this significant marketplace shift.

Global economic context

Despite ongoing recovery, the global economy continues to struggle. Growth is slowing in emerging markets, while the EU is dipping into recession. Wages have stagnated, inflation and prices remain weak, credit is tight, and consumer confidence is low.

Traditional business models rely on an economy that no longer exists – they rely on aspirational consumers with income to spare and motivation to buy. This is no longer an accurate reflection of the global consumer and in order to survive, businesses must adapt.

What food and drink companies need to do is not to try to run faster, but to run in a new direction. They need to transform their models to reflect what consumers truly value and what they can afford – they need to look to the model of the Uber-all economy.

The Uber-All Economy

In the context of a struggling global economy, Uber-all business models are succeeding. Such services and products differ in their form and execution from traditional models by reconfiguring how benefits of a service or product are profitably delivered to consumers.

Uber-All models offer direct substitutes for a given benefit, and can be found across categories. All benefits, whatever they are, can be made available to consumers in many ways and this is the threat to established brands posed by the Uber-All economy – competition can come in all forms, and from all directions.

Ready meals, for example, face increasing competition from food

Bord Bia
Irish Food Board

the
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company

delivery. The product benefit of a ready meal is food with minimal effort and personal resource expenditure. Food delivery services offer the same benefit – minimal time and effort – and are therefore a competitive set.



Product forms (e.g. liquid detergent) and product benefits (e.g. clean clothes) are not inextricably linked, and benefits are all that really matter to consumers. The Uber-All economy is about reconfiguring how those benefits are satisfied.



Consider another well-established, traditional category like laundry detergent for illustration. The competitive set is not just the products on a supermarket shelf but also companies that pick up a consumer's dirty laundry, clean it, and return it right away, ready to wear.

These laundry service companies are not directly substitutable with a bottle of liquid detergent or a box of detergent capsules, but they are substitutes for the benefit: clean clothes when the consumer needs them.

Finally, in the Uber-All model a service that substitutes benefits for a particular product doesn't necessarily stay within that category. Any substitution service can spread to adjacent categories, so long as it is capable of substituting the benefit that consumers want. For example, while Uber started as a taxi service it is growing to compete with any service that involves a transportation element – logistics firms, delivery services, car rental, and food delivery to name but a few.

The Uber-All model

At its essence, three components comprise the Uber-All business model:

1. Personal service

Uber is a personal service of drivers. Products and goods are also affected, not just services. Uber-all companies want to substitute their services for the products of established competitors. This is working – on-demand services are growing, while everything else is slowing.

Uber-all services become substitutes for products, converting their service element into a viable alternative of the product in the

minds and consideration sets of consumers. The core concept is conversion – if a brand is not a service, its value needs to be tied to a service, and this service should turn an idle asset into a valuable one.

2. On-demand

On-demand is about availability anytime, anywhere – specifically, availability of the benefit itself. Speed, convenience, and immediacy are the operative concepts of this provision.

Apps have been central to on-demand, but the essence is about fulfilment in any way that is fastest – while apps are the way to do this for many categories, on-demand is not about technology *per se*.

The core shift is from a 'go to' marketplace, where consumers have to go someplace for a benefit, to a 'come to' marketplace, where the benefit will come directly – and immediately – to the consumer.

This year alone, food-delivery startups (not counting Uber) have raised a collective

