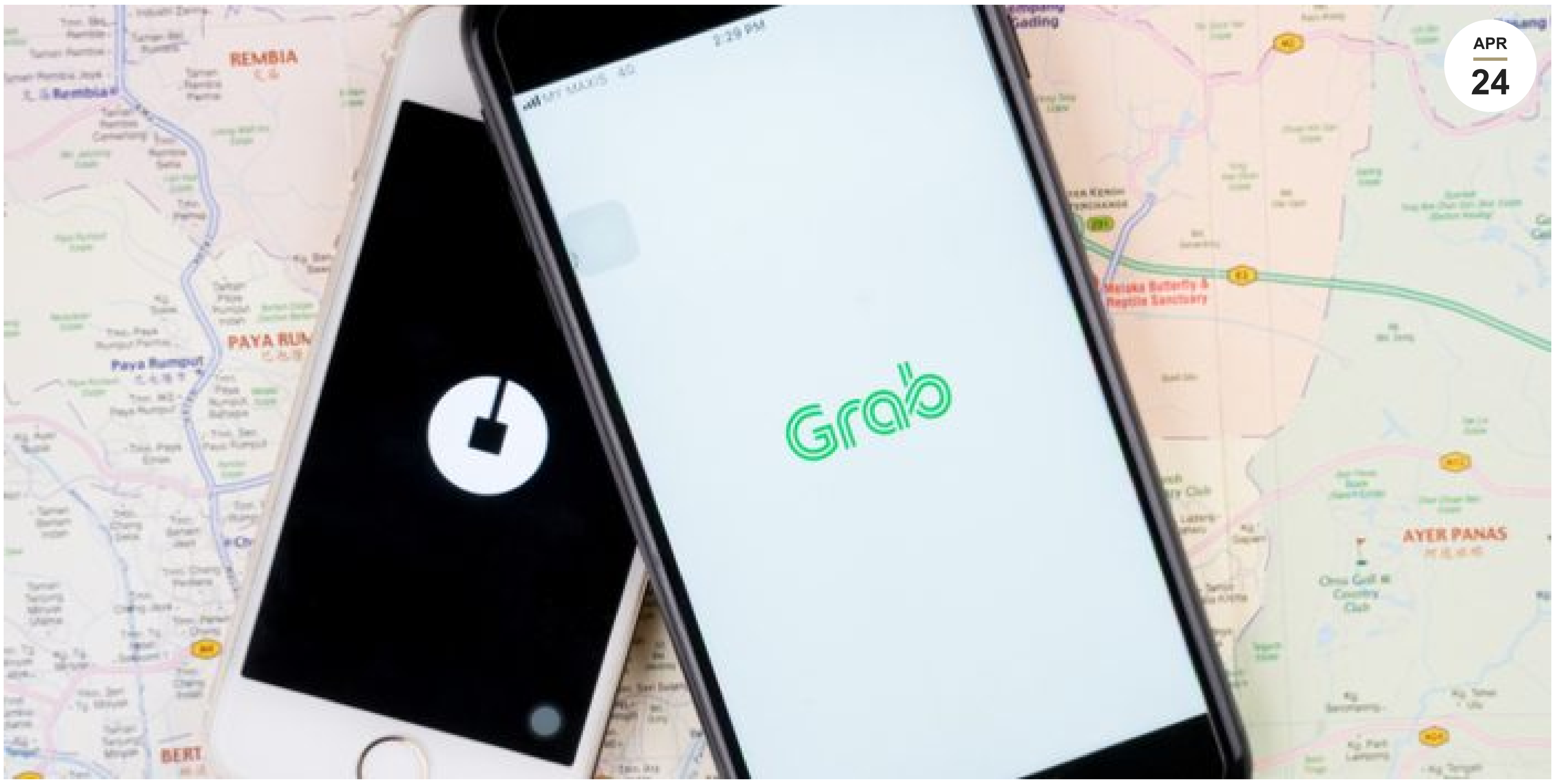

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Uber Loses the Ride-sharing Regional Battle: Or did they?

It was seemingly done and dusted even before the official announcement. The grapevine encompassing reliable driver-rider conversations had already been filled with chatter of Uber gracefully bowing out of several Southeast Asian regions for 'strategic' reasons, much akin to their exit from China's ride hailing market:

Overall sentiment towards the deal

The deal – that was announced at the end of February – will see Uber selling its entire regional business, which includes both its ride sharing and food delivery businesses, in exchange for the acquisition of between a 25 and 30 percent share of Grab. All this amongst the news of Grab being the highest venture capital funded business in the first quarter of this year, raising a more than impressive USD 2.5 billion.

The agreement between the two companies has started new threads of concern in both the consumer and driver camps. All for good reason. A seeming monopoly of the action will allow Grab to wind down on all promotions, as the competition will currently only feature local taxi companies. Drivers may also be at the brunt of fewer incentives handed out to win them over from the competition. Comfort Delgro, for example, is not a direct competitor, with terms of employment starkly different across both the ride hailing and taxi industries. Licensing. Rentals of vehicles. Payment terms. Two very different playing fields.

The deal thus far has been anything but smooth sailing. The country's competition watchdog, the Competition and Consumer Commission of Singapore ("CCCS"), has been hot on the heels of the acquisition to ensure that both companies are abiding by competition guidelines – with rallying support from the community at large.

Uber's seeming folly in the region

It was pretty much a story of who could bleed more money.

With promotions aplenty and the metaphorical wining and dining of customers and drivers to accumulate their respective databases to reap profits in the long run, Uber certainly wasn't in the market for quick profits. It was all about gaining as much traction as possible from the get-go.

That being said, the company didn't necessarily approach their target markets well. Among an uphill battle of management issues on the global front pronounced exponentially by an over-active media, Uber was clearly on the back foot when it came to scaling the Southeast Asian landscape. They clearly did not know what they were in for. Chief Executive Dara Khosrowshahi put it well, stating "One of the potential dangers of our global strategy is that we take on too many battles across too many fronts and with too many competitors".

All perhaps part of a bigger plan

If one takes a closer look at what the acquisition actually means for Uber, their situation in not as bleak as it would seem to be.

Uber exits the Southeast Asian market at an opportune time in its growth strategy moving forward. Yes, it did bleed considerable amounts of money but that seems to have been the plan from the start. An almost 30 percent stake in a company with great potential is not shoddy by any means. This would mirror their deal in China, where they appropriated almost 18 percent of the highly successful Didi Chuxing.

The deal will also allow the company to divert its attentions towards key markets such as India, doubling down to compete with other big players such as Softbank funded Ola. News of Didi planning to conquer the Mexican market – where Uber has enjoyed a monopoly – will require the company's undivided attention. Uber needs to focus, and focus it will on North America and Europe where it enjoys unrivalled success levels. All this will culminate in progress that will add to its planned IPO in 2019.

The landscape has been a two-horse race since both companies joined the local ride hailing arena. With Ryde's recent announcement to join the party, it would seem that Uber's exit is even more opportune at the moment. There has even been talk about Indonesian giant Go-Jek entering the local playing field. All this will increase competition and would have presumably chipped away at Uber's profits.

Only time will tell whether the Grab victory was a blessing in disguise or an Uber that scaled all too quickly while letting its eye on the prize slip. One thing for certain is that the global giant needs to relinquish its place as frontrunner where it can. Then it can enjoy a share in profits across regions where it was perhaps never meant to dominate such as Southeast Asia and China.