The Emergence of the Sharing Economy: The Response Strategies of Pre-existing Taxi Industry Affected by Uber's Disruption

Last Modified on 06/18/2018 9:21 am EDT

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Date published: October 2016

Why did we select this research?

The tension between sharing economy firms such as Uber and incumbent industries has been palpable for a number of years in cities across the globe. In their research, "The emergence of the sharing economy: the response of pre-existing taxi industry affected by Uber's disruption", Kim and Lee take a closer look at one of Uber's biggest markets, New York City, to empirically assess the impact of the firm on the local taxi business.

Key findings

Relying on taxi data provided by the New York City Taxi and Limousine commission going back to 2009, the authors compare several dimensions of taxi trips records before and after Uber's entry in 2011. Overall, their study finds that greater competition from Uber has led to an increase in consumer welfare, without a corresponding decrease in taxi revenues.

1. Daily trips and revenues per taxi have not decreased since Uber has entered the market.
2. However, Uber has crowded out yellow taxis from central Manhattan. In response, taxis have changed the way they do business, by completing more trips in surrounding and historically undeserved boroughs. Taxis have also improved their service quality, as observed through an increase in tipping amounts.

3. Sharing economy and existing economy can complement each other and lead to consumer welfare.

Reference

Kim, K., & Lee, J. D. (2016). The Emergence of the Sharing Economy. STI Policy Review, 7(2), 60-84. Retrieved from:
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