\$500 million

Business Insider



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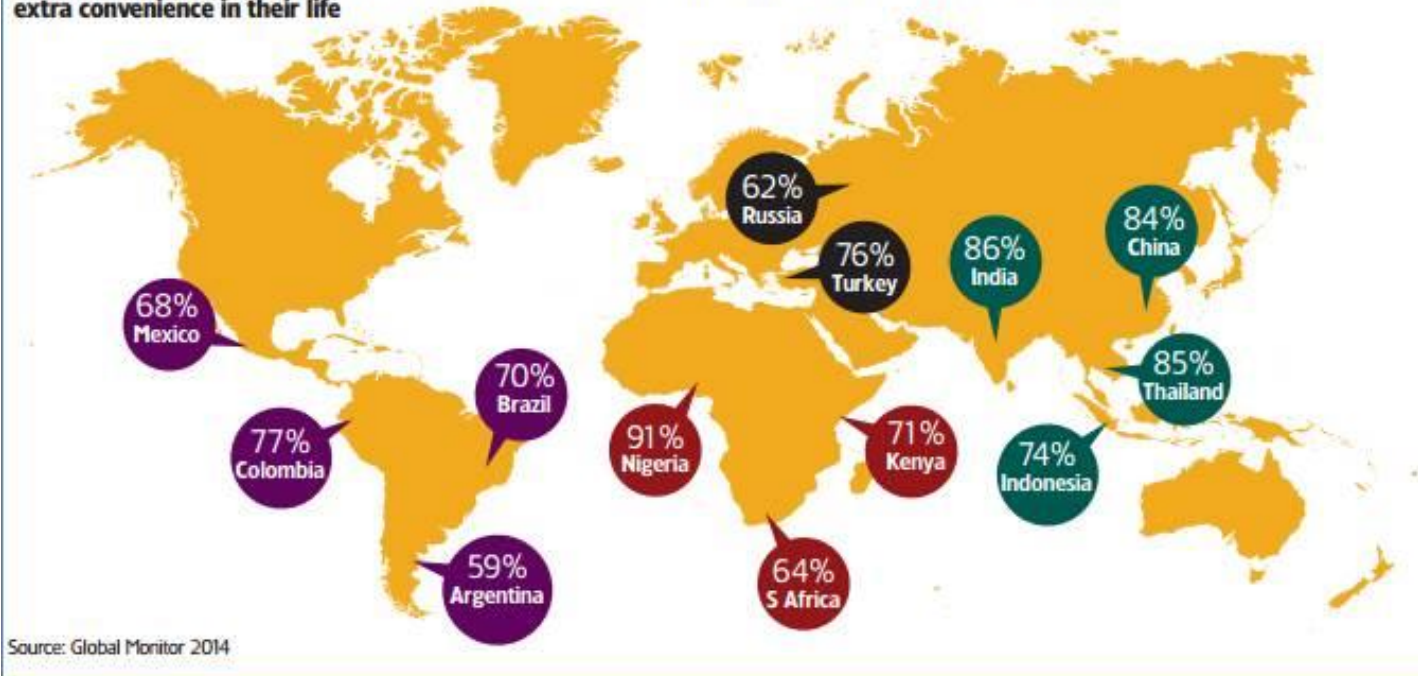
Everything is moving to on-demand. Or, to put it another way, every product is becoming a service, and every service will be available on demand [...] We see this model arise in almost every category, and food is certainly no exception.

”

J Walker Smith, Chairman, The Futures Company

FIGURE 1: Service is where the action is

Respondents who are somewhat/very likely in the next 12 months to pay for a service that provides extra convenience in their life



Uber calls its premium pricing “surge pricing”. But there are no “surge consumers”, “surge drivers”, or “surge cards”. Just “surge occasions”.



3. Pricing

In the model pricing is neither by accumulation nor about premium. The essence of the payment component is by usage, it is pay-as-you-go.

What this means is that although many on-demand services now charge a premium, the fact that they charge a premium is not integral to their business model. Similarly, the Uber-All model is not about pricing for ownership, through subscription or stocking up. With this model brands and businesses sell according to what a consumer needs in a particular moment.

The important implication of this method of pricing is that it places occasions at the very centre of the value equation. The core isn't about people, or about products but it is about isolated occasions. Most occasions are ordinary so the pricing will have to be cheap, while others will be extraordinary and able to command a premium. Uber-All capitalises on occasions for premiumisation. Ordinary occasions have flat rates that remain the same, while extraordinary occasions (where there is high demand) carry tiered rates that match demand. This is the dynamic pricing element of the model.

Individual companies adopting the Uber-All model will likely first target a niche who are willing and able to pay a premium as standard before rolling out to the masses.

This is to ensure that they are able to secure their foundations, and not because the core of the model is about premiumisation.

In summary, the Uber-all business model is...

Personal service...

From one use to another



- Idle assets
- Products-plus
- Substitution

...available on demand...

From 'go to' to 'come to'



- Mobile
- Apps
- Fulfilment

...and priced by usage

From flat-rate to tiered



- By the slice
- Occasions
- Premium

...fulfilling the needs of Personal Value Seekers

(see full trend here: bordbiaconsumerlifestyletrends.ie/personal-value-seekers/)

Case study

One of these innovative companies is San Francisco-based Sprig, delivering meals in just 15-20 minutes. Its highly intuitive mobile app lets you order seasonal lunches or dinners in three taps; prices start at \$9 and everything is fresh, organic and sustainably sourced. Delivery is local, using dynamic pricing, much like Uber, ranging from \$1 to \$4 depending on the demand.

It may be the tech hub of Silicon Valley enabling these start-ups to spring up and succeed so quickly – but now that the digital tech exists, it can be harnessed anywhere globally. Sprig is credited with bringing high quality, ‘slow food’ to fast lives and discerning people; a new player in the on-demand food delivery world opening consumers’ eyes and bellies to creative meals with a conscience.

The business statistics built up since Sprig’s inclusion in the Consumer Lifestyle Trends 2015, as a fringe start-up example, are impressive:

The image shows the Sprig website header with the logo, 'SIGN IN', and 'ORDER NOW' buttons. Below is a green banner with the text 'How Sprig Works:'. Underneath, three circular images illustrate the process: a smartphone showing the app, hands chopping vegetables, and a meal in a container next to a green Sprig bag. Each image is labeled with a step number and description.

Step 1
Choose your meals, drinks and treats from our daily rotating menu.

Step 2
Our friendly servers organize your food for delivery - hot and ready to eat!

Step 3
Your meal arrives in around 20 minutes - like a home-cooked meal without the effort!

Download the app, powered by organic & sustainably raised ingredients:

Enter phone number [TEXT ME THE APP](#)

The image displays six business statistics for Sprig, each with an icon and text:

- \$11.7m** total funding (with icons for \$1.2m seed, \$500k venture, and \$10m series A)
- 30** full-time employees (with a group of people icon)
- 260k** meals delivered in first year (with a truck icon)
- 1** month from creation to launch (with a lightbulb icon)
- ~20** minutes to get meal delivered (with a clock icon)
- 70%** repeat customers (with a fork and knife icon)

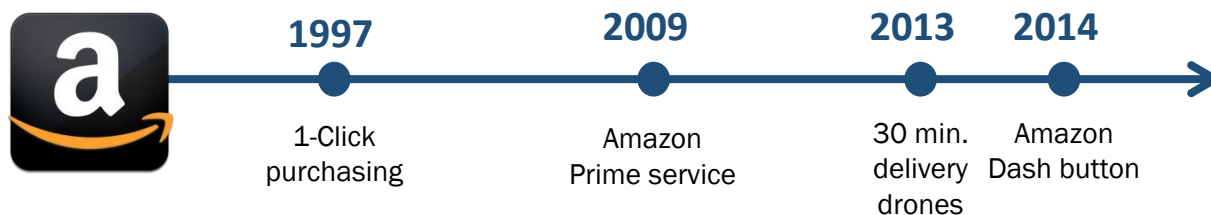
Why the Uber-All economy is a good fit for the future

The worrisome global economy has a lot to do with Uber-all being the sweet spot of opportunity in the marketplace. But whether the economy is good or bad, there are other, overarching dynamics that make the Uber-all business model a good fit. Indeed, as the economy improves, the momentum behind this business model transition will accelerate.

1. Providing service immediacy.

The future of service is about immediacy. While Amazon changed perception about speed, Uber has changed expectations that there must be a trade-off between fast and cheap. With the Uber-All model there is no speed to cost trade-off for price is driven by occasion. There simply is no slow option with Uber.

Amazon is a prime example, with a core growth element over the past twenty years being their focus on speed:



2. Unlocking value-added pricing opportunities.

Traditional approaches for brands looking for value-added premium markets is to target people who can afford to trade up, but this focus is harder than ever with the aspirational middle-class willing and able to trade up fewer and farther between. The Uber-All model targets moments and occasions which are so special or so critical that people of every means are indifferent to price – because they want (or need) the service at that moment in time, the price is worth it on that occasion.

3. Paralleling the shape of labour markets transformed by technology.

The Uber-All business model fits tightly with the future of the labour market, where the biggest factor changing employment is technological rather than economic.

In a decade's time, computers will have put

nearly half
of total US employment at risk

Oxford University: The Future of Employment

While it remains to be seen whether technology is shrinking the job market permanently, what is certain is that technology will continue to change the nature of whatever jobs remain for humans. The jobs that remain will broadly fall into two categories: jobs for people running technology or jobs in which people sell their personal services to those with jobs running technology.

What makes the Uber-All model fit so tightly with this image of the future is that it is the intersection of technology and personal services, making it a perfect analogue for the future of work.



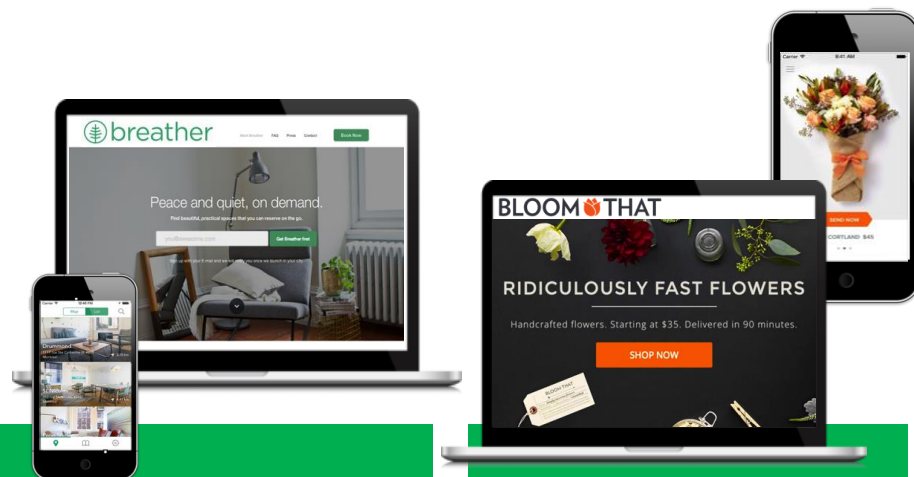
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People spend (a lot) of time buying different services and figuring out how to navigate delivery and transportation. Uber imagines a world where all the complicated logistics are taken care of. All a user has to do is press a button [...] If we can get you a car in five minutes, we can get you anything in five minutes.

”

Uber co-founder and CEO Travis Kalanick, on his vision for the company

We are witnessing the rise of Uber-all business models for almost every moment of everyday life.



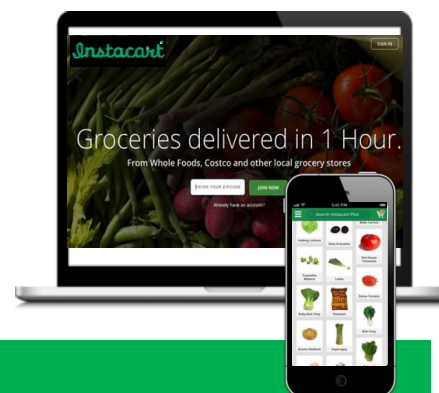
Uber-All: Places and headspaces

Breather is a service people use on-demand to find spaces in which they can be more productive, whether it's a smart work space or a fun play space or simply an inspiring, striking place to relax.

It's a first step in real estate. Homebuilders, office designers, landscape architects, take note!

Uber-All: Blooms and bouquets

Bloom That is flowers on demand, and really fast. Flowers are a product for which delivery is nothing new. But on-demand immediacy changes the game completely, and even makes flowers a viable, cross-category substitute for other gifts and remembrances with which flowers don't compete today. The Uber All Economy is going to reconfigure this competitive space.



Uber-All: Grocery retail

Instacart will it shake up retail, changing the ways consumers sort through consideration sets and step through the purchase process. Consumers will no longer encounter, sort through, evaluate and select brands in the ways in which we utilised media, point-of-sale and digital today. Thus, even as nothing but a retailing service, the Uber All business model is going to change the perceived merit of many product brands.

Planning ahead for the Uber-All economy

The overarching imperative is to Uber-ise businesses and brands. But even if they do not adopt this business model, at the very least businesses must prepare to protect themselves against competitive Uber-all businesses and brands.

Focus first on service. Where is service headed? What types of service have potential? What formats seem promising?

Second, drive immediacy. Understand the trends that are changing expectations about speed and how this matters relative to re-engineering infrastructure.

Finally, dig deeper into occasions. That's what shapes pricing and what will open up high- and low-value opportunities. The future is at hand. The Uber brand is leading the way, but the Uber-all economy is what's around the corner.

The Uber-All Economy

Questions for food and drink businesses:

1 Is your business utilising the new, digitally-enabled channels that offer consumers flexible (and exciting) ways to access goods and services on demand?

2 Are there existing partnerships could you leverage, or new partnerships could you explore, to play in the Uber-all space?

3 How can you reconfigure your product format and packaging to meet new on-the-go, on-demand expectations?

4 Are you capitalising on the new routes to consumer (any time, any place) that have been unlocked by the uber-all phenomenon?



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